



Mary Taylor, CPA
Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 remaining fund information of Manchester Local School District, Adams County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 19, 2009

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

As management of the Manchester Local School District, we offer readers of the Manchester Local School District's basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2009. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

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

Financial Highlights

The assets of the School District exceeded its liabilities at June 30, 2009 by \$13,046,642 which represents a 27 percent increase from 2008. The increase is the result of revenues exceeding expenses. The main revenue increase was in operating grants.

General revenues accounted for \$14,302,176 or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions, and interest, and capital grants and contributions accounted for \$2,200,533 or 13 percent of total revenues of \$16,502,709.

The School District had \$13,759,844 in expenses; 16 percent of these expenses were offset by program specific charges for services and sales, and operating grants, contributions and interest, and capital grants and contributions. General revenues (primarily grants and entitlements and property taxes) of \$14,302,176 were adequate to provide for the remaining cost of these programs.

Using the Basic Financial Statements

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

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the Manchester Local School District as a Whole

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during 2009. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Manchester Local School District's Most Significant Funds

Fund Financial Statements

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

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

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2009 and 2008:

(Table 1)
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$13,328,184	\$15,012,905	(\$1,684,721)
Capital Assets, Net	27,463,250	27,095,937	367,313
Total Assets	40,791,434	42,108,842	(1,317,408)
Liabilities			
Long-Term Liabilities	(19,530,683)	(22,385,822)	2,855,139
Other Liabilities	(8,214,109)	(9,419,243)	1,205,134
Total Liabilities	(27,744,792)	(31,805,065)	4,060,273
Net Assets			
Invested in Capital Assets, Net of Related Debt	8,625,985	5,399,743	3,226,242
Restricted	2,540,397	2,446,310	94,087
Unrestricted	1,880,260	2,457,724	(577,464)
Total Net Assets	\$13,046,642	\$10,303,777	2,742,865

Total assets decreased \$1,317,408. Equity in Pooled Cash and Cash Equivalents decreased \$1,340,688 due to the use of funds for the construction of the New Manchester Elementary and debt payments being made on the capital leases and bonds, while Cash and Cash Equivalents with Escrow Agents decreased \$466,979 due to releasing contractors' retainage accounts. Capital Assets Net increased \$367,313 due to the New Elementary building being completed. Deferred Charges decreased \$10,133 due to the amortization of lease processing costs. Taxes Receivable increased \$147,935 due to an increase in tax revenue. Interest Receivable decreased \$44,314 due to the construction funds being used and not available for investing and the fall of interest rates due to the market conditions. Materials and Supply Inventory increased \$26,060 due to increased purchasing at the elementary and bus garage, and Intergovernmental Receivables decreased \$1,358 due to reimbursement payments outstanding at year end.

Total liabilities decreased \$4,060,273. Contracts Payable decreased \$580,356 due to the completion of the New Elementary building construction contracts. Accrued Wages and Benefits increased \$51,129 due to increased personnel costs. Accounts Payable decreased \$337,931 due to the completion of the New Elementary building. Deferred Revenue increased \$140,329 due to an increase in tax revenues. Accrued Interest Payable decreased \$19,452 due to the decrease in debt owed. Matured Compensated Absences Payable decreased \$13,837 due to a decrease in severance liability. Long-term liabilities decreased \$2,855,139 due to payments on loans, and the leases incurred to build the new elementary and purchase school buses.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Total Net Assets increased \$2,742,865. Unrestricted Net Assets decreased \$577,464 due to using saved deregulation revenues for the payment of the new elementary lease. The value of Invested in Capital Assets, Net of Related Debt increased \$3,226,242 due to the reduction of debt during the year.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

(Table 2)

Change in Net Assets

	2009	2008	% Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$616,965	\$654,916	-6%
Operating Grants, Contributions, and Interest	1,530,600	1,089,229	41%
Capital Grants and Contributions	52,968	0	0%
Total Program Revenues	<u>2,200,533</u>	<u>1,744,145</u>	
General Revenues:			
Property Taxes	7,601,008	7,161,851	6%
Grants and Entitlements not Restricted to Specific Programs	6,546,498	6,561,657	0%
Gifts and Donations	1,723	681	0%
Investment Earnings	128,589	451,411	-72%
Miscellaneous	24,358	27,931	-13%
Total General Revenues	<u>14,302,176</u>	<u>14,203,531</u>	1%
Total Revenues	<u>16,502,709</u>	<u>15,947,676</u>	3%
Program Expenses:			
Instruction			
Regular	4,644,572	4,256,888	9%
Special	1,838,233	1,392,721	32%
Vocational	1,044,508	933,229	12%
Student Intervention Services	92,777	89,789	3%
Support Services			
Pupils	484,281	477,223	1%
Instructional Staff	592,400	435,460	36%
Board of Education	87,209	107,164	-19%
Administration	820,546	804,704	2%
Fiscal	442,477	386,371	15%
Operation and Maintenance of Plant	1,073,745	942,455	14%
Pupil Transportation	605,938	608,515	0%
Operation of Non-Instructional Services:			
Food Services	582,168	479,587	21%
Extracurricular Activities	301,577	225,045	34%
Interest and Fiscal Charges	1,149,413	1,262,333	-9%
Total Expenses	<u>13,759,844</u>	<u>12,401,484</u>	11%
Change in Net Assets	2,742,865	3,546,192	-23%
Net Assets at Beginning of Year	<u>10,303,777</u>	<u>6,757,585</u>	52%
Net Assets at End of Year	<u>\$13,046,642</u>	<u>\$10,303,777</u>	27%

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

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

There were several areas in the 2008-2009 Statement of Net Assets that had an increase or decrease of over 30% in comparison to 2007-2008 Statement of Net Assets. These areas were: operating grants revenue rose 41% due to additional funding in the Title I program, investment earnings decreased 72% due to market conditions and losing the funds available for investment in the construction fund due to the building of the new elementary building, special instruction rose 32% due to additional services provided under the Title I grant, instructional staff support increased by 36% due to the addition of a curriculum project director, and extracurricular expenses increased by 34% due to the cost of personnel for the varsity football program.

The twenty seven percent (27%) end of the year increase in Net Assets between fiscal year 2007-2008 and 2008-2009 is due to revenues exceeding expenses adding to the value of Net Capital Asset.

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

(Table 3)

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2009	Net Cost of Services 2008
Instruction	\$7,620,090	\$6,672,627	(\$6,416,505)	(\$5,665,499)
Support Services	4,106,596	3,761,892	(3,798,985)	(3,572,363)
Operation of Non-Instructional Services	582,168	479,587	(79,700)	(61,241)
Extracurricular Activities	301,577	225,045	(114,708)	(95,903)
Interest and Fiscal Charges	1,149,413	1,262,333	(1,149,413)	(1,262,333)
Total Expenses	<u>\$13,759,844</u>	<u>\$12,401,484</u>	<u>(\$11,559,311)</u>	<u>(\$10,657,339)</u>

The School District's Funds

Information about the School District's major funds starts on page 12. The School District's funds are accounted for using the modified accrual basis of accounting. All funds had total revenues of \$16,411,856 and expenditures of \$16,971,443.

The General fund saw an increase in fund balance of \$647,962. This increase was due to an increase in property taxes. The Debt Service fund saw a fund balance increase \$102,172 due to an increase in property taxes. The Construction fund saw a decrease in fund balance \$1,229,817 which was due primarily to the expending of funds for construction costs of the new elementary.

Manchester Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2009
 Unaudited

General Fund - Budget Highlights

The School District's budget is prepared according to the requirements of the State Department of Education, and is based on cash receipts, disbursements and encumbrances. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated cash balance was \$330,024 more than the final budgeted amount for the General Fund. Actual revenues were \$6,139 above final budgeted revenues. Final budgeted expenditures were \$314,597 more than actual expenditures. Original budgeted revenues were \$518,951 less than final budgeted revenues due primarily to increases in property taxes and intergovernmental monies received during the year. Original budgeted appropriations were \$271 less than final budgeted expenditures due primarily to decreases in personnel costs. These differences represent cyclical changes that occur throughout the year and are not known at the time the original budgets are prepared.

Capital Assets

At the end of fiscal year 2009 the School District had \$27,463,250 invested in capital assets.

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

	Governmental Activities	
	2009	2008
Land	\$663,257	\$671,057
Construction in Process	2,188	13,810,889
Land Improvements	2,636,087	1,983,186
Buildings and Improvements	22,003,824	9,510,910
Furniture, Fixtures and Equipment	1,726,330	683,231
Vehicles	431,564	436,664
Totals	\$27,463,250	\$27,095,937

For more information on capital assets, see Note 8 to the basic financial statements.

Debt

At June 30, 2009, the School District had \$18,867,647 in bonds, loans and leases outstanding, with \$2,388,044 due within one year. Table 5 summarizes bonds outstanding:

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

(Table 5)
Outstanding Debt, at Year-End

	2009	2008
General Obligation Bonds:		
1995 4.55%-5.25% School Improvement Bonds	\$14,100,240	\$14,741,160
2006 OASBO Lease	4,532,000	6,652,000
2002 4.33-5.92% Energy Conservation Bonds	165,680	248,084
2007 Fifth Third Bank Lease	69,727	95,464
Totals	\$18,867,647	\$21,736,708

The School District's overall legal debt margin was \$10,224,902 with an unvoted debt margin of \$270,279 and an Energy Conservation debt margin of \$2,266,834 at June 30, 2009.

For more information on debts and leases, refer to notes 13 and 14 in the basic financial statements.

Current Issues

Deregulation Funding

The School District expects to lose fourteen million dollars (\$14,000,000) over the next seven years due to a legislative change in the deregulation law. The District has contacted their representatives and has been in discussion about a possible reversal; however at this time the law has not been modified to hold the District harmless from deregulation payment decreases for the next biannual budget.

Contacting the School District's Financial Management

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

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Manchester Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,732,366
Cash and Cash Equivalents with Escrow Agents	\$39,134
Prepaid Items	10,301
Inventory Held for Resale	11,420
Materials and Supplies Inventory	50,057
Intergovernmental Receivable	195,416
Property Taxes Receivable	7,233,314
Interest Receivable	21,650
Accounts Receivable	4,144
Deferred Charges	30,382
Capital Assets:	
Land and Construction in Process	665,445
Depreciable Capital Assets, Net	<u>26,797,805</u>
Total Assets	<u>40,791,434</u>
Liabilities	
Accounts Payable	75,671
Accrued Wages and Benefits Payable	757,599
Contracts Payable	2,901
Intergovernmental Payable	248,555
Due to Students	2,107
Deferred Revenue	6,976,702
Accrued Interest Payable	105,432
Matured Compensated Absences Payable	6,008
Retainage Payable	39,134
Long-Term Liabilities:	
Due Within One Year	2,421,884
Due in More Than One Year	<u>17,108,799</u>
Total Liabilities	<u>27,744,792</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,625,985
Restricted for:	
Debt Service	2,434,366
Other Purposes	106,031
Unrestricted	<u>1,880,260</u>
Total Net Assets	<u><u>\$13,046,642</u></u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$4,644,572	\$295,498	\$84,431	\$0	(\$4,264,643)
Special	1,838,233	27,629	725,069	0	(1,085,535)
Vocational	1,044,508	0	0	0	(1,044,508)
Other	92,777	0	70,958		(21,819)
Support Services:					
Pupils	484,281	0	58,460	0	(425,821)
Instructional Staff	592,400	0	104,676	0	(487,724)
Board of Education	87,209	0	0	0	(87,209)
Administration	820,546	0	55,622	0	(764,924)
Fiscal	442,477	0	0	0	(442,477)
Operation and Maintenance of Plant	1,073,745	0	15,545	0	(1,058,200)
Pupil Transportation	605,938	0	73,308	0	(532,630)
Operation of Non-Instructional Services:					
Food Services	582,168	161,593	340,875	0	(79,700)
Extracurricular Activities	301,577	132,245	1,656	52,968	(114,708)
Interest and Fiscal Charges	1,149,413	0	0	0	(1,149,413)
Total Governmental Activities	\$13,759,844	\$616,965	\$1,530,600	\$52,968	(11,559,311)
General Revenues:					
Property Taxes Levied for:					
General Purposes					6,414,592
Debt Service					1,186,416
Grants and Entitlements not					
Restricted to Specific Programs					6,546,498
Gifts and Donations not					
Restricted to Specific Programs					1,723
Investment Earnings					128,589
Miscellaneous					24,358
Total General Revenues					14,302,176
Change in Net Assets					2,742,865
Net Assets Beginning of Year					10,303,777
Net Assets End of Year					\$13,046,642

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District

Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	Construction	All Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,878,993	\$2,495,219	\$ 218,051	\$140,103	\$5,732,366
Restricted Assets:					
Cash and Cash Equivalents with Escrow Agents	0	0	39,134	0	39,134
Receivables:					
Property Taxes	6,172,642	1,060,672	0	0	7,233,314
Intergovernmental	23,347	0	0	172,069	195,416
Interest	20,022	0	1,417	211	21,650
Accounts	0	0	0	4,144	4,144
Inventory Held for Resale	0	0	0	11,420	11,420
Prepaid Items	9,271	0	0	1,030	10,301
Materials and Supplies Inventory	48,464	0	0	1,593	50,057
Total Assets	\$9,152,739	\$3,555,891	258,602	\$330,570	\$13,297,802
Liabilities					
Accounts Payable	\$27,046	\$0	\$43,495	\$5,130	\$75,671
Accrued Wages and Benefits Payable	639,876	0	0	117,723	757,599
Intergovernmental Payable	228,596	0	0	19,959	248,555
Deferred Revenue	6,082,684	1,041,586	0	66,505	7,190,775
Matured Compensated Absences Payable	6,008	0	0	0	6,008
Contracts Payable	0	0	2,901	0	2,901
Retainage Payable	0	0	39,134	0	39,134
Due to Students	0	0	0	2,107	2,107
Total Liabilities	6,984,210	1,041,586	85,530	211,424	8,322,750
Fund Balances					
Reserved for Property Taxes	89,958	19,086	0	0	109,044
Unreserved:					
Undesignated, Reported in:					
General Fund	2,078,571	0	0	0	2,078,571
Special Revenue Funds	0	0	0	119,146	119,146
Debt Service Fund	0	2,495,219	0	0	2,495,219
Capital Projects Funds	0	0	173,072	0	173,072
Total Fund Balances	2,168,529	2,514,305	173,072	119,146	4,975,052
Total Liabilities and Fund Balances	\$9,152,739	\$3,555,891	\$258,602	\$330,570	\$13,297,802

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances		\$4,975,052
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	663,257	
Construction in Progress	2,188	
Capital assets	31,669,507	
Accumulated depreciation	<u>(4,871,702)</u>	
Total capital assets		27,463,250
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	147,568	
Intergovernmental	<u>66,505</u>	
		214,073
 Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
		30,382
 In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(105,432)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(14,265,920)	
Capital Leases payable	(4,601,727)	
Compensated absences	<u>(663,036)</u>	
		<u>(19,530,683)</u>
 Net Assets of Governmental Activities		 <u><u>\$13,046,642</u></u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Debt Service	Construction	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$6,404,318	\$1,187,656	\$0	\$0	\$7,591,974
Intergovernmental	6,243,962	447,766	0	1,344,899	8,036,627
Interest	134,358	0	0	1,295	135,653
Tuition and Fees	323,127	0	0	0	323,127
Extracurricular Activities	0	0	0	110,098	110,098
Customer Services	0	0	0	161,593	161,593
Gifts and Donations	0	0	2,744	4,035	6,779
Miscellaneous	22,957	0	380	22,668	46,005
Total Revenues	13,128,722	1,635,422	3,124	1,644,588	16,411,856
Expenditures:					
Current:					
Instruction:					
Regular	3,841,598	0	218,002	76,972	4,136,572
Special	1,043,376	0	0	704,455	1,747,831
Vocational	1,033,392	0	0	0	1,033,392
Student Intervention Services	92,777	0	0	0	92,777
Support Services:					
Pupils	395,609	0	0	47,329	442,938
Instructional Staff	419,660	0	0	97,392	517,052
Board of Education	87,209	0	0	0	87,209
Administration	727,363	0	0	48,148	775,511
Fiscal	396,131	36,404	0	90	432,625
Operation and Maintenance of Plant	1,010,450	0	0	0	1,010,450
Pupil Transportation	547,253	0	0	48,624	595,877
Operation of Non-Instructional Services:					
Food Services	0	0	0	535,047	535,047
Extracurricular Activities	149,782	0	0	143,639	293,421
Capital Outlay	28,008	0	1,214,939	0	1,242,947
Debt Service:					
Principal	0	2,869,062	0	0	2,869,062
Interest and Fiscal Charges	0	1,158,732	0	0	1,158,732
Total Expenditures	9,772,608	4,064,198	1,432,941	1,701,696	16,971,443
Excess of Revenue Over (Under) Expenditures	3,356,114	(2,428,776)	(1,429,817)	(57,108)	(559,587)
Other Financing Sources (Uses):					
Transfers In	0	2,530,948	200,000	20,000	2,750,948
Transfers Out	(2,740,948)	0	0	(10,000)	(2,750,948)
Proceeds from Sale of Capital Assets	32,796	0	0	0	32,796
Total Other Financing Sources (Uses)	(2,708,152)	2,530,948	200,000	10,000	32,796
Net Change in Fund Balances	647,962	102,172	(1,229,817)	(47,108)	(526,791)
Fund Balances at Beginning of Year	1,520,567	2,412,133	1,402,889	166,254	5,501,843
Fund Balances at End of Year	<u>\$2,168,529</u>	<u>\$2,514,305</u>	<u>\$173,072</u>	<u>\$119,146</u>	<u>\$4,975,052</u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (\$526,791)

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

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

Capital asset additions	1,436,239	
Depreciation expense	(853,621)	
Excess of capital outlay under depreciation expense	582,618	582,618

Donations of capital assets are not reported in the governmental funds. However, in the statement of activities, their value at the time of donation is reported as revenue. 52,968

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

Proceeds from Sale of Capital Assets	(32,796)	
Loss on Disposal of Capital Assets	(235,477)	
	(268,273)	(268,273)

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

Delinquent Property Taxes	9,034	
Intergovernmental	34,673	
Interest	(5,822)	
	37,885	37,885

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

Amortization of issuance costs	(10,133)	
Decrease in accrued interest	19,452	
	9,319	9,319

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

Bond principal retirement	723,324	
Capital lease payments	2,145,738	
	2,869,062	2,869,062

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

Increase in compensated absences	(13,923)	
Total additional expenditures	(13,923)	(13,923)

Change in Net Assets of Governmental Activities \$2,742,865

Manchester Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$5,908,000	\$6,404,249	\$6,404,249	\$0
Intergovernmental	6,172,109	6,239,073	6,241,601	2,528
Interest	180,000	145,172	146,423	1,251
Tuition and Fees	338,200	323,127	323,127	0
Rent	200	0	0	0
Miscellaneous	21,426	27,265	29,625	2,360
Total Revenues	12,619,935	13,138,886	13,145,025	6,139
Expenditures:				
Current:				
Instruction:				
Regular	4,043,038	3,894,948	3,830,330	64,618
Special	995,099	1,062,247	1,019,573	42,674
Vocational	1,076,176	1,130,465	1,096,471	33,994
Other	96,638	101,232	88,517	12,715
Support Services:				
Pupils	433,418	413,380	396,205	17,175
Instructional Staff	420,654	432,259	419,557	12,702
Board of Education	123,346	105,984	100,934	5,050
Administration	743,570	744,231	732,364	11,867
Fiscal	364,335	400,363	397,472	2,891
Operation and Maintenance of Plant	1,156,793	1,083,436	1,053,033	30,403
Pupil Transportation	622,277	626,090	566,351	59,739
Extracurricular Activities:				
Academic Oriented Activities	8,885	16,354	16,118	236
Sport Oriented Activities	108,552	154,055	133,522	20,533
Capital Outlay:				
Building Acquisition and Construction Services	0	28,008	28,008	0
Total Expenditures	10,192,781	10,193,052	9,878,455	314,597
Excess of Revenues Over (Under) Expenditures	2,427,154	2,945,834	3,266,570	320,736
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	31,147	32,796	32,796	0
Insurance Recoveries	2,678	2,678	2,678	0
Transfers Out	(2,492,832)	(2,750,236)	(2,740,948)	9,288
Total Other Financing Sources (Uses)	(2,459,007)	(2,714,762)	(2,705,474)	811
Net Change in Fund Balances	(31,853)	231,072	561,096	330,024
Fund Balance at Beginning of Year	2,084,631	2,084,631	2,084,631	0
Prior Year Encumbrances Appropriated	114,968	114,968	114,968	0
Fund Balance at End of Year	\$2,167,746	\$2,430,671	\$2,760,695	\$330,024

See accompanying notes to the basic financial statements

Manchester Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$28,752	\$33,700
Liabilities		
Undistributed Monies	0	\$33,700
Net Assets		
Held in Trust for Scholarships	\$28,752	

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$15,248
Interest	340
Total Additions	15,588
Deductions:	
Scholarships Awarded	11,902
Change in Net Assets	3,686
Net Assets Beginning of Year	25,066
Net Assets End of Year	\$28,752

See Accompanying Notes to the Basic Financial Statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Manchester Local School District was established in 2004 through the deconsolidation of existing land areas in the Adams County/Ohio Valley School District. The School District serves an area of approximately 115 square miles. It is located in Adams County, and includes the Villages of Manchester and Rome, all of Manchester Township, portions of Green Township, Monroe Township, and all of Sprigg Township. The School District is staffed by 40 non-certificated employees, 64 certificated teaching personnel and 9 administrative employees who provide services to 900 students and other community members. The School District currently operates 2 instructional buildings and 1 bus garage.

Reporting Entity:

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

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

The School District participates in one jointly governed organization and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association (SCOCA), the Schools of Ohio Risk Sharing Authority, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan (GRP). These organizations are presented in Notes 17 and 18 of the basic financial statements.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Manchester Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. 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.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

Construction Fund - The Construction Fund is used to account for the resources for, and the payment of, construction projects and other asset investments having a useful life over one year.

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

Fiduciary Funds:

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

D. 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 revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, 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 5). 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 year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures:

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements. The School District also utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “Cash and Cash Equivalents with Escrow Agents.”

During fiscal year 2009, the School District’s investments were limited to certificates of deposits, United States Treasury Bonds and STAROhio. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$134,358 which includes \$106,763 assigned from other School District funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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 year in which services are consumed.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent retainage held on construction projects.

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

K. 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 in the current fiscal year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2009.

N. Interfund Transactions

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. 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.

O. Estimates

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

P. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts 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 during the fiscal year.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$647,962
Adjustments:	
Revenue Accruals	18,687
Expenditure Accruals	9,133
Encumbrances	(114,980)
Change in Fair Value of Investments FY 2008	3,612
Change in Fair Value of Investments FY 2009	(3,318)
Budget Basis	\$561,096

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

Investments

As of June 30, 2009, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>
United States Treasury Bonds	\$1,003,590	7/31/2009
STAROhio	1,501,214	Average 58 days
	<u>\$2,504,804</u>	

Interest Rate Risk

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

Credit Risk

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

NOTE 5 - PROPERTY TAXES

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 5 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property tax) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax was reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Adams County. The Adams County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 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 revenue.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 5 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2009 was \$89,958 in the General Fund and \$19,086 in the Debt Service Fund. The amount available as an advance at June 30, 2008 was \$83,948 in the General Fund and \$20,583 in the Debt Service Fund.

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

The District's assessed values upon which 2009 taxes were collected are:

	2008 Second - Half Collections		2009 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$99,866,490	38.96%	\$100,800,610	37.27%
Public Utility Personal	155,991,960	60.85%	169,687,460	62.73%
Tangible Personal Property	478,230	0.19%	0	0.00%
Total Assessed Value	<u>\$256,336,680</u>	<u>100.00%</u>	<u>\$270,488,070</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

NOTE 6 - ELECTRIC DEREGULATION FUNDS

The School District expects to lose fourteen million dollars (\$14,000,000) over the next seven years due to a legislative change in the deregulation law. The District has contacted their representatives and has been in discussion about a possible reversal; however at this time the law has been modified to hold the District harmless from deregulation payment decreases for the current biannual budget for fiscal years 2007-08 and 2008-09.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009, consisted of taxes, intergovernmental grants, interest, and accounts. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables will be received within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 7 - RECEIVABLES (continued)

	Amounts
Governmental Activities:	
IDEA Part B Grant	\$ 36,307
Title I Grant	102,945
Drug-Free School Grant	6,492
Improving Teacher Quality	24,161
Ohio Department of Education	13,452
Ohio School Boards Association	8,099
Village of Manchester	509
Adams County Juvenile Court	1,262
Title VI-B	2,164
Miscellaneous	25
	25
Total Intergovernmental Receivables	\$ 195,416

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 7/1/08	Additions	Deductions	Balance at 6/30/09
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$671,057	\$0	(\$7,800)	\$663,257
Construction in Progress	13,810,889	1,215,011	(15,023,712)	2,188
Total Capital Assets Not Being Depreciated	14,481,946	1,215,011	(15,031,512)	665,445
Capital Assets Being Depreciated:				
Land Improvements	2,469,341	760,492	(88,291)	3,141,542
Buildings and Improvements	12,758,657	13,150,798	(977,045)	24,932,410
Furniture, Fixtures and Equipment	1,635,582	1,316,118	(259,534)	2,692,166
Vehicles	857,052	70,500	(24,163)	903,389
Totals Capital Assets, Being Depreciated	17,720,632	15,297,908	(1,349,033)	31,669,507
Less Accumulated Depreciation:				
Land Improvements	(486,155)	(92,719)	73,419	(505,455)
Building and Improvements	(3,247,747)	(485,215)	804,376	(2,928,586)
Furniture, Fixtures and Equipment	(952,351)	(201,295)	187,810	(965,836)
Vehicles	(420,388)	(74,392)	22,955	(471,825)
Total Accumulated Depreciation	(5,106,641)	(853,621) *	1,088,560	(4,871,702)
Total Capital Assets Being Depreciated, Net	12,613,991	14,444,287	(260,473)	26,797,805
Governmental Activities Capital Assets, Net	\$27,095,937	\$15,659,298	(\$15,291,985)	\$27,463,250

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 8 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$455,515
Special	76,006
Vocational	9,621
Support Services:	
Pupils	34,332
Instructional Staff	39,212
Administration	32,893
Fiscal	5,063
Operation and Maintenance of Plant	49,163
Pupil Transportation	75,100
Operation of Non-Instructional Services - Food Services	39,811
Extracurricular Activities	36,905
Total Depreciation Expense	<u><u>\$853,621</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

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

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 9 - RISK MANAGEMENT (continued)

Insurance coverage provided includes the following:

Building and contents (\$500 Deductible)	\$39,502,610
Crime Coverage (\$500 Deductible)	\$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	\$3,000,000
Auto Medical Payments	5,000/25,000
Uninsured Motorist	2,000,000
Comprehensive and Collision (\$500 Deductible)	ACV
Garagekeepers Physical Damage (\$500 Deductible)	100,000
General Liability	
Each Occurrence Limit	3,000,000
General Aggregate Limit	5,000,000
Errors or Omissions Limit	3,000,000
Fire Damage Limit (any one fire)	500,000
Medical Expense (per person/accident)	5,000
Medical Expense (each accident)	25,000
Vehicle Liability Limit	3,000,000

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

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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 school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.84 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$113,751, \$104,213, and \$117,247 respectively; 93.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$511,577, \$507,406, and \$503,114 respectively; 84.97 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8,339 made by the School District and \$7,942 made by the plan members.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$64,557, \$64,023, and \$53,536 respectively; 93.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,624, \$7,509, and \$7,592 respectively; 93.37 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$39,352, \$39,031, and \$38,701 respectively; 84.97 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 12 - 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 ten to twenty-five days of vacation per fiscal year, depending upon length of service. Twelve month administrators earn twenty days of vacation per fiscal year. Up to two years 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 for classified employees and the number of days in each administrator contract. Teachers may accumulate for retirement severance purposes an unlimited number of days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave. The School District offers a super-severance provision for teachers and administrators who retire in their first year of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum of one hundred days.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 12 - EMPLOYEE BENEFITS (continued)

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Fort Dearborn Life Insurance Company at the expense of the Board of Education. The School District has elected to provide employee medical/surgical/dental/vision benefits through Anthem BC/BS. The cost of health, dental and vision premiums are completely paid by the Board of Education.

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 year are paid at the rate of \$125.00 per day. Eleven and twelve month classified employees with perfect attendance receive \$425.00 and nine and ten month classified employees receive \$350.00.

D. Deferred Compensation

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

NOTE 13 - LONG-TERM OBLIGATIONS

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% of the outstanding debt. The debt remains in the name of Adams County/Ohio Valley School District and Manchester Local School District sends Adams County/Ohio Valley School District the required 45.78% as payments become due.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amount Outstanding 7/1/08	Additions	Deductions	Amount Outstanding 6/30/09	Amounts Due in One Year
<i>Governmental Activities:</i>					
1995 School Improvement Bonds \$16,801,260 - 4.55% - 5.25%	\$14,741,160	0	\$640,920	\$14,100,240	\$686,700
2002 Energy Conservation Bonds \$509,030 - 4.33% - 5.92%	248,084	0	82,404	165,680	82,404
2006 OASBO Lease \$9,059,000 - 4.561%	6,652,000	0	2,120,000	4,532,000	1,592,000
2007 Fifth Third Bank Lease 134,980 - 4.615%	95,465	0	25,738	69,727	26,940
Compensated Absences	649,113	95,911	81,988	663,036	33,840
Total Governmental Activities Long-Term Obligations	<u>\$22,385,822</u>	<u>\$95,911</u>	<u>\$2,951,050</u>	<u>\$19,530,683</u>	<u>\$2,421,884</u>

School Improvement Bonds 1995

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 twenty-seven year period with final maturity at December 1, 2021. On July 1, 2004, Manchester Local School District assumed \$16,801,260 of the outstanding bond amount. The bonds will be retired from the Debt Service Fund.

Energy Conservation Bonds 2002

On June 18, 2001, Adams County/Ohio Valley School District issued \$1,293,047 in unvoted general obligation bonds for the purpose of providing energy conservation measures. The bonds were issued for ten years with final maturity at July 2, 2011. On July 1, 2004, Manchester Local School District assumed \$509,030 of the outstanding bond amount. The bonds will be retired from the Debt Service Fund from funds transferred from the General Fund.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Compensated absences will be paid from the General, Food Service, IDEA Part B, Title I and Miscellaneous Federal Grant Funds.

The School District's overall legal debt margin was \$10,224,902 with an unvoted debt margin of \$270,279 and an Energy Conservation debt margin of \$2,266,834 at June 30, 2009.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2009, are as follows:

School Improvement Bonds 1995

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$686,700	\$819,405	\$1,506,105
2011	743,925	774,311	1,518,236
2012	801,150	720,234	1,521,384
2013	869,820	661,750	1,531,570
2014	949,935	598,058	1,547,993
2015-2019	5,722,500	1,955,207	7,677,707
2020-2022	4,326,210	350,303	4,676,513
Total	<u>\$14,100,240</u>	<u>\$5,879,268</u>	<u>\$19,979,508</u>

Energy Conservation Bonds 2001

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$82,404	\$7,603	\$90,007
2011	83,276	2,725	86,001
Total	<u>\$165,680</u>	<u>\$10,328</u>	<u>\$176,008</u>

NOTE 14 - CAPITALIZED LEASES – LESSEE DISCLOSURE

In fiscal year 2007, the School District entered into a lease-purchase agreement for the construction of a new Elementary building. The School District is leasing the project from the Ohio Association of School Business Officials Lease Program through the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority has assigned U S Bank as trustee. The School District makes semi-annual lease payments to U S Bank. Interest rates are fixed. The lease is renewable annually and expires in fiscal year 2012. The intention of the School District is to renew the lease annually.

In fiscal year 2009, the School District made scheduled principal payments totaling \$2,120,000. The principal amount owed on the lease at fiscal year-end is \$4,532,000.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 14 - CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

At fiscal year-end, capital assets under this lease have been capitalized as buildings and improvements, and furniture, fixtures and equipment in the statement of net assets for governmental activities in the amount of \$9,059,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009.

OASBO Lease 2006	
Fiscal Year	
Ending June 30,	Total
2010	\$1,785,572
2011	1,620,456
2012	1,491,255
Total	4,897,283
Less Amount Representing Interest & Fees	(365,283)
Present Value of Minimum Lease Payments	<u><u>\$4,532,000</u></u>

In fiscal year 2007, the School District entered into a lease-purchase agreement for the purchase of two school buses. The School District is leasing the project from Fifth Third Bank. Fifth Third Bank will retain title to the school buses during the lease term. The School District makes semi-annual lease payments to Fifth Third Bank. Interest rates are fixed. The lease is renewable annually and expires in fiscal year 2012. The intention of the School District is to renew the lease annually.

In fiscal year 2009, the School District made scheduled principal payments totaling \$25,738. The principal amount owed on the lease at fiscal year-end is \$69,727.

At fiscal year-end, capital assets under this lease have been capitalized as vehicles in the statement of net assets for governmental activities in the amount of \$133,480.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 14 - CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

Fifth Third Lease 2007	
Fiscal Year	Total
Ending June 30,	
2010	\$29,851
2011	29,851
2012	14,926
Total	74,628
Less Amount Representing Interest	(4,901)
Present Value of Minimum Lease Payments	<u>\$69,727</u>

NOTE 15 - INTERFUND ACTIVITY

A. Interfund Transfers

Transfers made during the year-ended June 30, 2009, were as follows:

Transfer To	Transfer From		Total
	General Fund	All Other Governmental Funds	
Debt Service Fund	\$2,530,948	\$0	\$2,530,948
Construction Fund	200,000	0	200,000
All Other Governmental Funds	10,000	10,000	20,000
Total	<u>\$2,740,948</u>	<u>\$10,000</u>	<u>\$2,750,948</u>

The transfers were made to make debt payments, fund the construction of the new elementary and high school renovations and cover public school support and EMIS expenditures.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2008	(\$221,420)	\$0
Current Year Set-aside Requirement	137,383	137,383
Current Year Offset	0	(2,530,948)
Qualifying Disbursements	(98,878)	0
Set-aside Balance Carried Forward to Future Years	(\$182,915)	\$0
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association (SCOCA)

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$54,534 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 18 - INSURANCE PURCHASING POOL

A. Schools of Ohio Risk Sharing Authority, Inc.

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

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

B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009
(Continued)

NOTE 19 – CONTINGENCIES (continued)

B. Litigation

There are currently no matters in litigation with the School District as the defendant.

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**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$ 47,171		\$ 47,171
Nutrition Cluster:						
National School Breakfast Program		10.553	84,641		84,641	
National School Snack Program		10.555	7,594		7,594	
National School Lunch Program		10.555	193,279		193,279	
National Summer School Program		10.559	3,785		3,785	
Total U.S. Department of Agriculture			<u>289,299</u>	<u>47,171</u>	<u>289,299</u>	<u>47,171</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	2009	84.027	152,188		151,220	
	2008	84.027	49,500		47,661	
Title I Grants to Local Educational Agencies	2009	84.010	396,528		393,650	
	2008	84.010	45,477		49,327	
Title I Grants to Local Educational Agencies (School Improvement)	2009	84.010	43,939		43,179	
Safe and Drug-Free Schools and Communities_ State Grants	2009	84.186	2,797		3,642	
Innovative Educational Program Strategies	2009	84.298	633		633	
Improving Teacher Quality	2009	84.367	61,638		60,927	
	2008	84.367	14,108		14,168	
Technology Literacy Challenge Grant	2009	84.318	4,335		4,335	
Rural Education (Title VI-B)	2009	84.358	20,628		20,928	
	2008	84.358	1,200		900	
Learn and Serve America_School and Community Based Programs	2009	94.004	15,000		12,991	
Total Department of Education			<u>807,971</u>		<u>803,561</u>	
Totals			<u>\$1,097,270</u>	<u>\$47,171</u>	<u>\$1,092,860</u>	<u>\$47,171</u>

The accompanying notes to this schedule are an integral part of this schedule.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (Entitlement Value).

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated August 19, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*.

We did note a certain noncompliance matter that we reported to the District's management in a separate letter dated August 19, 2009.

We intend this report solely for the information and use of the audit committee, management, board of education, and federal awarding agencies. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 19, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Manchester Local School District, Adams County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year June 30, 2009.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 19, 2009

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No.
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I – 84.010 Nutrition Cluster – 10.553/10.555/ 10.559
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes.

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 12, 2007.
2. We read the policy, except as noted, it included the following requirements, from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

The policy has a requirement that parents or guardians be notified; however it does not mention that they have access to any written reports pertaining to the prohibited incident. The District does have a Public's Right to Know policy in place that could permit access.

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) The policy does not state a strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

August 19, 2009



Mary Taylor, CPA
Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 3, 2009**