



Dave Yost • Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Manchester Local School District, Adams County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 17, 2014

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Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

As management of the Manchester Local School District, we offer readers of the Manchester Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

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

Financial Highlights

The assets of the School District exceeded its liabilities at June 30, 2014 by \$26,651,250, which represents approximately a 4 percent increase from fiscal year 2013. The increase is the result of revenues exceeding expenses.

General revenues accounted for \$10,707,952, or 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest accounted for \$3,724,292, or 26 percent of total revenues of \$14,432,244.

The School District had \$13,346,865 in expenses; approximately 28 percent of these expenses were offset by program specific charges for services and sales, and operating grants, contributions and interest. General revenues (primarily grants and entitlements and property taxes) of \$10,707,952 were adequate to provide for the remaining cost of these programs.

Using the Basic Financial Statements

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

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the Manchester Local School District as a Whole

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during 2014. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Manchester Local School District's Most Significant Funds

Fund Financial Statements

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

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

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's Net Position for fiscal years 2014 and 2013:

(Table 1)
Net Position

	Governmental Activities		
	2014	2013	Change
Assets			
Current and Other Assets	\$ 20,862,328	\$ 19,522,868	\$ 1,339,460
Capital Assets, Net	27,017,430	26,295,239	722,191
Total Assets	<u>47,879,758</u>	<u>45,818,107</u>	<u>2,061,651</u>
Liabilities			
Current and Other Liabilities	1,637,031	1,229,096	407,935
Long-Term Liabilities	11,216,507	12,251,602	(1,035,095)
Total Liabilities	<u>12,853,538</u>	<u>13,480,698</u>	<u>(627,160)</u>
Deferred Inflow of Resources			
Property Taxes	<u>8,374,970</u>	<u>6,771,538</u>	<u>1,603,432</u>
Net Position			
Net Investment In Capital Assets	16,521,202	14,652,538	1,868,664
Restricted	1,797,082	1,859,074	(61,992)
Unrestricted	8,332,966	9,054,259	(721,293)
Total Net Position	<u>\$ 26,651,250</u>	<u>\$ 25,565,871</u>	<u>\$ 1,085,379</u>

Total assets increased \$2,061,651. Equity in Pooled Cash and Cash Equivalents increased \$952,597 due to funds in reserve for the construction of the athletic building. Capital Assets, Net increased \$722,191 due to Work in Process of the Athletic Building. Property Taxes Receivable increased \$458,819 due to an increase of public utility personal property assessed valuation. Intergovernmental Receivable decreased \$63,138 due to the decrease of federal grant reimbursement payments outstanding at fiscal year-end. Accounts Receivable increased \$1,451 due to an increase in invoices outstanding at year end.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Total liabilities decreased \$627,160. Accrued Wages and Benefits Payable increased \$39,750 due to increased personnel costs. Accounts Payable decreased \$8,481 due to capital outlay expenses. Contracts Payable increased \$414,578 due to the construction of the athletic building. Intergovernmental Payables increased \$55,444 due to an increase in employee benefit costs. Accrued Interest Payable decreased \$6,075 due to the decrease in debt owed. Matured Compensated Absences Payable decreased \$87,163 due to decreases in severance payments. Long-term liabilities decreased \$1,035,095 due to payments on high school bonds, HB 264 notes and leases incurred to purchase school buses.

Total Net Position increased \$1,085,379. Unrestricted Net Position decreased \$721,293 due to the construction costs paid on the athletic building. The value of Net Investments in Capital Assets increased \$1,868,664 due to the construction of the athletic building. Restricted Net Position decreased \$61,992 due to decreases in federal grants.

Table 2 shows the changes in Net Position for fiscal years 2014 and 2013.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

(Table 2)
Change in Net Position

	2014	2013	% Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$756,561	\$693,922	9%
Operating Grants, Contributions and Interest	2,967,731	1,779,145	67%
Total Program Revenues	<u>3,724,292</u>	<u>2,473,067</u>	<u>51%</u>
General Revenues:			
Property Taxes	7,323,115	9,466,055	-23%
Grants and Entitlements not Restricted to Specific Programs	3,345,887	4,652,714	-28%
Investment Earnings	34,027	24,311	40%
Miscellaneous	4,923	9,438	-48%
Total General Revenues	<u>10,707,952</u>	<u>14,152,518</u>	<u>-24%</u>
Total Revenues	<u>14,432,244</u>	<u>16,625,585</u>	<u>-13%</u>
Program Expenses:			
Instruction:			
Regular	4,633,332	4,351,546	6%
Special	2,164,261	1,904,063	14%
Vocational	542,526	603,754	-10%
Student Intervention Services	128,801	138,241	-7%
Support Services:			
Pupils	606,303	441,553	37%
Instructional Staff	436,757	588,617	-26%
Board of Education	53,276	41,640	28%
Administration	869,202	696,960	25%
Fiscal	535,095	508,553	5%
Operation and Maintenance of Plant	984,641	865,502	14%
Pupil Transportation	739,722	677,428	9%
Central	71,299	121,116	-41%
Operation of Non-Instructional Services:			
Food Services	578,593	492,114	18%
Community Services	127,333	125,859	1%
Extracurricular Activities	387,908	308,534	26%
Interest and Fiscal Charges	487,816	693,460	-30%
Total Expenses	<u>13,346,865</u>	<u>12,558,940</u>	<u>6%</u>
Change in Net Position	1,085,379	4,066,645	-73%
Net Position at Beginning of Year	25,565,871	21,499,226	19%
Net Position at End of Year	<u>\$26,651,250</u>	<u>\$25,565,871</u>	<u>4%</u>

The statement of activities shows the cost of program services and the charges for services and sales, and operating grants, contributions and interest.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The district experienced a 9% increase in Charges for Services and Sales due to an increase in open enrollment. A 67% increase in Operating Grants, Contributions and Interest was due to changes in the state foundation formula that places restrictions on funds previously unrestricted. Property Taxes decreased 23% due to the biggest taxpayer in the district paying their taxes early in 2013. A 28% decrease in Grants and Entitlements not Restricted to Specific Programs is due to changes in the state foundation formula that places restrictions on funds previously unrestricted. Investment Earnings increased 40% due to better interest rates. Miscellaneous Revenues decreased 48% due to refunds in the previous fiscal year. Special Instruction increased 14% due to additional staff. Student Intervention Services decreased 7% due to reductions in federal grants. Pupil Support Services increased 37% due to increase in guidance staff. Instructional Staff 26% is due to a decrease in library and technology services. Board of Education 28% increase is due to increases in insurances. Administration increase of 25% due to the addition of assistant principals, and Interest and Fiscal Charges decrease of 30% is due to the bond interest payments decreasing as the principal payments increase.

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

(Table 3)

	Governmental Activities			
	Total Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
Instruction	\$7,468,920	\$6,997,604	\$5,077,754	\$5,562,174
Support Services	4,296,295	3,941,369	3,797,849	3,664,411
Operation of				
Non-Instructional Services	705,926	617,973	(7,841)	(29,615)
Extracurricular Activities	387,908	308,534	266,995	195,443
Interest and Fiscal Charges	487,816	693,460	487,816	693,460
Total Expenses	<u>\$13,346,865</u>	<u>\$12,558,940</u>	<u>\$9,622,573</u>	<u>\$10,085,873</u>

The School District's Funds

Information about the School District's major funds starts on page 14. The School District's funds are accounted for using the modified accrual basis of accounting. All funds had total revenues of \$14,410,772 and expenditures of \$15,143,462.

The General Fund saw a decrease in fund balance of \$1,425,415. This decrease was due to the transfer of funds to the Construction Fund for the construction of the athletic building. The Debt Service Fund saw a fund balance decrease of \$111,038 due to the increase in bond principal payments. The Permanent Improvement Capital Projects balance ended the year with a positive fund balance of \$2,286,841 due to the transfer from General Fund to the Construction Fund. The Construction Fund saw an increase of \$689,780 due to transfers from the General Fund.

Manchester Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014
 Unaudited

General Fund - Budget Highlights

The School District's budget is prepared according to the requirements of the State Department of Education, and is based on cash receipts, disbursements and encumbrances. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated cash balance was \$195,421 more than the final budgeted amount for the General Fund. Actual revenues were \$2,797 more than final budgeted revenues. Final budgeted expenditures were \$191,986 more than actual expenditures. Original budgeted revenues were \$290,752 less than final budgeted revenues due primarily to increases in property taxes collected, intergovernmental revenues and miscellaneous revenues. Original budgeted appropriations were \$277,682 less than final budgeted expenditures due primarily to decreases in vocational instruction. These differences represent cyclical changes that occur throughout the year and are not known at the time the original budgets are prepared.

Capital Assets

At the end of fiscal year 2014 the School District had \$27,017,430 in net capital assets.

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

	Governmental Activities	
	2014	2013
Land	\$671,166	\$665,707
Construction in Process	1,037,882	0
Land Improvements	2,326,637	2,337,395
Buildings and Improvements	21,043,545	21,367,294
Furniture, Fixtures and Equipment	1,502,913	1,585,640
Vehicles	435,287	339,203
Totals	\$27,017,430	\$26,295,239

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

Debt

At June 30, 2014, the School District had \$10,663,224 in bonds, loans and leases outstanding, with \$1,197,352 due within one year. Table 5 summarizes bonds outstanding:

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

	2014	2013
General Obligation Bonds:		
1995 School Improvement Bonds	\$2,128,774	\$3,078,709
2012 Refunding Bonds	8,062,148	8,118,383
2011 Energy Conservation Notes	435,000	465,000
2011 Fifth Third Bank Lease	37,302	73,095
Totals	\$10,663,224	\$11,735,187

The School District's overall legal debt margin was \$19,751,261 with an unvoted debt margin of \$312,387 and an Energy Conservation debt margin of \$2,376,479 at June 30, 2014.

For more information on debts and leases, refer to notes 15 and 16 in the basic financial statements.

Discretely Presented Component Unit

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

Current Issues

Construction of Athletic Building

The Board of Education selected MSA Sport as the architect to develop the plans for the athletic building in August, 2013. The project went out to bid and the construction contract was awarded in February, 2014 to Wastren Advantage, Inc. in the amount of \$4,095,200.00. As of June 30, 2014 the project is 17% complete.

Contacting the School District's Financial Management

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

Manchester Local School District

Statement of Net Position

June 30, 2014

	Primary Government	
	Governmental Activities	Component Unit
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,806,532	\$18,988
Cash and Cash Equivalents in Segregated Accounts	0	0
Prepaid Items	13,780	0
Inventory Held for Resale	10,868	0
Materials and Supplies Inventory	36,657	0
Intergovernmental Receivable	129,225	0
Property Taxes Receivable	8,855,141	0
Interest Receivable	2,262	0
Accounts Receivable	7,863	0
Capital Assets:		
Land	1,709,048	0
Depreciable Capital Assets, Net	25,308,382	5,665
Total Assets	47,879,758	24,653
Liabilities		
Accounts Payable	169,905	0
Accrued Wages and Benefits Payable	810,288	0
Contracts Payable	414,578	0
Intergovernmental Payable	204,675	0
Due to Students	1,125	0
Accrued Interest Payable	34,697	0
Matured Compensated Absences Payable	1,763	0
Long-Term Liabilities:		
Due Within One Year	1,234,520	2,197
Due in More Than One Year	9,981,987	0
Total Liabilities	12,853,538	2,197
Deferred Inflows of Resources		
Property Taxes	8,374,970	0
Net Position		
Net Investment in Capital Assets	16,521,202	0
Restricted for:		
Debt Service	1,616,690	0
Other Purposes	180,392	0
Unrestricted	8,332,966	22,456
Total Net Position	\$26,651,250	\$22,456

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$4,633,332	\$515,754	\$777,726	(\$3,339,852)	\$0
Special	2,164,261	43,507	958,710	(1,162,044)	0
Vocational	542,526	0	7,796	(534,730)	0
Student Intervention Services	128,801	0	87,673	(41,128)	0
Support Services:					
Pupils	606,303	0	58,743	(547,560)	0
Instructional Staff	436,757	0	79,653	(357,104)	0
Board of Education	53,276	19,908	0	(33,368)	0
Administration	869,202	0	0	(869,202)	0
Fiscal	535,095	359	3,772	(530,964)	0
Operation and Maintenance of Plant	984,641	1,519	28,275	(954,847)	0
Pupil Transportation	739,722	1,804	304,413	(433,505)	0
Central	71,299	0	0	(71,299)	0
Operation of Non-Instructional Services:					
Food Services	578,593	66,090	527,677	15,174	0
Community Services	127,333	0	120,000	(7,333)	0
Extracurricular Activities	387,908	107,620	13,293	(266,995)	0
Interest and Fiscal Charges	487,816	0	0	(487,816)	0
Total Governmental Activities	<u>\$13,346,865</u>	<u>\$756,561</u>	<u>\$2,967,731</u>	<u>(9,622,573)</u>	<u>0</u>
Component Unit:					
Manchester Educational Foundation	<u>\$14,084</u>	<u>\$0</u>	<u>\$27,312</u>	<u>0</u>	<u>13,228</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes				6,306,799	0
Debt Service				1,016,316	0
Grants and Entitlements not					
Restricted to Specific Programs				3,345,887	0
Investment Earnings				34,027	0
Miscellaneous				4,923	0
Total General Revenues				<u>10,707,952</u>	<u>0</u>
Change in Net Position				1,085,379	13,228
Net Position Beginning of Year				<u>25,565,871</u>	<u>9,228</u>
Net Position End of Year				<u>\$26,651,250</u>	<u>\$22,456</u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District

Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Permanent Improvement	Construction	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$5,338,863	\$1,576,214	\$ 2,286,841	\$ 2,392,287	\$212,327	\$11,806,532
Receivables:						
Property Taxes	7,711,934	1,143,207	0	0	0	8,855,141
Intergovernmental	0	0	0	0	129,225	129,225
Interest	1,391	0	401	445	25	2,262
Accounts	7,863	0	0	0	0	7,863
Inventory Held for Resale	0	0	0	0	10,868	10,868
Prepaid Items	7,796	0	0	5,466	518	13,780
Materials and Supplies Inventory	35,596	0	0	0	1,061	36,657
Total Assets	\$13,103,443	\$2,719,421	2,287,242	2,398,198	\$354,024	\$20,862,328
Liabilities						
Accounts Payable	\$167,917	\$0	\$0	\$0	\$1,988	\$169,905
Accrued Wages and Benefits Payable	674,019	0	0	0	136,269	810,288
Intergovernmental Payable	183,073	0	0	0	21,602	204,675
Matured Compensated Absences Payable	1,763	0	0	0	0	1,763
Contracts Payable	0	0	0	414,578	0	414,578
Due to Students	0	0	0	0	1,125	1,125
Total Liabilities	1,026,772	0	0	414,578	160,984	1,602,334
Deferred Inflows of Resources						
Property Taxes	7,306,936	1,068,034	0	0	0	8,374,970
Unavailable Revenue	213,325	39,207	401	445	6,435	259,813
Total Deferred Inflows of Resources	7,520,261	1,107,241	401	445	6,435	8,634,783
Fund Balances (Deficit)						
Nonspendable	43,392	0	0	5,466	1,579	50,437
Restricted	0	1,612,180	0	0	194,261	1,806,441
Assigned	0	0	2,286,841	1,977,709	16,190	4,280,740
Unassigned	4,513,018	0	0	0	(25,425)	4,487,593
Total Fund Balances	4,556,410	1,612,180	2,286,841	1,983,175	186,605	10,625,211
Total Liabilities and Fund Balances	\$13,103,443	\$2,719,421	\$2,287,242	\$2,398,198	\$354,024	\$20,862,328

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balances \$10,625,211

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land and Construction in Progress	1,709,048	
Capital assets	34,268,276	
Accumulated depreciation	(8,959,894)	
Total capital assets	27,017,430	27,017,430

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	251,141	
Intergovernmental	6,410	
Interest	2,262	
	259,813	259,813

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (34,697)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(10,190,922)	
Notes payable	(435,000)	
Capital Leases payable	(37,302)	
Compensated absences payable	(553,283)	
	(11,216,507)	(11,216,507)

Net Position of Governmental Activities \$26,651,250

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Debt Service	Permanent Improvement	Construction	All Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$6,283,387	\$1,011,909	\$0	\$0	\$0	\$7,295,296
Intergovernmental	4,292,861	441,984	0	0	1,510,820	6,245,665
Interest	20,892	0	6,106	7,033	382	34,413
Tuition and Fees	549,218	0	0	0	0	549,218
Extracurricular Activities	0	0	0	0	87,770	87,770
Customer Services	0	0	0	0	66,090	66,090
Rent	1,519	0	0	0	0	1,519
Gifts and Donations	185	0	0	0	14,493	14,678
Miscellaneous	96,273	0	0	0	19,850	116,123
Total Revenues	11,244,335	1,453,893	6,106	7,033	1,699,405	14,410,772
Expenditures:						
Current:						
Instruction:						
Regular	4,384,121	0	0	0	71,323	4,455,444
Special	1,416,306	0	0	0	651,292	2,067,598
Vocational	539,260	0	0	0	0	539,260
Student Intervention Services	40,155	0	0	0	88,646	128,801
Support Services:						
Pupils	575,689	0	0	0	0	575,689
Instructional Staff	353,280	0	0	0	79,370	432,650
Board of Education	53,276	0	0	0	0	53,276
Administration	804,228	0	0	0	0	804,228
Fiscal	486,587	37,550	0	0	5,574	529,711
Operation and Maintenance of Plant	950,538	0	0	0	0	950,538
Pupil Transportation	857,442	0	0	0	10,948	868,390
Central	56,315	0	0	0	0	56,315
Operation of Non-Instructional Services:						
Food Services	1,704	0	0	0	552,454	554,158
Community Services	5,638	0	0	0	121,695	127,333
Extracurricular Activities	191,652	0	0	93,649	111,034	396,335
Capital Outlay	0	0	30,278	1,007,604	0	1,037,882
Debt Service:						
Principal	35,793	1,079,935	0	0	0	1,115,728
Interest and Fiscal Charges	2,680	447,446	0	0	0	450,126
Total Expenditures	10,754,664	1,564,931	30,278	1,101,253	1,692,336	15,143,462
Excess of Revenue Over (Under) Expenditures	489,671	(111,038)	(24,172)	(1,094,220)	7,069	(732,690)
Other Financing Sources (Uses):						
Transfers In	0	0	133,422	1,784,000	0	1,917,422
Transfers Out	(1,917,422)	0	0	0	0	(1,917,422)
Proceeds from Sale of Capital Assets	2,336	0	30,900	0	0	33,236
Total Other Financing Sources (Uses)	(1,915,086)	0	164,322	1,784,000	0	33,236
Net Change in Fund Balances	(1,425,415)	(111,038)	140,150	689,780	7,069	(699,454)
Fund Balances Beginning of Year	5,981,825	1,723,218	2,146,691	1,293,395	179,536	11,324,665
Fund Balances End of Year	\$4,556,410	\$1,612,180	\$2,286,841	\$1,983,175	\$186,605	\$10,625,211

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds (\$699,454)

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

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

Capital assets additions	1,674,975	
Depreciation expense	(899,437)	
Excess of capital outlay under depreciation expense	775,538	775,538

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

Proceeds from Sale of Capital Assets	(33,236)	
Loss on Disposal of Capital Assets	(20,111)	
	(53,347)	(53,347)

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

Delinquent Property Taxes	27,819	
Intergovernmental	(6,347)	
	21,472	21,472

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

Amortization of bond premium	30,745	
Accretion on capital appreciation bonds	(74,510)	
Decrease in accrued interest	6,075	
	(37,690)	(37,690)

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

Bond principal retirement	1,049,935	
Note principal retirement	30,000	
Capital lease payments	35,793	
	1,115,728	1,115,728

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

Increase in Compensated Absences	(36,868)	
	(36,868)	(36,868)

Change in Net Position of Governmental Activities \$1,085,379

Manchester Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$7,065,000	\$7,308,609	\$7,308,609	\$0
Intergovernmental	4,247,416	4,325,161	4,325,160	(1)
Interest	19,014	20,928	20,835	(93)
Tuition and Fees	640,512	549,537	549,537	0
Rent	1,602	1,267	1,267	0
Gifts and Donations	0	185	185	0
Miscellaneous	32,580	91,189	94,080	2,891
Total Revenues	12,006,124	12,296,876	12,299,673	2,797
Expenditures:				
Current:				
Instruction:				
Regular	4,160,404	4,261,830	4,233,393	28,437
Special	1,328,167	1,398,725	1,378,972	19,753
Vocational	718,875	536,316	534,925	1,391
Student Intervention Services	7,133	7,581	5,833	1,748
Other	80,890	33,944	32,930	1,014
Support Services:				
Pupils	534,880	560,422	547,444	12,978
Instructional Staff	335,726	355,666	349,232	6,434
Board of Education	66,644	54,039	52,846	1,193
Administration	870,786	857,739	850,232	7,507
Fiscal	483,920	496,273	495,164	1,109
Operation and Maintenance of Plant	968,568	1,020,995	1,001,500	19,495
Pupil Transportation	817,592	933,660	858,887	74,773
Central	51,329	60,744	59,427	1,317
Operation of Non-Instructional Services:				
Food Service Operations	12,400	2,050	2,050	0
Community Services	1,643	6,006	5,292	714
Extracurricular Activities:				
Academic Oriented Activities	15,366	24,489	24,037	452
Sport Oriented Activities	154,483	179,358	165,719	13,639
Capital Outlay:				
Site Improvement Services	14,620	26,116	26,116	0
Building Improvement Services	147,334	233,936	233,904	32
Debt Service:				
Principal	35,793	35,793	35,793	0
Interest	4,127	2,680	2,680	0
Total Expenditures	10,810,680	11,088,362	10,896,376	191,986
Excess of Revenues Over Expenditures	1,195,444	1,208,514	1,403,297	194,783
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	6,436	2,336	2,336	0
Insurances Recoveries	7,262	0	0	0
Transfers Out	(1,984,739)	(1,918,060)	(1,917,422)	(638)
Total Other Financing Sources (Uses)	(1,971,041)	(1,915,724)	(1,915,086)	(638)
Net Change in Fund Balances	(775,597)	(707,210)	(511,789)	195,421
Fund Balance at Beginning of Year	5,320,475	5,320,475	5,320,475	0
Prior Year Encumbrances Appropriated	355,739	355,739	355,739	0
Fund Balance at End of Year	\$4,900,617	\$4,969,004	\$5,164,425	\$195,421

See accompanying notes to the basic financial statements

Manchester Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$113,463	\$32,347
Liabilities		
Undistributed Monies	0	\$32,347
Net Position		
Held in Trust for Scholarships	\$113,463	

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$64,124
Interest	(95)
	64,029
Total Additions	64,029
Deductions:	
Payments in Accordance with Trust Agreements	4,650
	59,379
Change in Net Position	59,379
Net Position Beginning of Year	54,084
	54,084
Net Position End of Year	\$113,463

See Accompanying Notes to the Basic Financial Statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Manchester Local School District was established in 2004 through the deconsolidation of existing land areas in the Adams County/Ohio Valley School District. The School District serves an area of approximately 115 square miles. It is located in Adams County, and includes the Villages of Manchester and Rome, all of Manchester and Sprigg Townships and portions of Green and Monroe Townships. The School District is staffed by 34 non-certificated employees, 62 certificated teaching personnel and eight administrative employees who provide services to 953 students and other community members. The School District currently operates two instructional buildings, bus garage and athletic fields.

Reporting Entity:

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

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(Continued)**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- The South Central Ohio Computer Association
- The Schools of Ohio Risk Sharing Authority, Inc.
- Ohio SchoolComp Workers’ Compensation Group Rating Plan

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

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

Basis of Presentation

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

Government-wide Financial Statements

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fiduciary Funds:

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

Measurement Focus

Government-wide Financial Statements:

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

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

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, interest and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures:

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

During fiscal year 2014, the School District’s investments were limited to certificates of deposits, Ohio State Veterans Compensation Government Bonds and STAROhio. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s net asset value per share which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$20,892, which includes \$4,748 assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the fiscal year in which services are consumed.

Inventory

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

Compensated Absences

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

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

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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

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

Net Position

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

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

Internal Activity

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary Process

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

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

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

Bond Premiums and Accretion on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds/capital lease using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Estimates

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2014, the IDEA Part B and Title II-A Special Revenue Funds had deficit fund balances of \$16,691 and \$8,734, respectively. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. The change of fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
GAAP Basis	(\$1,425,415)
Adjustments:	
Revenue Accruals	1,055,395
Expenditure Accruals	30,425
Encumbrances	(172,137)
Change in Fair Value of Investments FY 2013	2,244
Change in Fair Value of Investments FY 2014	(2,301)
Budget Basis	(\$511,789)

NOTE 5 - FUND BALANCES

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

Fund Balances	General	Debt Service	Permanent Improvement	Construction Funds	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$7,796	\$0	\$0	\$5,466	\$518	\$13,780
Inventory	35,596	0	0	0	1,061	36,657
<i>Total Nonspendable</i>	43,392	0	0	5,466	1,579	50,437
<i>Restricted for</i>						
Debt Payment	0	1,612,180	0	0	0	1,612,180
Food Service Operations	0	0	0	0	172,417	172,417
Miscellaneous Grants	0	0	0	0	385	385
District Managed Activity	0	0	0	0	10,765	10,765
Race to the Top	0	0	0	0	7,064	7,064
Title I	0	0	0	0	3,630	3,630
<i>Total Restricted</i>	0	1,612,180	0	0	194,261	1,806,441
<i>Assigned to</i>						
Capital Improvements	0	0	2,286,841	1,977,709	0	4,264,550
Other Purposes	0	0	0	0	16,190	16,190
<i>Total Assigned</i>	0	0	2,286,841	1,977,709	16,190	4,280,740
<i>Unassigned (Deficit)</i>	4,513,018	0	0	0	(25,425)	4,487,593
<i>Total Fund Balances</i>	\$4,556,410	\$1,612,180	\$2,286,841	\$1,983,175	\$186,605	\$10,625,211

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
4. Bonds and 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) above;
7. The State Treasurer's investment pool (STAR Ohio); and

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2014, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments
STAROhio	\$504,623	Average 51.4 days	50.11%
Ohio State Veterans Compensation Bonds	502,425	10/1/2015	49.89%
	\$1,007,048		

Interest Rate Risk

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

Credit Risk

The Ohio State Veterans Compensation Bonds carry a rating of Aa1 by Moodys. STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

NOTE 7 - PROPERTY TAXES

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

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

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

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

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

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014 was \$193,064 in the General Fund and \$35,966 in the Debt Service Fund. The amount available as an advance at June 30, 2013 was \$1,218,286 in the General Fund and \$183,176 in the Debt Service Fund.

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

The School District's assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second - Half Collections		2014 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$103,847,710	34.92%	\$109,393,410	35.02%
Public Utility Personal	193,519,230	65.08%	202,993,110	64.98%
Total Assessed Value	<u>\$297,366,940</u>	<u>100.00%</u>	<u>\$312,386,520</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

NOTE 8 - ELECTRIC DEREGULATION FUNDS

In fiscal year 2011, the funding was decreased by 30%. The state also decided to go back into fiscal year 2010 and make an additional 15% decrease (\$625,000) and this repayment is to be taken out of the March 2012 deregulation payment. In fiscal years 2012 and 2013, the payments have been decreased \$250,401 each year by HB 153. The current bi-annual budget bill has kept the deregulation funding at 2013 funding level.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2014, consisted of taxes, intergovernmental grants, interest, and accounts. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables will be received within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Food Service Reimbursement	\$14,447
IDEA Part B Grant	14,642
Title I Grant	80,410
Improving Teacher Quality	3,154
Race to the Top Grant	16,652
Total Intergovernmental Receivables	<u>\$129,305</u>

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	<u>7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2014</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$665,707	\$35,909	(\$30,450)	\$671,166
Construction in Progress	0	1,037,882	0	1,037,882
Total Capital Assets Not Being Depreciated	<u>665,707</u>	<u>1,073,791</u>	<u>(30,450)</u>	<u>1,709,048</u>
Capital Assets Being Depreciated:				
Land Improvements	3,203,393	73,934	0	3,277,327
Buildings and Improvements	26,285,366	220,336	(23,508)	26,482,194
Furniture, Fixtures and Equipment	3,381,492	132,748	(65,213)	3,449,027
Vehicles	993,262	174,166	(107,700)	1,059,728
Totals Capital Assets Being Depreciated	<u>33,863,513</u>	<u>601,184</u>	<u>(196,421)</u>	<u>34,268,276</u>
Less Accumulated Depreciation:				
Land Improvements	(865,998)	(84,692)	0	(950,690)
Building and Improvements	(4,918,072)	(529,854)	9,277	(5,438,649)
Furniture, Fixtures and Equipment	(1,795,852)	(212,194)	61,932	(1,946,114)
Vehicles	(654,059)	(72,697)	102,315	(624,441)
Total Accumulated Depreciation	<u>(8,233,981)</u>	<u>(899,437) *</u>	<u>173,524</u>	<u>(8,959,894)</u>
Total Capital Assets Being Depreciated, Net	<u>25,629,532</u>	<u>(298,253)</u>	<u>(22,897)</u>	<u>25,308,382</u>
Governmental Activities Capital Assets, Net	<u>\$26,295,239</u>	<u>\$775,538</u>	<u>(\$53,347)</u>	<u>\$27,017,430</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$455,053
Special	92,612
Vocational	9,075

Support Services:

Pupils	47,507
Instructional Staff	35,500
Administration	36,505
Fiscal	3,327
Operation and Maintenance of Plant	50,636
Pupil Transportation	88,745
Operation of Non-Instructional Services - Food Services	29,028
Extracurricular Activities	51,449
Total Depreciation Expense	<u>\$899,437</u>

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 11 - RISK MANAGEMENT

Property and Liability

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

The School District carries cheerleader catastrophic accident insurance through the Ohio High School Athletic Association program under National Union Fire Insurance Company of Pittsburgh, PA. Coverage is an aggregate maximum of \$450,000 per cheerleader with a \$25,000 deductible.

The School District, along with other school districts in Ohio, participates in the Schools of Ohio Risk Sharing Authority, Inc. Plan (SORSA), an insurance purchasing pool. Each individual school district enters into an agreement with SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to SORSA (See Note 18).

Insurance coverage provided includes the following:

Buildings and contents (\$0 Deductible)	\$35,624,973
Crime Coverage (\$0 Deductible)	\$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	\$15,000,000
Auto Medical Payments	\$10,000/\$25,000
Uninsured Motorist	\$1,000,000
Comprehensive and Collision (\$0 Deductible)	ACV
Garagekeepers Physical Damage (\$0 Deductible)	ACV/\$250,000 limit
General Liability	
Each Occurrence Limit	\$15,000,000
General Aggregate Limit	\$17,000,000
Errors or Omissions Limit	\$1,000,000
Fire Damage Limit (any one fire)	\$500,000
Medical Expense (per person/accident)	\$10,000/\$25,000
Medical Expense (each accident)	\$25,000
Vehicle Liability Limit	\$15,000,000

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

Workers' Compensation

For fiscal year 2014, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$157,981, \$139,421 and \$122,946, respectively. For fiscal year 2014, 91.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.st-rsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan was \$489,594 for the fiscal year ended June 30, 2014, \$544,904 for the fiscal year ended June 30, 2013, and \$489,681 for the fiscal year ended June 30, 2012. For fiscal year 2014, 80.09 percent has been contributed for the DB plan and Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. Information for contributions to the DC and Combined Plans for fiscal year 2014 is not available.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Governing Board has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$23,928 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$25,616, \$28,036, and \$33,854; respectively. For fiscal year 2014, 91.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$9,165, \$8,234 and \$7,289; respectively. For fiscal year 2014, 91.70 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$44,509, \$41,916, and \$37,668 respectively. For fiscal year 2014, 80.09 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through ReliaStar Life Insurance Company (ING) at the expense of the Board of Education. The School District has elected to provide employee medical/surgical/dental/vision benefits through United Healthcare. The cost of health, dental and vision premiums to administrative, certificated and classified employees is \$95.68, \$47.86 and \$36.58, for single coverage, respectively, and \$84.66 and \$62.86, respectively, for family coverage.

Perfect Attendance Incentive

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

Deferred Compensation

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 7/1/13	Additions	Deductions	Amount Outstanding 6/30/14	Amounts Due in One Year
<i>Governmental Activities:</i>					
1995 School Improvement Bonds \$16,801,260 - 4.55% - 5.25%	\$3,078,709	\$0	\$949,935	\$2,128,774	\$1,030,050
2012 G.O. Refunding Bonds \$7,919,936 - 1.15% - 4.00%	7,779,936	0	100,000	7,679,936	100,000
Premium	245,961	0	30,745	215,216	0
Accretion on Capital Appreciation Bonds	92,486	74,510	0	166,996	0
Total Bonds Payable	11,197,092	74,510	1,080,680	10,190,922	1,130,050
2011 Energy Conservation Notes \$500,000 - 4.25%	465,000	0	30,000	435,000	30,000
2011 Fifth Third Bank Lease \$175,610 - 4.17%	73,095	0	35,793	37,302	37,302
Compensated Absences	516,415	97,189	60,321	553,283	0
Total Governmental Activities Long-Term Obligations	<u>\$12,251,602</u>	<u>\$171,699</u>	<u>\$1,206,794</u>	<u>\$11,216,507</u>	<u>\$1,197,352</u>

School Improvement Bonds 1995 and 2012

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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

School Improvement Bonds 1995

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$1,030,050	\$112,962	\$1,143,012
2016	1,098,720	38,455	1,137,175
Total	<u>\$2,128,770</u>	<u>\$151,417</u>	<u>\$2,280,187</u>

School Improvement Bonds 2012

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$100,000	\$244,230	\$344,230
2016	100,000	242,230	342,230
2017	819,936	621,294	1,441,230
2018	1,220,000	221,405	1,441,405
2019-2022	5,440,000	421,492	5,861,492
Total	<u>\$7,679,936</u>	<u>\$1,750,651</u>	<u>\$9,430,587</u>

Energy Conservation Notes 2011

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Notes 2011

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$30,000	\$17,850	\$47,850
2016	30,000	16,575	46,575
2017	30,000	15,300	45,300
2018	30,000	14,025	44,025
2019-2023	185,000	47,919	232,919
2024-2026	130,000	8,500	138,500
Total	<u>\$435,000</u>	<u>\$120,169</u>	<u>\$555,169</u>

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$19,751,261 with an unvoted debt margin of \$312,387 and an Energy Conservation debt margin of \$2,376,479 at June 30, 2014.

NOTE 16 - CAPITALIZED LEASES – LESSEE DISCLOSURE

In fiscal year 2012, the School District entered into lease-purchase agreements for the purchase of school buses. The School District is leasing the project from Fifth Third Bank. Fifth Third Bank will retain title to the school buses during the lease term. The School District makes semi-annual lease payments to Fifth Third Bank. Interest rates are fixed. The leases are renewable annually and expire in fiscal years 2015. The intention of the School District is to renew the lease annually.

In fiscal year 2014, the School District made scheduled principal payments totaling \$35,793. The principal amount owed on the leases at fiscal year-end is \$37,302.

At fiscal year-end, capital assets under this lease have been capitalized as vehicles in the statement of net position for governmental activities in the amount of \$175,610.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 16 - CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

2011 Fifth Third Bank Leases	
Fiscal Year	Total
Ending June 30,	
2015	\$38,473
Total	38,473
Less Amount Representing Interest	(1,171)
Present Value of Minimum Lease Payments	<u>\$37,302</u>

NOTE 17 - SET-ASIDE CALCULATIONS

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

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

	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2013	\$0
Current Fiscal Year Set-aside Requirement	133,422
Qualifying Disbursements	<u>(2,191,148)</u>
Set-aside Balance Carried	
Forward to Future Fiscal Years	<u>\$0</u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

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

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education and two representatives of the school treasurers. The School District paid SCOCA \$56,809 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

NOTE 19 - INSURANCE PURCHASING POOLS

Schools of Ohio Risk Sharing Authority, Inc.

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

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

NOTE 19 - INSURANCE PURCHASING POOLS (Continued)

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

NOTE 20 - CONTINGENCIES

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 21 – DISCRETELY PRESENTED COMPONENT UNIT

Organization

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

Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 21 – DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Unrestricted

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash on hand and cash in banks, (checking and savings accounts). At June 30, the Foundation had \$19,009 in a checking account with 1st State Bank. The entire balance was covered by FDIC (Federal Deposit Insurance Corporation).

Capital Assets

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

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

Long-Term Liabilities

The Foundation had the following note outstanding at June 30, 2014:

	<u>Balance at</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2014</u>	<u>Amount Due in</u> <u>One Year</u>
<u>Notes Payable</u>					
2012 - 5.00% \$6,612	\$4,515	\$0	\$2,202	\$2,313	\$2,196

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 22 – INTERFUND TRANSFERS

Transfers are used to move revenues to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

As of June 30, 2014 transfers that resulted from various interfund transactions were as follows:

	Transfer From	Transfer To
Major Funds:		
General Fund	\$1,917,422	\$ -
Permanent Improvement Fund	-	133,422
Construction Fund	<u>-</u>	<u>1,784,000</u>
Total All Funds	<u>\$1,917,422</u>	<u>\$1,917,422</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	\$25,865	\$25,865
Cash Assistance:				
School Breakfast Program	3L70-2014	10.553	131,847	131,847
Six Cent Meal Pattern		10.555	7,121	7,121
School Snack Program	3L60-2014	10.555	11,303	11,303
School Lunch Program	3L60-2014	10.555	308,084	308,084
Summer Food Service Program for Children	3L60-2014	10.559	14,147	14,147
Cash Assistance Subtotal			<u>472,502</u>	<u>472,502</u>
Total for Child Nutrition Cluster			<u>498,367</u>	<u>498,367</u>
Fresh Fruit and Vegetable Grant		10.582	<u>32,768</u>	<u>32,768</u>
Total U.S. Department of Agriculture			<u>531,135</u>	<u>531,135</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster (IDEA):				
Special Education Grants to States				
(IDEA Part B)	3M20-2014	84.027	31,969	32,078
	3M20-2013	84.027	123,900	123,900
Total Special Education Cluster (IDEA)			<u>155,869</u>	<u>155,978</u>
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies				
	3M00-2014	84.010	53,798	72,140
	3M00-2013	84.010	422,070	421,610
Total Title I, Part A Cluster			<u>475,868</u>	<u>493,750</u>
Race To The Top - ARRA				
	3FD0-2014	84.395	16,331	19,641
	3FD0-2013	84.395	51,746	51,322
Total Race To The Top - ARRA			<u>68,077</u>	<u>70,963</u>
Twenty First Century Grant				
	3Y20-2014	84.287	99,017	99,017
Total Twenty First Century Grant			<u>99,017</u>	<u>99,017</u>
Improving Teacher Quality				
	3Y60-2014	84.367	5,763	5,763
	3Y60-2013	84.367	63,606	63,606
Total Improving Teacher Quality			<u>69,369</u>	<u>69,369</u>
Rural Education (Title VI-B)				
	3Y80-2014	84.358	529	529
	3Y80-2013	84.358	15,992	15,992
Total Rural Education (Title VI-B)			<u>16,521</u>	<u>16,521</u>
Total U.S. Department of Education			<u>884,721</u>	<u>905,598</u>
Total Federal Awards Expenditures			<u><u>\$1,415,856</u></u>	<u><u>\$1,436,733</u></u>

The accompanying notes are an integral part of this schedule.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Manchester Local School District's (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 fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Manchester Local School District, Adams County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 17, 2014.

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

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

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 17, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Manchester Local School District's (the District) 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 the Manchester Local School District's major federal program for the year ended June 30, 2104. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2014.

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.

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

September 17, 2014

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material 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)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – 10.553, 10.555, 10.559
<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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2014**