



OHIO AUDITOR OF STATE
KEITH FABER



**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY
JUNE 30, 2020**

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ADAMS COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2020, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio
March 16, 2021

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**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The management's discussion and analysis of Manchester Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- The District's net position of governmental activities increased \$1,746,315, which represents a 6.76% increase from 2019's net position (as restated - see Note 3).
- General revenues for governmental activities, accounted for \$10,829,057 in revenue or 74.75% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$3,668,247 or 25.25% of total governmental activities revenues of \$14,527,304.
- The District had \$12,780,989 in expenses related to governmental activities; only \$3,668,247 of these expenses was offset by program specific charges for services or grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,859,057 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$10,979,272 in revenues and \$10,037,528 in expenditures and other financing uses. The general fund's fund balance increased \$941,744 from \$6,415,293 to \$7,357,037.
- The debt service fund had \$916,780 in revenues and \$1,522,631 in expenditures. The bond retirement fund's fund balance decreased \$605,851 from \$1,897,753 to \$1,291,902.

Using the Basic Financial Statements (BFS)

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 District as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the debt service fund are the most significant funds, and the only governmental funds reported as major funds.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Reporting the District as a Whole

Statement of net position and the statement of activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include *all nonfiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

On the statement of net position and in the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 19 - 20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

Governmental Funds

Most of the 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 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 District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* are reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 21 - 25 of this report.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Reporting the District's Fiduciary Responsibilities

The District's fiduciary activities are reported in separate statement of net position and statement of changes in fiduciary net position on page 26 and 27. The District's fiduciary activities account for scholarship programs for which the District has no administrative involvement in the scholarship award process. These activities are reported in custodial funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29 - 69.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 72 - 87 of this report.

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**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2020 and 2019. Certain amounts for fiscal year 2019 have been restated to reflect the implementation of GASB 84 (see Note 3).

	<u>Net Position - Governmental Activities</u>	
	<u>2020</u>	<u>Restated 2019</u>
<u>Assets</u>		
Current and other assets	\$ 16,499,552	\$ 14,814,005
Net OPEB asset	635,366	627,891
Capital assets, net	<u>30,948,462</u>	<u>31,795,840</u>
Total assets	<u>48,083,380</u>	<u>47,237,736</u>
<u>Deferred outflows of resources</u>		
Pension	1,980,231	2,912,335
OPEB	<u>190,338</u>	<u>142,816</u>
Total deferred outflows	<u>2,170,569</u>	<u>3,055,151</u>
<u>Liabilities</u>		
Current liabilities	1,209,768	1,318,743
Long-term liabilities:		
Due within one year	1,474,755	1,402,574
Due in more than one year:		
Net pension liability	10,663,572	10,731,144
Net OPEB liability	941,809	1,050,255
Other amounts	<u>2,258,959</u>	<u>3,727,052</u>
Total liabilities	<u>16,548,863</u>	<u>18,229,768</u>
<u>Deferred inflows of resources</u>		
Property taxes	3,642,518	3,302,751
Pensions	1,143,349	1,503,078
OPEB	<u>1,357,775</u>	<u>1,442,161</u>
Total deferred inflows	<u>6,143,642</u>	<u>6,247,990</u>
<u>Net Position</u>		
Net investment in capital assets	27,817,681	27,279,349
Restricted	2,761,328	2,234,100
Unrestricted (deficit)	<u>(3,017,565)</u>	<u>(3,698,320)</u>
Total net position	<u>\$ 27,561,444</u>	<u>\$ 25,815,129</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Analysis of Net Position

Over time, net position can serve as a useful indicator of a District’s financial position. At June 30, 2020, the District’s assets and deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$27,561,444.

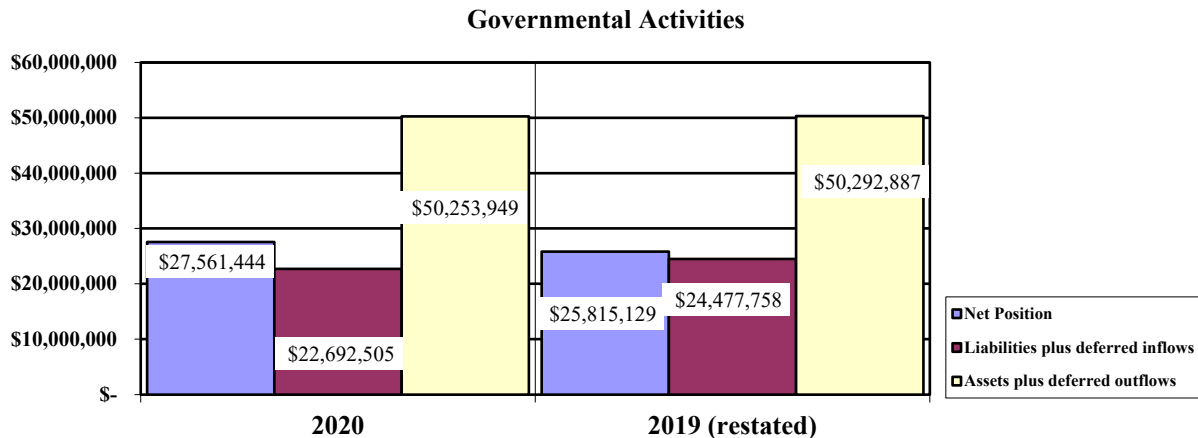
Current and other assets in increased primarily due to a \$1.3 million receivable from the State of Ohio to assist school districts with declining public utility values and power plants within the district boundaries. At year-end, capital assets represented 64.36% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and buses and other vehicles. The net investment in capital assets at June 30, 2020, was \$27,817,681. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 12 for more detail.

Long-term liabilities decreased due to a reduction in the District’s net pension liability and net OPEB liability. In addition, the District made required principal payments on long-term debt. The net pension and net OPEB liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District’s net position, \$2,761,328, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$3,017,565 which is primarily caused by the reporting of the net pension liability and net OPEB liability described on page 7.

The graph below illustrates the District’s governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2020 and 2019. Certain amounts for fiscal year 2019 have been restated to reflect the implementation of GASB 84 (see Note 3).



**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below shows the change in net position for fiscal years 2020 and 2019. Certain amounts for fiscal year 2019 have been restated to reflect the implementation of GASB 84 (see Note 3).

	Change in Net Position - Governmental Activities	
<u>Revenues</u>	2020	Restated 2019
Program revenues:		
Charges for services and sales	\$ 699,558	\$ 764,109
Operating grants and contributions	2,968,689	2,392,110
General revenues:		
Property taxes	3,974,560	5,503,345
Grants and entitlements not restricted to specific programs	6,630,863	5,755,528
Investment earnings	158,217	211,147
Miscellaneous	95,417	57,623
Total revenues	14,527,304	14,683,862
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	4,847,194	4,380,003
Special	2,218,050	2,048,387
Vocational	399,641	560,886
Other	4,817	10,498
Support services:		
Pupil	531,024	511,984
Instructional staff	251,030	225,153
Board of education	97,915	88,498
Administration	813,356	645,353
Fiscal	437,629	505,411
Operations and maintenance	1,023,708	974,866
Pupil transportation	623,909	566,051
Central	78,385	84,003
Operation of non-instructional services:		
Food service operations	523,541	534,129
Other non-instructional services	315,875	328,898
Extracurricular activities	505,642	568,379
Interest and fiscal charges	109,273	155,691
Total expenses	12,780,989	12,188,190
Change in net position	1,746,315	2,495,672
Net position at beginning of year (restated)	25,815,129	23,319,457
Net position at end of year	\$ 27,561,444	\$ 25,815,129

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Activities

The net position of the District’s governmental activities increased \$1,746,315. Total governmental expenses of \$12,780,989 were offset by program revenues of \$3,668,247 and general revenues of \$10,859,057. Program revenues supported 28.70% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements not restricted to a specific program. These two revenue sources represent 73% of total governmental revenue.

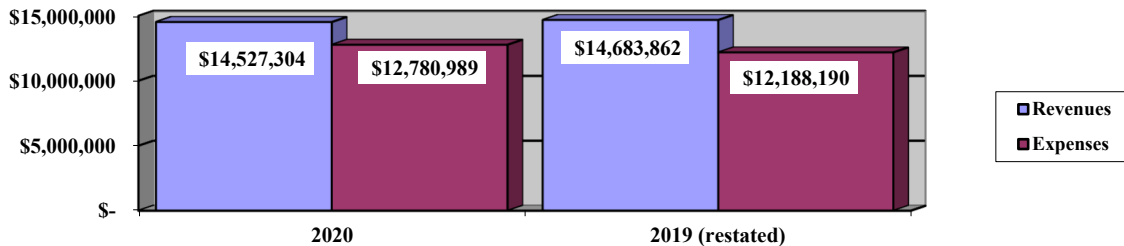
Charges for services and sales program revenue decreased primarily due to less tuition and fees revenue in fiscal year 2020. Operating grants and contributions increased due primarily to the receipt of a student wellness and success grant and a miscellaneous state grant per House Bill 166 both of which were received from the State of Ohio in fiscal year 2020.

During fiscal year 2020, the District experienced a decrease in property tax revenues due to an approximate \$36.3 million decrease in public utility personal property assessed valuation. Grants and entitlements not restricted to a particular program increased due to State of Ohio funding to help offset the reduction of public utility property tax revenue. The decrease in earnings on investment revenues is due primarily to less monies being invested in higher interest rate investments, like negotiable CD’s, in fiscal year 2020 compared to fiscal year 2019. Miscellaneous revenues were comparable to the prior year.

Overall, expenses of the governmental activities increased \$592,799 or 4.86%. On an accrual basis, the District reported \$1,289,363 and \$821,447 in pension expense for fiscal year 2020 and 2019, respectively. In addition, the District reported (\$229,447) and (\$1,371,807) in OPEB expense for fiscal year 2020 and 2019, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was \$1,610,276. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. This increase was partially offset by reduced staffing and overall budget control implemented by the District.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2020 and 2019. Amounts for fiscal year 2019 have been restated to reflect the implementation of GASB 84 (see Note 3).

Governmental Activities - Revenues and Expenses



**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2020 and 2019. It identifies the cost of services supported by tax revenue and unrestricted State grants and entitlements. Certain amounts for fiscal year 2019 have been restated to reflect the implementation of GASB 84 (see Note 3).

Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Restated Total Cost of Services 2019	Restated Net Cost of Services 2019
Instruction:				
Regular	\$ 4,847,194	\$ 4,284,421	\$ 4,380,003	\$ 3,794,672
Special	2,218,050	1,246,679	2,048,387	620,027
Vocational	399,641	337,799	560,886	542,078
Other	4,817	4,817	10,498	7,063
Support services:				
Pupil	531,024	286,045	511,984	511,984
Instructional staff	251,030	247,030	225,153	225,153
Board of Education	97,915	97,915	88,498	88,498
Administration	813,356	813,356	645,353	645,353
Fiscal	437,629	435,557	505,411	503,129
Operations and maintenance	1,023,708	(124,540)	974,866	917,399
Pupil transportation	623,909	612,517	566,051	230,366
Central	78,385	78,385	84,003	84,003
Operation of non-instructional services:				
Food service operations	523,541	152,791	534,129	85,518
Other non-instructional services	315,875	143,492	328,898	202,680
Extracurricular activities	505,642	387,205	568,379	418,357
Interest and fiscal charges	109,273	109,273	155,691	155,691
Total expenses	\$ 12,780,989	\$ 9,112,742	\$ 12,188,190	\$ 9,031,971

The dependence upon general revenues during fiscal year 2020 for governmental activities is apparent, as 66.45% of 2020 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71.30% in 2020. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

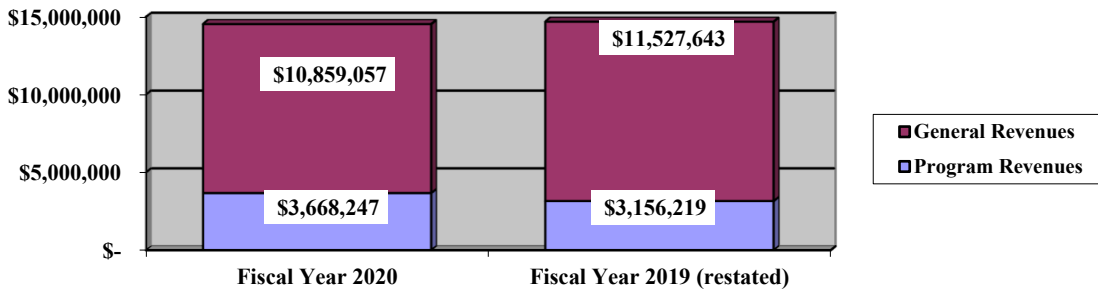
The largest fluctuation between years was in operations and maintenance expenses. This was primarily due to the receipt of a miscellaneous state grant per House Bill 166 of approximately \$1.1 million which offsets operations and maintenance in fiscal year 2020.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019. Certain amounts for fiscal year 2019 have been restated to reflect the implementation of GASB 84 (see Note 3).

Governmental Activities - General and Program Revenues



The District's Funds

During 2020 the District's governmental funds reported a combined fund balance of \$11,431,218, which is more than last year's total of \$9,932,937 (as restated). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. Amounts for fiscal year 2019 have been restated as described in Note 3.

	Fund Balance <u>June 30, 2020</u>	Restated Fund Balance <u>June 30, 2019</u>	Increase (Decrease)	Percentage Change
General	\$ 7,357,037	\$ 6,415,293	\$ 941,744	14.68 %
Debt Service	1,291,902	1,897,753	(605,851)	(31.92) %
Other Governmental	2,782,279	1,619,891	1,162,388	71.76 %
Total	<u>\$ 11,431,218</u>	<u>\$ 9,932,937</u>	<u>\$ 1,498,281</u>	15.08 %

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

General Fund

The District's general fund balance increased \$941,744. The tables below assist in illustrating the financial activities of the general fund.

	<u>2020</u>	<u>2019</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 3,529,519	\$ 4,168,818	\$ (639,299)	(15.34) %
Tuition and Fees	547,759	581,060	(33,301)	(5.73) %
Earnings on investments	133,715	156,483	(22,768)	(14.55) %
Intergovernmental	6,651,550	6,345,685	305,865	4.82 %
Other revenues	<u>116,729</u>	<u>59,867</u>	<u>56,862</u>	94.98 %
Total	<u>\$ 10,979,272</u>	<u>\$ 11,311,913</u>	<u>\$ (332,641)</u>	(2.94) %
<u>Expenditures</u>				
Instruction	\$ 6,240,727	\$ 6,783,773	\$ (543,046)	(8.01) %
Support services	3,352,475	3,740,192	(387,717)	(10.37) %
Operation of non-instructional services	136,167	174,140	(37,973)	(21.81) %
Extracurricular activities	188,159	242,549	(54,390)	(22.42) %
Facilities acquisition and construction	<u>-</u>	<u>20,200</u>	<u>(20,200)</u>	(100.00) %
Total	<u>\$ 9,917,528</u>	<u>\$ 10,960,854</u>	<u>\$ (1,043,326)</u>	(9.52) %

Property tax revenue decreased due to a decrease in assessed valuations and subsequent collections of public utility personal property taxes. Intergovernmental revenue increased due to funding from the State of Ohio to help offset the reduction in tax revenue. Investment earnings decreased primarily due to less monies being invested in higher interest rate investments, like negotiable CD's, in fiscal year 2020 compared to fiscal 2019. Other revenues increased due to more refunds and reimbursements being received in fiscal 2020.

Overall, expenditures in the general fund decreased 9.52% from the previous year. Expenditures decreased in all categories due to cost control measures implemented to offset the reduced public utility tax revenue. The District has reduced staff (both certified and classified) from 100 in fiscal 2019 to 93 in fiscal 2020. The reduced staffing correlates to reduced number of students which decreased 39 students from fiscal 2019 to fiscal 2020.

Debt Service Fund

The debt service fund had \$916,780 in revenues and \$1,522,631 in expenditures. The bond retirement fund's fund balance decreased \$605,851 from \$1,897,753 to \$1,291,902. During fiscal year 2020, the District made principal and interest payments of \$1,360,000 and \$143,730, respectively, on bond and note obligations.

Other Governmental Funds

The other governmental funds had \$2,798,490 in revenues and other financing sources and \$1,636,102 in expenditures. The other governmental fund's fund balance increased \$1,162,388 from \$1,619,891 (as restated - Note 3) to \$2,782,279. During fiscal year 2020, the District received additional state grants funding in the form of a student wellness and success grant and a miscellaneous state grant which resulted in the increase to fund balance.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During fiscal year 2020, the District made amendments its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$10,292,841 and \$9,671,469, respectively. The actual revenues and other financing sources were \$9,676,088, which was \$4,619 higher than the final budget revenues.

General fund original and final appropriations and other financing uses were \$12,222,535 and \$10,713,989, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$10,226,753, which were \$487,236 less than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2020, the District had \$30,948,462 invested in land, land improvements, buildings and improvements, furniture and equipment, and buses and other vehicles. This entire amount was reported in governmental activities. The following table shows fiscal year 2020 balances compared to 2019:

Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$ 754,455	\$ 754,455
Land improvements	3,606,434	3,745,057
Buildings and improvements	24,859,811	25,511,202
Furniture and equipment	1,206,231	1,296,472
Buses and other vehicles	521,531	488,654
Total	\$ 30,948,462	\$ 31,795,840

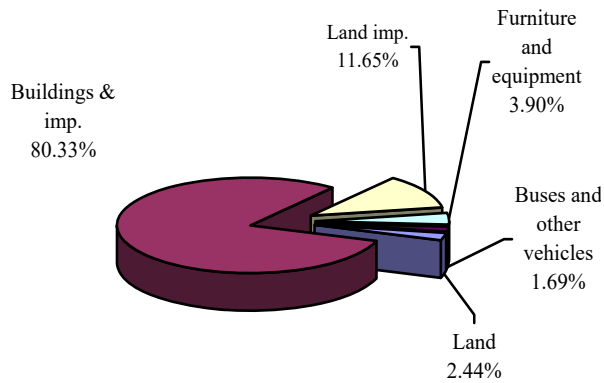
Total additions to governmental activities capital assets for 2020 were \$165,236. Governmental activities depreciation expense for fiscal year 2020 was \$1,008,456. Net disposals during fiscal year 2020 was \$4,158. Overall, governmental activities capital assets of the District decreased \$847,378.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

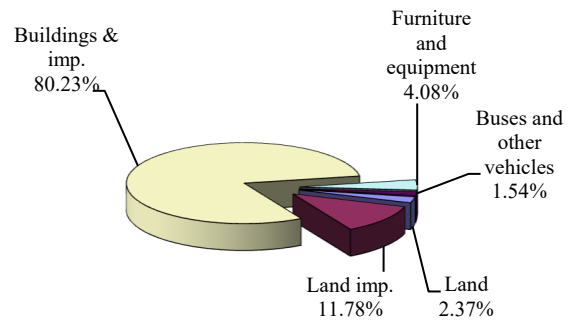
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The graphs on the following page show the breakdown of the governmental activities capital assets by category for 2020 and 2019.

Capital Assets - 2020



Capital Assets - 2019



See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

The following table summarizes the governmental activities bonds outstanding:

Outstanding Debt, at Year End

	<u>Balance June 30, 2020</u>	<u>Balance June 30, 2019</u>
General obligation bonds:		
Series 2012 Refunding Bonds	\$ 2,850,000	\$ 4,175,000
Series 2011 Energy Conservation Notes	245,000	280,000
Total	<u>\$ 3,095,000</u>	<u>\$ 4,455,000</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Current Financial Related Activities

Decrease in Personal Property Public Utility Assessed Valuation

In November 2016, the District was notified by the County Auditor that, due to the sale of Duke's holding in the electric power plants to Dynegy, the sale resulted in a \$59 million reduction in the personal property public utility assessed valuation. This resulted in an unexpected decrease of over \$750,000 in lost tax revenue for the remainder of fiscal year 2017.

The electric generation plants have two additional partners, Dayton Power & Light/AES and American Electric Power. Both partners have been preliminarily approved devaluation of the plants for tax year 2017 resulting in an \$83 million reduction in the assessed valuation, resulting in tax revenue loss of \$1.8 million in fiscal year 2018 with an accumulative total of \$2.5 million since fiscal year 2016. Dayton Power & Light/AES proposed to the Ohio Public Utility Commission to shut both plants down in June 2018 and both electric generation power plants shut down in June 2018. Equipment remained at the plants with a value of approximately \$60 million and the plants continue to pay taxes on the equipment until it has been removed, estimated to be in tax year 2019.

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

The Biennial Budget for fiscal year 2020 and 2021 froze the State foundation revenues to what was received in fiscal 2019. It also suspended any .028 adjustments (based on ORC 3317.028) temporarily for fiscal year 2020 and 2021. The .028 adjustment would have provided additional State aid if and when valuations in the district decreased by 10 percent. In June of 2020, House Bill 164 was passed and the District is to receive \$1,318,834 for fiscal year 2020.

In December 2019, the electric power plants were sold to Kingfisher Development LLC for reclamation of the properties. In tax year 2020, Kingfisher Development LLC filed a complaint on the valuation of both properties for tax year 2019. As of June 30, 2020, the complaint is still in process.

Contacting the District's Financial Management

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Component Unit
Assets:		
Equity in pooled cash and cash equivalents.	\$ 10,931,745	\$ 10,624
Cash in segregated accounts	5,035	-
Receivables:		
Property taxes	4,103,713	-
Accounts	1,739	-
Accrued interest	4,857	-
Intergovernmental	1,407,998	-
Prepayments	19,881	-
Materials and supplies inventory.	19,048	-
Inventory held for resale.	5,536	-
Net OPEB asset (Note 13)	635,366	-
Capital assets:		
Nondepreciable capital assets	754,455	-
Depreciable capital assets, net.	30,194,007	-
Capital assets, net	30,948,462	-
Total assets.	48,083,380	10,624
Deferred outflows of resources:		
Pension (Note 12)	1,980,231	-
OPEB (Note 13)	190,338	-
Total deferred outflows of resources	2,170,569	-
Liabilities:		
Accounts payable.	2,051	-
Retainage payable	5,035	-
Accrued wages and benefits payable	950,939	-
Intergovernmental payable	241,618	-
Accrued interest payable	10,125	-
Long-term liabilities:		
Due within one year.	1,474,755	-
Due in more than one year:		
Net pension liability (Note 12)	10,663,572	-
Net OPEB liability (See Note 13)	941,809	-
Other amounts due in more than one year	2,258,959	-
Total liabilities	16,548,863	-
Deferred inflows of resources:		
Property taxes levied for the next fiscal year.	3,642,518	-
Pension (Note 12)	1,143,349	-
OPEB (Note 13)	1,357,775	-
Total deferred inflows of resources	6,143,642	-
Net position:		
Net investment in capital assets	27,817,681	-
Restricted for:		
Capital projects	824	-
Debt service.	1,281,777	-
Locally funded programs	3,998	-
State funded programs.	1,225,302	-
Student activities	84,416	-
Other purposes	165,011	-
Unrestricted (deficit)	(3,017,565)	10,624
Total net position.	\$ 27,561,444	\$ 10,624

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues		Net (Expense)	Component
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
				Governmental Activities	Unit
Governmental activities:					
Instruction:					
Regular	\$ 4,847,194	\$ 490,878	\$ 71,895	\$ (4,284,421)	\$ -
Special	2,218,050	70,794	900,577	(1,246,679)	-
Vocational	399,641	-	61,842	(337,799)	-
Other	4,817	-	-	(4,817)	-
Support services:					
Pupil	531,024	-	244,979	(286,045)	-
Instructional staff	251,030	-	4,000	(247,030)	-
Board of education	97,915	-	-	(97,915)	-
Administration	813,356	-	-	(813,356)	-
Fiscal	437,629	-	2,072	(435,557)	-
Operations and maintenance	1,023,708	1,105	1,147,143	124,540	-
Pupil transportation	623,909	-	11,392	(612,517)	-
Central	78,385	-	-	(78,385)	-
Operation of non-instructional services:					
Food service operations	517,931	25,581	345,169	(147,181)	-
Other non-instructional services	321,485	1,807	170,576	(149,102)	-
Extracurricular activities	505,642	109,393	9,044	(387,205)	-
Interest and fiscal charges	109,273	-	-	(109,273)	-
Total governmental activities	<u>\$ 12,780,989</u>	<u>\$ 699,558</u>	<u>\$ 2,968,689</u>	<u>(9,112,742)</u>	<u>-</u>
Component unit:					
Karen K. Ballengee Educational Foundation	<u>\$ 5,973</u>	<u>\$ -</u>	<u>\$ 4,184</u>	<u>-</u>	<u>(1,789)</u>
General revenues:					
Property taxes levied for:					
General purposes				3,580,909	-
Debt service				393,651	-
Grants and entitlements not restricted to specific programs					
Investment earnings				6,630,863	-
Miscellaneous				158,217	-
				95,417	3,728
Total general revenues				<u>10,859,057</u>	<u>3,728</u>
Change in net position				1,746,315	1,939
Net position at beginning of year (restated)					
				<u>25,815,129</u>	<u>8,685</u>
Net position at end of year					
				<u>\$ 27,561,444</u>	<u>\$ 10,624</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 6,820,122	\$ 1,291,902	\$ 2,819,721	\$ 10,931,745
Cash in segregated accounts	5,035	-	-	5,035
Receivables:				
Property taxes	3,684,524	419,189	-	4,103,713
Accounts	1,739	-	-	1,739
Accrued interest	4,032	-	825	4,857
Intergovernmental	1,321,069	-	86,929	1,407,998
Prepayments	19,496	-	385	19,881
Materials and supplies inventory	17,939	-	1,109	19,048
Inventory held for resale	-	-	5,536	5,536
Total assets	<u>\$ 11,873,956</u>	<u>\$ 1,711,091</u>	<u>\$ 2,914,505</u>	<u>\$ 16,499,552</u>
Liabilities:				
Accounts payable	\$ 1,678	\$ -	\$ 373	\$ 2,051
Retainage payable	5,035	-	-	5,035
Accrued wages and benefits payable	834,155	-	116,784	950,939
Intergovernmental payable	227,429	-	14,189	241,618
Total liabilities	<u>1,068,297</u>	<u>-</u>	<u>131,346</u>	<u>1,199,643</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year . .	3,223,329	419,189	-	3,642,518
Delinquent property tax revenue not available . .	219,026	-	-	219,026
Intergovernmental revenue not available	2,235	-	55	2,290
Accrued interest not available	4,032	-	825	4,857
Total deferred inflows of resources	<u>3,448,622</u>	<u>419,189</u>	<u>880</u>	<u>3,868,691</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	17,939	-	1,109	19,048
Prepays	19,496	-	385	19,881
Restricted:				
Debt service	-	1,291,902	-	1,291,902
Food service operations	-	-	20,150	20,150
Special education	-	-	1,083	1,083
Other purposes	-	-	1,242,239	1,242,239
Student success and wellness	-	-	103,126	103,126
Student activities	-	-	84,031	84,031
Recreation	-	-	43,217	43,217
Committed:				
Termination benefits	430,374	-	-	430,374
Assigned:				
Student instruction	6,310	-	-	6,310
Student and staff support	104,786	-	-	104,786
Extracurricular activities	63	-	-	63
Capital improvements	-	-	1,287,163	1,287,163
Subsequent year's appropriations	1,179,334	-	-	1,179,334
Unassigned	5,598,735	-	(224)	5,598,511
Total fund balances	<u>7,357,037</u>	<u>1,291,902</u>	<u>2,782,279</u>	<u>11,431,218</u>
Total liabilities, deferred inflows and fund balances .	<u>\$ 11,873,956</u>	<u>\$ 1,711,091</u>	<u>\$ 2,914,505</u>	<u>\$ 16,499,552</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances		\$	11,431,218
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			30,948,462
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Delinquent property taxes receivable	\$	219,026	
Accrued interest receivable		4,857	
Intergovernmental receivable		2,290	
Total		226,173	226,173
Unamortized premiums on bonds issued are not recognized in the funds.			(30,746)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(10,125)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - Pension		1,980,231	
Deferred Inflows - Pension		(1,143,349)	
Net pension liability		(10,663,572)	
Total		(9,826,690)	(9,826,690)
The net OPEB liability/asset is not due and payable in the current period; therefore, liability/asset and related deferred inflows/outflows are not reported in governmental funds.			
Net OPEB asset		635,366	
Deferred outflows - OPEB		190,338	
Deferred Inflows - OPEB		(1,357,775)	
Net OPEB liability		(941,809)	
Total		(1,473,880)	(1,473,880)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(2,850,000)	
Energy conservation notes		(245,000)	
Compensated absences		(607,968)	
Total		(3,702,968)	(3,702,968)
Net position of governmental activities		\$	27,561,444

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,529,519	\$ 468,600	\$ -	\$ 3,998,119
Tuition.	547,759	-	-	547,759
Earnings on investments	133,715	-	29,402	163,117
Charges for services	-	-	26,225	26,225
Extracurricular.	13,913	-	109,393	123,306
Rental income	1,105	-	1,163	2,268
Contributions and donations	6,294	-	6,250	12,544
Other local revenues	95,417	-	33,132	128,549
Intergovernmental - state	6,587,435	448,180	1,458,049	8,493,664
Intergovernmental - federal	64,115	-	1,014,876	1,078,991
Total revenues	<u>10,979,272</u>	<u>916,780</u>	<u>2,678,490</u>	<u>14,574,542</u>
Expenditures:				
Current:				
Instruction:				
Regular.	4,286,347	-	65,028	4,351,375
Special	1,561,194	-	535,356	2,096,550
Vocational	390,386	-	-	390,386
Other	2,800	-	1,800	4,600
Support services:				
Pupil	340,211	-	141,853	482,064
Instructional staff	214,296	-	4,000	218,296
Board of education	97,548	-	-	97,548
Administration	750,729	-	-	750,729
Fiscal	402,398	18,901	1,852	423,151
Operations and maintenance	844,065	-	62,308	906,373
Pupil transportation	625,773	-	-	625,773
Central	77,455	-	-	77,455
Operation of non-instructional services:				
Food service operations.	-	-	483,628	483,628
Other operation of non-instructional.	136,167	-	165,523	301,690
Extracurricular activities	188,159	-	97,726	285,885
Facilities acquisition and construction.	-	-	77,028	77,028
Debt service:				
Principal retirement.	-	1,360,000	-	1,360,000
Interest and fiscal charges	-	143,730	-	143,730
Total expenditures	<u>9,917,528</u>	<u>1,522,631</u>	<u>1,636,102</u>	<u>13,076,261</u>
Excess of revenues over (under) expenditures	1,061,744	(605,851)	1,042,388	1,498,281
Other financing sources (uses):				
Transfers in.	-	-	120,000	120,000
Transfers (out)	(120,000)	-	-	(120,000)
Total other financing sources (uses)	<u>(120,000)</u>	<u>-</u>	<u>120,000</u>	<u>-</u>
Net change in fund balances	941,744	(605,851)	1,162,388	1,498,281
Fund balances at beginning of year (restated)	6,415,293	1,897,753	1,619,891	9,932,937
Fund balances at end of year.	<u>\$ 7,357,037</u>	<u>\$ 1,291,902</u>	<u>\$ 2,782,279</u>	<u>\$ 11,431,218</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	1,498,281
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 165,236	
Current year depreciation	<u>(1,008,456)</u>	
Total		(843,220)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(4,158)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(23,559)	
Earnings on investments	(2,701)	
Intergovernmental	<u>(20,978)</u>	
Total		(47,238)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	1,325,000	
Energy conservation notes	<u>35,000</u>	
Total		1,360,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	3,712	
Amortization of bond premiums	<u>30,745</u>	
Total		34,457
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		5,167
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		784,562
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,289,365)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		18,382
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		<u>229,447</u>
Change in net position of governmental activities	\$	<u>1,746,315</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,548,141	\$ 3,495,025	\$ 3,495,025	\$ -
Tuition	623,000	547,759	547,759	-
Earnings on investments	150,000	117,340	121,959	4,619
Rental income	1,000	1,105	1,105	-
Contributions and donations	-	3,120	3,120	-
Other local revenues	35,000	34,795	34,795	-
Intergovernmental - state	6,545,700	5,263,178	5,263,178	-
Intergovernmental - federal	200,000	85,421	85,421	-
Total revenues	10,102,841	9,547,743	9,552,362	4,619
Expenditures:				
Current:				
Instruction:				
Regular	4,854,319	4,407,842	4,292,614	115,228
Special	1,858,114	1,671,661	1,626,415	45,246
Vocational	651,599	396,944	389,041	7,903
Other	11,410	6,460	4,808	1,652
Support services:				
Pupil	593,617	403,222	358,306	44,916
Instructional staff	262,399	244,828	213,991	30,837
Board of education	136,579	139,148	127,037	12,111
Administration	755,078	770,662	749,359	21,303
Fiscal	496,033	449,814	438,857	10,957
Operations and maintenance	1,146,920	934,687	881,507	53,180
Pupil transportation	684,831	660,150	634,494	25,656
Central	76,303	83,007	76,723	6,284
Operation of non-instructional services:				
Other non-instructional services	192,323	143,326	134,043	9,283
Extracurricular activities	228,010	197,238	179,558	17,680
Facilities acquisition and construction	25,000	-	-	-
Total expenditures	11,972,535	10,508,989	10,106,753	402,236
Excess of expenditures over revenues	(1,869,694)	(961,246)	(554,391)	406,855
Other financing sources (uses):				
Refund of prior year's expenditures	45,000	45,015	45,015	-
Transfers in	50,000	-	-	-
Transfers (out)	(200,000)	(200,000)	(120,000)	80,000
Advances in	90,000	78,711	78,711	-
Advances (out)	(50,000)	(5,000)	-	5,000
Sale of capital assets	5,000	-	-	-
Total other financing sources (uses)	(60,000)	(81,274)	3,726	85,000
Net change in fund balance	(1,929,694)	(1,042,520)	(550,665)	491,855
Fund balance at beginning of year	6,795,601	6,795,601	6,795,601	-
Prior year encumbrances appropriated	400,505	400,505	400,505	-
Fund balance at end of year	\$ 5,266,412	\$ 6,153,586	\$ 6,645,441	\$ 491,855

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2020

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,220
Net position:	
Restricted for individuals	<u>\$ 3,220</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Custodial
Additions:	
Contributions and donations	\$ 425
Deductions:	
Scholarships awarded.	500
Change in net position	(75)
Net position at beginning of year (restated)	3,295
Net position at end of year	\$ 3,220

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE DISTRICT

Manchester Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The 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 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 District is staffed by 36 non-certified employees, 57 certified teaching personnel and six administrative employees who provide services to 778 students and other community members. The District currently operates two instructional buildings, a bus garage, an athletic facility building and athletic fields.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit.

The District has one discretely presented component unit and is associated with one jointly governed organization and two insurance purchasing pools. These organizations are discussed below due to their relationship to the District.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DISCRETELY PRESENTED COMPONENT UNIT

The Karen K. Ballengee Educational Foundation formerly 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 component unit column in the combined financial statements identifies the financial data of the 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 District.

See Note 20 for further information on the discretely presented component unit.

JOINTLY GOVERNED ORGANIZATION

Metropolitan Educational Technology Association (META)

The District is a participant in the Metropolitan Educational Technology Association (META) which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The Board works with META’s Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each school district’s degree of control is limited to its representation on the Board. The District paid META \$95,293 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META solutions, Ashley Widby, interim CFO, 100 Executive Drive, Marion Ohio 43302.

INSURANCE PURCHASING POOLS

Schools of Ohio Risk Sharing Authority, Inc.

The 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 District property and persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators’ errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district’s control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 4325-6483.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Ohio SchoolComp Workers' Compensation Group Rating Plan

The Ohio Schools' Council Workers' Compensation Group Rating Program (the "Plan") is 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. The plan is intended to reduce premiums for the participants. The Workers' Compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

B. Basis of Presentation

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

The statement of net position presents the financial condition of the governmental activities of the 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 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 require to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain 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 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.

C. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

Governmental funds focus 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 plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

General fund - The general fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. The District does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial fund accounts for scholarships not governed by a trust and the District does not have administrative involvement in selecting the recipient.

D. Measurement Focus

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements: All governmental funds are accounted for using a flow of current financial measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

E. 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 Nonexchange Transactions - Revenues 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 District, "available" means expected to be received within 60 days of fiscal year-end. Non-exchange transactions, in which the 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 6).

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 District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 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, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources 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 District unavailable revenue includes, delinquent property taxes, interest, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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 governmental funds.

F. Budgetary Process

All funds, other than custodial 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, 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 for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 final amended certificate in effect when the final appropriations were passed by the Board of Education.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Cash and Investments

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

During fiscal year 2020, investments were limited to negotiable certificates of deposit (negotiable CDs), U.S. government money market mutual funds, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), and STAR Plus. Except for STAR Ohio, investments are reported at fair value.

In fiscal year 2020, the District invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$133,715, which includes \$33,461 assigned to other 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 District are presented on the financial statements as cash and cash equivalents.

H. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventories consist of purchased and donated food held for resale and consumable supplies.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets

All capital assets of the District are classified as general capital assets. These 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$1,000 for its general capital assets. The 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.

All reported capital assets, except land, 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:

Description	Governmental Activities Estimated Lives
Land improvements	10 - 30 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Buses and other vehicles	5 - 10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

K. 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 District will compensate the employees for the benefits through paid time off or some other means. The 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 District's past experience of making termination payments.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. 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 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 during the current year. Bonds and other long-term obligations are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable. For the District, nonspendable fund balance at year-end consisted of materials and supplies inventory and prepayments.

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

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 District Board of Education (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2020 appropriated budget.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Estimates

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

P. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, 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.

Q. Interfund Activity

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

R. Pensions/Other Postemployment Benefits (OPEB)

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Bond Premiums

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. Bond premiums are presented as an addition to the face amount of the bonds payable. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

T. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds or private-purpose trust funds. The District reviewed its agency funds and private-purpose trust funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	\$ 6,415,293	\$ 1,897,753	\$ 1,455,156	\$ 9,768,202
GASB Statement No. 84	-	-	164,735	164,735
Restated Fund Balance, at June 30, 2019	\$ 6,415,293	\$ 1,897,753	\$ 1,619,891	\$ 9,932,937

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ 25,650,394
GASB Statement No. 84	164,735
Restated net position at June 30, 2019	\$ 25,815,129

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$3,295. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$49,091 and private-purpose trust funds reported net position of \$118,939.

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 224

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At year end, the District had \$185 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Cash in Segregated Accounts

At June 30, 2020, the District has \$5,035 in a separate depository account for a retainage payable clearing account held separate from the District’s internal investment pool. This balance of this depository account is included in “deposits with financial institutions” below.

C. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$6,843,865 and the bank balance of all District deposits was \$7,087,307. Of the bank balance, \$3,063,256 was covered by the FDIC and \$4,024,051 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District’s and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the District’s financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2020, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment Maturities			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>Greater Than 24 months</u>
<i>Fair Value:</i>					
Negotiable CD's	\$ 1,247,163	\$ 493,756	\$ 469,821	\$ 250,140	\$ 33,446
U.S. Government Money					
Market Mutual Fund	818,801	818,801	-	-	-
<i>Net Asset Value:</i>					
STAR Ohio	<u>2,029,986</u>	<u>2,029,986</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,095,950</u>	<u>\$ 3,342,543</u>	<u>\$ 469,821</u>	<u>\$ 250,140</u>	<u>\$ 33,446</u>

The weighted average maturity of investments is 0.25 years.

The District's investments in U.S. Government money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs). The District's investments in negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: The 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 District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: Standard & Poor's has assigned STAR Ohio and the U.S. government money market mutual fund an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The negotiable CD's were not rated but are fully covered by the FDIC. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District's investment policy provides that the District will diversify its investments by security, type, and institution. With the exception of direct obligations of the U.S. Treasury and STAR Ohio, no more than 90 percent of the District's total investment portfolio will be invested in a single security type or with a single financial institution. The following table includes the percentage of each investment type held by the District at June 30, 2020:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Negotiable CD's	\$ 1,247,163	30.45%
U.S. Government Money Market Mutual Fund	818,801	19.99%
<i>Net Asset Value:</i>		
STAR Ohio	<u>2,029,986</u>	<u>49.56%</u>
Total	<u>\$ 4,095,950</u>	<u>100.00%</u>

D. Reconciliation of cash and investments to the statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,843,865
Investments	4,095,950
Cash on hand	<u>185</u>
Total	<u>\$ 10,940,000</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,936,780
Custodial fund	<u>3,220</u>
Total	<u>\$ 10,940,000</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2020, consisted of the following, as reported on the fund statements:

<u>Transfers from:</u>	<u>Transfers to:</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 120,000</u>

Interfund transfers represent the use of unrestricted revenues collected in the general fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Adams County. The Adams County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$242,169 in the general fund. This amount is recorded as revenue. The amount available as an advance at June 30, 2019 was \$207,676 in the general fund and \$92,814 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 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.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 111,751,100	66.95	\$ 112,017,570	85.61
Public utility personal	<u>55,169,400</u>	<u>33.05</u>	<u>18,832,850</u>	<u>14.39</u>
Total	<u>\$ 166,920,500</u>	<u>100.00</u>	<u>\$ 130,850,420</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 35.47		\$ 26.50	

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - ELECTRIC DEREGULATION FUNDS

The District receives deregulation funding. Ohio Revised Code Section 5709.92(C)(2) provides that in fiscal year 2018 and the subsequent fiscal years, payment shall be made to school districts and joint vocational school districts based on the difference obtained by subtracting from the fiscal year 2017 reimbursement for Fixed Rate Current Operating levy losses, an amount equal to 1/16 of 1% of the 3-year average total taxable valuation of the District tax years 2014, 2015, and 2016. For each ensuing fiscal year, the exact same amount is to be subtracted from the latest annual calculation of the Fixed Rate Current Operating levy reimbursement to come up with the annual reimbursement for that year. For fiscal year 2020, based upon this calculation, the District will subtract approximately \$186,000 from the prior year deregulation funding for each ensuing fiscal year. It is estimated the last year the District will receive deregulation funding will be in fiscal year 2029.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2020 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. All receivables will be received within one year except for delinquent property taxes.

Principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 4,103,713
Accounts	1,739
Intergovernmental	1,407,998
Accrued interest	<u>4,857</u>
Total governmental activities	<u>\$ 5,518,307</u>

A breakdown of the intergovernmental receivables follows:

Governmental activities:

JV01 foundation settlement	\$ 2,235
JV19 HB164 Section 9 funding	1,318,834
IDEA Part B Grant	34,331
Title I	<u>52,598</u>
Total intergovernmental receivables	<u>\$ 1,407,998</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - CAPITAL ASSETS

Governmental capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance			Balance
Governmental activities:	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 754,455	\$ -	\$ -	\$ 754,455
Total capital assets, not being depreciated	<u>754,455</u>	<u>-</u>	<u>-</u>	<u>754,455</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,230,126	-	-	5,230,126
Buildings and improvements	33,974,159	34,588	-	34,008,747
Furniture and equipment	3,666,340	35,865	(6,019)	3,696,186
Buses and other vehicles	1,027,571	94,783	(61,084)	1,061,270
Total capital assets, being depreciated	<u>43,898,196</u>	<u>165,236</u>	<u>(67,103)</u>	<u>43,996,329</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,485,069)	(138,623)	-	(1,623,692)
Buildings and improvements	(8,462,957)	(685,979)	-	(9,148,936)
Furniture and equipment	(2,369,868)	(125,002)	4,915	(2,489,955)
Buses and other vehicles	(538,917)	(58,852)	58,030	(539,739)
Total accumulated depreciation	<u>(12,856,811)</u>	<u>(1,008,456)</u>	<u>62,945</u>	<u>(13,802,322)</u>
Total capital assets, being depreciated, net	<u>31,041,385</u>	<u>(843,220)</u>	<u>(4,158)</u>	<u>30,194,007</u>
Governmental activities capital assets, net	<u>\$ 31,795,840</u>	<u>\$ (843,220)</u>	<u>\$ (4,158)</u>	<u>\$ 30,948,462</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 397,740
Special	68,708
Vocational	5,325
Support Services:	
Pupil	46,204
Instructional staff	33,096
Administration	32,902
Fiscal	2,700
Operations and maintenance of plant	92,545
Pupil transportation	67,207
Operation of non-instructional services:	
Food service operations	32,807
Other non-instructional services	17,360
Extracurricular activities	<u>211,862</u>
Total depreciation expense	<u>\$ 1,008,456</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the year consist of the following:

	Balance			Balance	Amounts
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 20200</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
Series 2012 G.O. Refunding Bonds					
\$7,919,936 - 1.15%-4.00%	\$ 4,175,000	\$ -	\$ (1,325,000)	\$ 2,850,000	\$ 1,390,000
Premium	61,491	-	(30,745)	30,746	-
Total Bonds Payable	<u>4,236,491</u>	<u>-</u>	<u>(1,355,745)</u>	<u>2,880,746</u>	<u>1,390,000</u>
Series 2011 Energy Conservation					
Notes - \$500,00 - 4.25%	<u>280,000</u>	<u>-</u>	<u>(35,000)</u>	<u>245,000</u>	<u>35,000</u>
Net pension liability	10,731,144	40,555	(108,127)	10,663,572	-
Net OPEB liability	1,050,255	-	(108,446)	941,809	-
Compensated absences payable	<u>613,135</u>	<u>33,355</u>	<u>(38,522)</u>	<u>607,968</u>	<u>49,755</u>
Total other long-term obligations	<u>12,394,534</u>	<u>73,910</u>	<u>(255,095)</u>	<u>12,213,349</u>	<u>49,755</u>
Total governmental activities	<u>\$ 16,911,025</u>	<u>\$ 73,910</u>	<u>\$ (1,645,840)</u>	<u>\$ 15,339,095</u>	<u>\$ 1,474,755</u>

Series 2012 General Obligation Refunding Bonds - 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 middle of Adams county/Ohio Valley School District and Manchester Local School District sends Adams County/Ohio Valley School District the required 45.78 percent as payments become due.

On May 15, 1995, Adams County/Ohio Valley School District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and improvements to existing buildings. The bonds were issued for a 27 year period with final maturity on December 1, 2021. On July 1, 2004, Manchester Local School District assumed \$16,801,260 of the outstanding bond amount. On February 28, 2012, with the assistance from Ross, Sinclair & Associates, LLC, \$7,919,936 of the 1995 School Improvement Bonds were refunded to take full advantage of the current conditions in the bond market. The bond refunding was undertaken to save taxpayers of the 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. The following is a schedule of future debt service requirements for the bonds outstanding:

Series 2012 Refunding Bonds			
Fiscal Year			
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,390,000	\$ 83,280	\$ 1,473,280
2022	<u>1,460,000</u>	<u>27,740</u>	<u>1,487,740</u>
Total	<u>\$ 2,850,000</u>	<u>\$ 111,020</u>	<u>\$ 2,961,020</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2011 Energy Conservation Notes - On June 30, 2011, the District issued \$500,000 in unvoted energy conservation notes for the purpose of providing energy conservation measures. The notes were issued for 15 years with final maturity at December 1, 2025. The notes will be retired from the debt service fund from inside property tax millage funds. The following is a schedule of future debt service requirements for the notes outstanding:

Series 2011 Energy Conservation Notes			
Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 35,000	\$ 9,669	\$ 44,669
2022	40,000	8,075	48,075
2023	40,000	6,376	46,376
2024	40,000	4,676	44,676
2025	45,000	2,869	47,869
2026	45,000	956	45,956
Total	<u>\$ 245,000</u>	<u>\$ 32,621</u>	<u>\$ 277,621</u>

Net pension liability - More information on the District's net pension liability information can be found in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB liability/asset - More information on the District's net OPEB liability/asset information can be found in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated absences - will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

Legal Debt Margin

The District's overall legal debt margin was \$10,218,440 with an unvoted debt margin of \$130,850 and an Energy Conservation debt margin of \$932,654 at June 30, 2020.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The 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 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 District pays this annual premium to SORSA (See Note 2.A.)

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - RISK MANAGEMENT - (Continued)

During 2020, the District contracted with the SORSA for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Buildings and contents (\$0 Deductible)	\$ 44,839,852
Crime Coverage (\$0 Deductible)	1,000,000
Fleet Insurance Coverages	
Combined single Limit Liability	15,000,000
Auto Medical Payments	10,000/25,000
Uninsured Motorist	1,000,000
Comprehensive and Collison (\$0 Deductible)	ACV
Garagekeepers Physical Damage	ACV/250,000
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.

B. Workers' Compensation Program

For fiscal year 2020, the District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - District Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$178,688 for fiscal year 2020. Of this amount, \$14,185 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$605,874 for fiscal year 2020. Of this amount, \$97,848 is reported as intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03735680%	0.03907471%	
Proportion of the net pension liability current measurement date	<u>0.03643630%</u>	<u>0.03836199%</u>	
Change in proportionate share	<u>-0.00092050%</u>	<u>-0.00071272%</u>	
Proportionate share of the net pension liability	\$ 2,180,048	\$ 8,483,524	\$ 10,663,572
Pension expense	\$ 141,727	\$ 1,147,638	\$ 1,289,365

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 55,281	\$ 69,070	\$ 124,351
Changes of assumptions	-	996,553	996,553
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	5,767	68,998	74,765
Contributions subsequent to the measurement date	<u>178,688</u>	<u>605,874</u>	<u>784,562</u>
Total deferred outflows of resources	<u>\$ 239,736</u>	<u>\$ 1,740,495</u>	<u>\$ 1,980,231</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 36,723	\$ 36,723
Net difference between projected and actual earnings on pension plan investments	27,985	414,629	442,614
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>141,472</u>	<u>522,540</u>	<u>664,012</u>
Total deferred inflows of resources	<u>\$ 169,457</u>	<u>\$ 973,892</u>	<u>\$ 1,143,349</u>

\$784,562 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (64,049)	\$ 401,645	\$ 337,596
2022	(58,366)	(39,141)	(97,507)
2023	(1,863)	(223,958)	(225,821)
2024	<u>15,869</u>	<u>22,183</u>	<u>38,052</u>
Total	<u>\$ (108,409)</u>	<u>\$ 160,729</u>	<u>\$ 52,320</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,055,026	\$ 2,180,048	\$ 1,446,269

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 12,397,725	\$ 8,483,524	\$ 5,169,952

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - District Employees Retirement System (SERS)

Health Care Plan Description - The GDA contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the GDA's surcharge obligation was \$18,382.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$18,382 for fiscal year 2020. Of this amount, \$18,382 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03785700%	0.03907471%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03745080%</u>	<u>0.03836199%</u>	
Change in proportionate share	<u>-0.00040620%</u>	<u>-0.00071272%</u>	
Proportionate share of the net OPEB liability	\$ 941,809	\$ -	\$ 941,809
Proportionate share of the net OPEB asset	\$ -	\$ 635,366	\$ 635,366
OPEB expense	\$ (15,742)	\$ (213,705)	\$ (229,447)

At June 30, 2020, the GDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 13,825	\$ 57,601	\$ 71,426
Net difference between projected and actual earnings on OPEB plan investments	2,262	-	2,262
Changes of assumptions	68,788	13,355	82,143
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	2,413	13,712	16,125
Contributions subsequent to the measurement date	<u>18,382</u>	<u>-</u>	<u>18,382</u>
Total deferred outflows of resources	<u>\$ 105,670</u>	<u>\$ 84,668</u>	<u>\$ 190,338</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 206,909	\$ 32,326	\$ 239,235
Net difference between projected and actual earnings on OPEB plan investments	-	39,903	39,903
Changes of assumptions	52,776	696,605	749,381
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>219,571</u>	<u>109,685</u>	<u>329,256</u>
Total deferred inflows of resources	<u>\$ 479,256</u>	<u>\$ 878,519</u>	<u>\$ 1,357,775</u>

\$18,382 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (100,967)	\$ (170,848)	\$ (271,815)
2022	(77,115)	(170,846)	(247,961)
2023	(76,453)	(154,852)	(231,305)
2024	(76,561)	(149,240)	(225,801)
2025	(47,796)	(149,200)	(196,996)
Thereafter	<u>(13,076)</u>	<u>1,135</u>	<u>(11,941)</u>
Total	<u>\$ (391,968)</u>	<u>\$ (793,851)</u>	<u>\$ (1,185,819)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,143,177	\$ 941,809	\$ 781,697

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 754,580	\$ 941,809	\$ 1,190,217

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 542,159	\$ 635,366

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 720,477	\$ 635,366

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 14 - EMPLOYEE BENEFITS

A. 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 District offers a super-severance provision for teachers and administrators who retire in their first of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum of 100 days.

B. Health Care Benefits

The District provides life insurance and accidental death and dismemberment insurance to all employees through Mutual of Omaha at the expense of the Board of Education. The District has elected to provide employee medical, surgical, dental, and vision benefits through Anthem BlueCross BlueShield. Dental insurance was changed to MetLife as of October of 2019. The monthly employee cost of health, dental and vision premiums to administrative, certificated and classified employees is \$80.20, \$80.20 and \$61.44, for single coverage, respectively, and \$217.12, \$217.12 and \$165.88, respectively, for family coverage.

C. 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.

D. Deferred Compensation

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements. The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (550,665)
Net adjustment for revenue accruals	1,395,916
Net adjustment for expenditure accruals	104,206
Net adjustment for other sources/uses	(123,726)
Funds budgeted elsewhere **	600
Adjustment for encumbrances	115,413
GAAP basis	\$ 941,744

** The public school support fund is a legally budgeted as a separate special revenue fund but considered part of the general fund on a GAAP basis.

NOTE 16 - CONTINGENCIES

A. Grants

The 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 District at June 30, 2020.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 16 - CONTINGENCIES - (Continued)

B. School Foundation

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal yearend. As of date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

C. Litigation

The District is not party to litigation that, in the opinion of management, would have a material effect on the financial condition of the District.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	140,707
Current year qualifying expenditures	<u>(212,452)</u>
Total	<u>\$ (71,745)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances (less amounts encumbered in payables) in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 66,386
Nonmajor governmental	<u>3,773</u>
Total	<u>\$ 70,159</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 19 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 20 - DISCRETELY PRESENTED COMPONENT UNIT

Organization

The Karen K. Ballengee 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 GAAP. The accompanying financial statements of the Foundation present information regarding its net position and in the following category:

Unrestricted

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

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. The Foundation maintains a checking account at 1st State Bank. At June 30, 2020, the carrying amount of the Foundation checking account was \$3,220 and the bank balance of the Foundation checking account was \$11,197. The entire bank balance was covered by the FDIC.

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REQUIRED SUPPLEMENTARY INFORMATION

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03643630%	0.03735680%	0.04717800%	0.04667520%
District's proportionate share of the net pension liability	\$ 2,180,048	\$ 2,139,493	\$ 2,818,412	\$ 3,416,195
District's covered payroll	\$ 1,245,578	\$ 1,239,074	\$ 1,501,114	\$ 1,472,407
District's proportionate share of the net pension liability as a percentage of its covered payroll	175.02%	172.67%	187.75%	232.01%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04517920%	0.41127000%	0.04112700%
\$ 2,577,970	\$ 2,081,414	\$ 2,445,691
\$ 1,367,129	\$ 1,205,962	\$ 1,064,282
188.57%	172.59%	229.80%
69.16%	71.70%	65.52%

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03836199%	0.03907471%	0.04263002%	0.04218134%
District's proportionate share net pension liability	\$ 8,483,524	\$ 8,591,651	\$ 10,126,853	\$ 14,119,365
District's covered payroll	\$ 4,630,871	\$ 4,406,093	\$ 4,698,043	\$ 4,501,236
District's proportionate share of net pension liability as a percentage of its covered payroll	183.19%	194.99%	215.55%	313.68%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04185753%	0.04075001%	0.04075001%
\$ 11,568,198	\$ 9,911,813	\$ 11,806,886
\$ 4,267,121	\$ 4,263,271	\$ 4,191,569
271.10%	232.49%	281.68%
72.10%	74.70%	69.30%

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 178,688	\$ 168,153	\$ 167,275	\$ 210,156
Contributions in relation to the contractually required contribution	<u>(178,688)</u>	<u>(168,153)</u>	<u>(167,275)</u>	<u>(210,156)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,276,343	\$ 1,245,578	\$ 1,239,074	\$ 1,501,114
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 206,137	\$ 180,188	\$ 167,146	\$ 147,297	\$ 130,207	\$ 173,171
<u>(206,137)</u>	<u>(180,188)</u>	<u>(167,146)</u>	<u>(147,297)</u>	<u>(130,207)</u>	<u>(173,171)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,472,407	\$ 1,367,129	\$ 1,205,962	\$ 1,064,282	\$ 968,079	\$ 1,377,655
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 605,874	\$ 648,322	\$ 616,853	\$ 657,726
Contributions in relation to the contractually required contribution	<u>(605,874)</u>	<u>(648,322)</u>	<u>(616,853)</u>	<u>(657,726)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,327,671	\$ 4,630,871	\$ 4,406,093	\$ 4,698,043
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 630,173	\$ 597,397	\$ 554,225	\$ 544,904	\$ 489,681	\$ 605,153
<u>(630,173)</u>	<u>(597,397)</u>	<u>(554,225)</u>	<u>(544,904)</u>	<u>(489,681)</u>	<u>(605,153)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,501,236	\$ 4,267,121	\$ 4,263,271	\$ 4,191,569	\$ 3,766,777	\$ 4,655,023
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03745080%	0.03785700%	0.47753900%	0.04714040%
District's proportionate share net OPEB liability	\$ 941,809	\$ 1,050,255	\$ 1,281,590	\$ 1,343,676
District's covered payroll	\$ 1,245,578	\$ 1,239,074	\$ 1,504,114	\$ 1,472,407
District's proportionate share of net OPEB liability as a percentage of its covered payroll	75.61%	84.76%	85.38%	91.26%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03836199%	0.03907471%	0.04263002%	0.04218134%
District's proportionate share net OPEB liability/(asset)	\$ (635,366)	\$ (627,891)	\$ 1,663,266	\$ 2,255,869
District's covered payroll	\$ 4,630,871	\$ 4,406,093	\$ 4,698,043	\$ 4,501,236
District's proportionate share of net OPEB liability/asset as a percentage of its covered payroll	13.72%	14.25%	35.40%	50.12%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 18,382	\$ 29,606	\$ 26,463	\$ 25,497
Contributions in relation to the contractually required contribution	<u>(18,382)</u>	<u>(29,606)</u>	<u>(26,463)</u>	<u>(25,497)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,276,343	\$ 1,245,578	\$ 1,239,074	\$ 1,501,114
Contributions as a percentage of covered payroll	1.44%	2.38%	2.14%	1.70%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 23,168	\$ 35,306	\$ 19,656	\$ 21,094	\$ 21,580	\$ 38,480
<u>(23,168)</u>	<u>(35,306)</u>	<u>(19,656)</u>	<u>(21,094)</u>	<u>(21,580)</u>	<u>(38,480)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,472,407	\$ 1,367,129	\$ 1,205,962	\$ 1,064,282	\$ 968,079	\$ 1,377,655
1.57%	2.58%	1.63%	1.98%	2.23%	2.79%

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,327,671	\$ 4,630,871	\$ 4,406,093	\$ 4,698,043
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 42,633	\$ 41,916	\$ 37,668	\$ 46,550
-	-	(42,633)	(41,916)	(37,668)	(46,550)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,501,236	\$ 4,267,121	\$ 4,263,271	\$ 4,191,569	\$ 3,766,777	\$ 4,655,023
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

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**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non- Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	42,686
Cash Assistance:			
National School Lunch Program	10.555	3L60	184,891
Covid - 19 National School Lunch Program	10.555	3L60	44,056
Total CFDA 10.555			<u>271,633</u>
National School Breakfast Program	10.553	3L60	68,498
Covid - 19 National School Breakfast Program	10.553	3L60	5,629
Total CFDA 10.553			<u>74,127</u>
Total Child Nutrition Cluster			<u>345,760</u>
Total U.S. Department of Agriculture			<u>345,760</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
IDEA PART B	84.027	3M20-2019	34,463
IDEA PART B	84.027	3M20-2020	169,803
6B IDEA RESTORATION	84.027		3,724
6B IDEA RESTORATION	84.027		55
Total Special Education Cluster			<u>208,045</u>
TITLE I Grants to Local Educational Agencies	84.010	3M00-2020	8,875
TITLE I Grants to Local Educational Agencies	84.010	3M00-2019	55,304
TITLE I Grants to Local Educational Agencies	84.010		271,548
Total Title I			<u>335,727</u>
TITLE II-A- Improving Teacher Quality	84.367	3Y60-2019	5,475
TITLE II-A- Improving Teacher Quality	84.367	3Y60-2020	39,472
Total Title II-A- Improving Teacher Quality			<u>44,947</u>
TITLE VI-B RURAL & LOW INCOME	84.358	3Y87-2020	19,425
TITLE IV-A	84.424A		22,434
Total U.S. Department of Education			<u>630,578</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health</i>			
CREATING HEALTHY COMMUNITIES	93.758		61,677
Total U.S. Department of Education			<u>61,677</u>
Total Expenditures of Federal Awards			<u><u>\$1,038,015</u></u>

The accompanying notes are an integral part of this schedule.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Manchester Local School District (the District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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

NOTE F - 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.

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 10,329.84
IDEA-B Special Education	84.027	\$ 13,538.12
Title I Non-Competitive SSI	84.010	\$ 23,625.00
Title II-A Supporting Effective Instruction	84.367	\$ 115.88
Title IV-A Student Support and Academic Enrichment	84.424A	\$ 3,677.40
Title V-B Rural and Low-Income	84.358	\$ 158.89
6B IDEA Restoration	84.027	\$ 1,252.96

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
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SouthwestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Manchester Local School District, Adams County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2021. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
March 16, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Manchester Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Manchester Local School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Manchester Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio
March 16, 2021

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA 10.555 and 10.553 Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

OHIO AUDITOR OF STATE KEITH FABER



MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/30/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov