



Dave Yost • Auditor of State



**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

As discussed in Note 21 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65 *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 28, 2013

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**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited**

As management of the Manchester Local School District, we offer readers of the Manchester Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

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

**Financial Highlights**

The assets of the School District exceeded its liabilities at June 30, 2013 by \$25,565,871, which represents approximately a 19 percent increase from fiscal year 2012. The increase is the result of revenues exceeding expenses.

General revenues accounted for \$14,152,518, or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest accounted for \$2,473,067, or 15 percent of total revenues of \$16,625,585.

The School District had \$12,558,940 in expenses; approximately 20 percent of these expenses were offset by program specific charges for services and sales, and operating grants, contributions and interest. General revenues (primarily grants and entitlements and property taxes) of \$14,152,518 were adequate to provide for the remaining cost of these programs.

**Using the Basic Financial Statements**

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

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

**Reporting the Manchester Local School District as a Whole**

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during 2013. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited**

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 Permanent Improvement Capital Projects Fund.

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited**

**The School District as a Whole**

Table 1 provides a summary of the School District's Net Position for fiscal years 2013 and 2012:

(Table 1)  
**Net Position**

	Governmental Activities		
	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$ 19,522,868	\$17,116,925	\$ 2,405,943
Capital Assets, Net	26,295,239	26,370,764	(75,525)
Total Assets	<u>45,818,107</u>	<u>43,487,689</u>	<u>2,330,418</u>
<b>Liabilities</b>			
Current and Other Liabilities	1,229,096	1,108,892	120,204
Long-Term Liabilities	12,251,602	13,397,979	(1,146,377)
Total Liabilities	<u>13,480,698</u>	<u>14,506,871</u>	<u>(1,026,173)</u>
<b>Deferred Inflow of Resources</b>			
Property Taxes	<u>6,771,538</u>	<u>7,481,592</u>	<u>(710,054)</u>
<b>Net Position</b>			
Net Investment In Capital Assets	14,652,538	13,769,416	883,122
Restricted	1,859,074	3,061,839	(1,202,765)
Unrestricted	9,054,259	4,667,971	4,386,288
Total Net Position	<u>\$ 25,565,871</u>	<u>\$21,499,226</u>	<u>\$ 4,066,645</u>

Total assets increased \$2,330,418. Equity in Pooled Cash and Cash Equivalents increased \$2,554,894 due to the elementary lease being paid in full the previous year. Capital Assets, Net decreased \$75,525 due to depreciation. Property Taxes Receivable increased \$452,874 due to an increase of public utility personal property assessed valuation. Intergovernmental Receivable decreased \$448,170 due to the decrease of federal grant reimbursement payments outstanding at fiscal year-end. Prepaids increased by \$19,336 due to maintenance contracts. Escrow Accounts Payable decreased \$20,025 due to completion of construction project. Deferred Charges decreased \$141,264 due to the refinancing of the 1995 bonds the previous year. Accounts Receivable decreased \$9,307 due to a decrease in invoices outstanding at year end.

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited**

Total liabilities decreased \$1,026,173. Accrued Wages and Benefits Payable increased \$63,124 due to increased personnel costs. Accounts Payable increased \$23,378 due to maintenance expenses and Contracts Payable decreased \$25,000 due to completion of construction. Intergovernmental Payables decreased \$4,045 due to a decrease in employee benefit costs. Deferred Revenue decreased \$7,481,592 due to a change in accounting for deferred revenue. Accrued Interest Payable decreased \$5,297 due to the decrease in debt owed. Matured Compensated Absences Payable increased \$88,926 due to increases in severance payments. Retainage Payable decreased \$20,025 due to completion of construction. Long-term liabilities decreased \$1,146,377 due to payments on high school bonds, HB 264 notes and lease incurred to purchase school buses.

Total Net Position increased \$4,066,645. Unrestricted Net Position increased \$4,386,288 due to the decrease in Long-Term Liabilities and the increase in Equity in Pooled Cash and Cash Equivalents. The value of Net Investment in Capital Assets increased \$883,122 due to the reduction of debt during the year, offset by changes in capital assets, including depreciation expense. Restricted Net Position decreased \$1,202,765 due to decreases in federal grants.

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited**

Table 2 shows the changes in Net Position for fiscal years 2013 and 2012.

(Table 2)  
**Change in Net Position**

	2013	2012	% Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$693,922	\$816,718	-15%
Operating Grants, Contributions and Interest	1,779,145	2,116,551	-16%
Total Program Revenues	<u>2,473,067</u>	<u>2,933,269</u>	<u>-16%</u>
General Revenues:			
Property Taxes	9,466,055	8,427,174	12%
Grants and Entitlements not Restricted to Specific Programs	4,652,714	4,194,950	11%
Investment Earnings	24,311	31,708	-23%
Miscellaneous	9,438	22,475	-58%
Total General Revenues	<u>14,152,518</u>	<u>12,676,307</u>	<u>12%</u>
Total Revenues	<u>16,625,585</u>	<u>15,609,576</u>	<u>7%</u>
Program Expenses:			
Instruction:			
Regular	4,351,546	4,501,493	-3%
Special	1,904,063	1,543,633	23%
Vocational	603,754	638,032	-5%
Student Intervention Services	138,241	208,147	-34%
Support Services:			
Pupils	441,553	379,947	16%
Instructional Staff	588,617	876,224	-33%
Board of Education	41,640	92,388	-55%
Administration	696,960	605,085	15%
Fiscal	508,553	498,396	2%
Operation and Maintenance of Plant	865,502	868,220	0%
Pupil Transportation	677,428	680,810	0%
Central	121,116	0	100%
Operation of Non-Instructional Services:			
Food Services	492,114	502,666	-2%
Community Services	125,859	158,596	-21%
Extracurricular Activities	308,534	308,014	0%
Interest and Fiscal Charges	693,460	793,380	-13%
Total Expenses	<u>12,558,940</u>	<u>12,655,031</u>	<u>-1%</u>
Change in Net Position	4,066,645	2,954,545	38%
Net Position at Beginning of Year	21,499,226	18,544,681	16%
Net Position at End of Year	<u>\$25,565,871</u>	<u>\$21,499,226</u>	<u>19%</u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited**

The district experienced a 15% decrease in Charges for Services and Sales due to the National School Lunchroom Community Eligibility Program. A 16% decrease in Operating Grants, Contributions and Interest was due to reductions in federal grants. Property Taxes increased 12% due to an increase in personal property public utility values. A 11% increase in Grants and Entitlements not Restricted to Specific Programs is due to the National School Lunchroom Community Eligibility Program. Investment Earnings decreased 23% due to interest rates. Miscellaneous Revenues decreased 58% due to an electric savings program in the previous fiscal year. Special Instruction increased 23% due to a change in reports cost of aides. Student Intervention Services decreased 34% due to reductions in federal grants. Pupil Support Services increased 16% due to guidance contract. Instructional Staff 33% decrease due to aides now being reported under special education. Board of Education 55% decrease due to attorney fees now being reported under administration, Administration increase 15% due to attorney fees, Community Services 21% decrease due to reductions in the federal grant programs, and Interest and Fiscal Charges 13% decrease due to the elementary lease paid off in the previous fiscal year.

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)

	<b>Governmental Activities</b>			
	Total Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$6,997,604	\$6,891,305	\$5,562,174	\$5,476,508
Support Services	3,941,369	4,001,070	3,664,411	3,272,632
Operation of				
Non-Instructional Services	617,973	661,262	(29,615)	3,919
Extracurricular Activities	308,534	308,014	195,443	175,323
Interest and Fiscal Charges	693,460	793,380	693,460	793,380
Total Expenses	<u>\$12,558,940</u>	<u>\$12,655,031</u>	<u>\$10,085,873</u>	<u>\$9,721,762</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 \$17,060,006 and expenditures of \$13,497,904.

The General Fund saw an increase in fund balance of \$2,001,818. This increase was due to the elementary building lease being paid off in the previous fiscal year. The Debt Service Fund saw a fund balance decrease of \$795,601 due to a transfer from the debt fund to the permanent improvement fund. The Permanent Improvement Capital Projects Fund balance end the year with a positive fund balance of \$2,146,691.

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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 \$560,694 more than the final budgeted amount for the General Fund. Actual revenues were \$3,972 less than final budgeted revenues. Final budgeted expenditures were \$563,430 more than actual expenditures. Original budgeted revenues were \$561,015 less than final budgeted revenues due primarily to increases in property taxes collected, intergovernmental revenues, tuition and miscellaneous revenues. Original budgeted appropriations were \$94,776 less than final budgeted expenditures due primarily to decreases in vocational instruction. These differences represent cyclical changes that occur throughout the year and are not known at the time the original budgets are prepared.

**Capital Assets**

At the end of fiscal year 2013 the School District had \$26,295,239 in net capital assets.

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

	Governmental Activities	
	2013	2012
Land	\$665,707	\$663,257
Construction in Process	0	38,777
Land Improvements	2,337,395	2,419,631
Buildings and Improvements	21,367,294	21,175,767
Furniture, Fixtures and Equipment	1,585,640	1,682,325
Vehicles	339,203	391,007
Totals	\$26,295,239	\$26,370,764

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
Unaudited**

**Debt**

At June 30, 2013, the School District had \$11,735,187 in bonds, loans and leases outstanding, with \$1,115,728 due within one year. Table 5 summarizes bonds outstanding:

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

	<u>2013</u>	<u>2012</u>
General Obligation Bonds:		
1995 School Improvement Bonds	\$3,078,709	\$3,948,529
2012 Refunding Bonds	8,118,383	8,218,945
2011 Energy Conservation Notes	465,000	490,000
2011 Fifth Third Bank Lease	<u>73,095</u>	<u>107,441</u>
Totals	<u>\$11,735,187</u>	<u>\$12,764,915</u>

The School District's overall legal debt margin was \$17,535,112 with an unvoted debt margin of \$297,367 and an Energy Conservation debt margin of \$2,211,302 at June 30, 2013.

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

**Discretely Presented Component Unit**

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

**Current Issues**

*Construction of Athletic Building*

The Board of Education has interviewed architectural firms to start construction of a \$4,000,000 athletic building in fiscal year 2014. The architectural firm of MSA Sports has been selected.

**Contacting the School District's Financial Management**

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



**Manchester Local School District**

Statement of Net Position

June 30, 2013

	Primary Government	
	Governmental Activities	Component Unit
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,853,935	\$7,297
Cash and Cash Equivalents in Segregated Accounts	0	0
Prepaid Items	37,465	0
Inventory Held for Resale	7,924	0
Materials and Supplies Inventory	26,185	0
Intergovernmental Receivable	192,363	0
Property Taxes Receivable	8,396,322	0
Interest Receivable	2,262	0
Accounts Receivable	6,412	0
Capital Assets:		
Land	665,707	0
Depreciable Capital Assets, Net	25,629,532	6,330
Total Assets	<u>45,818,107</u>	<u>13,627</u>
<b>Liabilities</b>		
Accounts Payable	178,386	0
Accrued Wages and Benefits Payable	770,538	0
Intergovernmental Payable	149,231	0
Due to Students	1,243	0
Accrued Interest Payable	40,772	0
Matured Compensated Absences Payable	88,926	0
Long-Term Liabilities:		
Due Within One Year	1,149,708	2,202
Due in More Than One Year	11,101,894	2,197
Total Liabilities	<u>13,480,698</u>	<u>4,399</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes	<u>6,771,538</u>	<u>0</u>
<b>Net Position</b>		
Net Investment in Capital Assets	14,652,538	0
Restricted for:		
Debt Service	1,717,246	0
Other Purposes	141,828	0
Unrestricted	<u>9,054,259</u>	<u>9,228</u>
Total Net Position	<u>\$25,565,871</u>	<u>\$9,228</u>

See Accompanying Notes to the Basic Financial Statements

**Manchester Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$4,351,546	\$491,903	\$68,740	(\$3,790,903)	\$0
Special	1,904,063	44,262	721,419	(1,138,382)	0
Vocational	603,754	0	0	(603,754)	0
Student Intervention Services	138,241	0	109,106	(29,135)	0
Support Services:					
Pupils	441,553	0	4,755	(436,798)	0
Instructional Staff	588,617	0	224,474	(364,143)	0
Board of Education	41,640	0	0	(41,640)	0
Administration	696,960	0	2,190	(694,770)	0
Fiscal	508,553	0	5,115	(503,438)	0
Operation and Maintenance of Plant	865,502	1,714	2,373	(861,415)	0
Pupil Transportation	677,428	1,859	34,478	(641,091)	0
Central	121,116	0	0	(121,116)	0
Operation of Non-Instructional Services:					
Food Services	492,114	49,535	478,053	35,474	0
Community Services	125,859	0	120,000	(5,859)	0
Extracurricular Activities	308,534	104,649	8,442	(195,443)	0
Interest and Fiscal Charges	693,460	0	0	(693,460)	0
Total Governmental Activities	<u>\$12,558,940</u>	<u>\$693,922</u>	<u>\$1,779,145</u>	<u>(10,085,873)</u>	<u>0</u>
Component Unit:					
Manchester Educational Foundation	<u>\$8,794</u>	<u>\$0</u>	<u>\$11,710</u>	<u>0</u>	<u>2,916</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes				8,129,630	0
Debt Service				1,336,418	0
Permanent Improvement				7	0
Grants and Entitlements not					
Restricted to Specific Programs				4,652,714	0
Investment Earnings				24,311	0
Miscellaneous				9,438	0
Total General Revenues				<u>14,152,518</u>	<u>0</u>
Change in Net Position				4,066,645	2,916
Net Position Beginning of Year				<u>21,499,226</u>	<u>6,312</u>
Net Position End of Year				<u>\$25,565,871</u>	<u>\$9,228</u>

See Accompanying Notes to the Basic Financial Statements

**Manchester Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Debt Service	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$5,678,458	\$1,540,042	\$ 2,146,691	\$1,488,744	\$10,853,935
Receivables:					
Property Taxes	7,253,522	1,142,800	0	0	8,396,322
Intergovernmental	32,299	0	0	160,064	192,363
Interest	1,590	0	391	281	2,262
Accounts	5,737	0	0	675	6,412
Inventory Held for Resale	0	0	0	7,924	7,924
Prepaid Items	37,385	0	0	80	37,465
Materials and Supplies Inventory	24,934	0	0	1,251	26,185
<b>Total Assets</b>	<b>\$13,033,925</b>	<b>\$2,682,842</b>	<b>2,147,082</b>	<b>\$1,659,019</b>	<b>\$19,522,868</b>
<b>Liabilities</b>					
Accounts Payable	\$173,698	\$0	\$0	\$4,688	\$178,386
Accrued Wages and Benefits Payable	628,329	0	0	142,209	770,538
Intergovernmental Payable	124,321	0	0	24,910	149,231
Matured Compensated Absences Payable	88,926	0	0	0	88,926
Due to Students	0	0	0	1,243	1,243
<b>Total Liabilities</b>	<b>1,015,274</b>	<b>0</b>	<b>0</b>	<b>173,050</b>	<b>1,188,324</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	5,846,714	924,824	0	0	6,771,538
Unavailable Revenue	190,112	34,800	391	13,038	238,341
<b>Total Deferred Inflows of Resources</b>	<b>6,036,826</b>	<b>959,624</b>	<b>391</b>	<b>13,038</b>	<b>7,009,879</b>
<b>Fund Balances (Deficit)</b>					
Nonspendable	62,319	0	0	1,331	63,650
Restricted	0	1,723,218		174,675	1,897,893
Assigned	0	0	2,146,691	1,305,973	3,452,664
Unassigned	5,919,506	0	0	(9,048)	5,910,458
<b>Total Fund Balances</b>	<b>5,981,825</b>	<b>1,723,218</b>	<b>2,146,691</b>	<b>1,472,931</b>	<b>11,324,665</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,033,925</b>	<b>\$2,682,842</b>	<b>\$2,147,082</b>	<b>\$1,659,019</b>	<b>\$19,522,868</b>

See Accompanying Notes to the Basic Financial Statements

**Manchester Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013

**Total Governmental Fund Balances** \$11,324,665

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

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

Land	665,707	
Capital assets	33,863,513	
Accumulated depreciation	(8,233,981)	
Total capital assets	26,295,239	26,295,239

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:

Delinquent Property Taxes	223,322	
Intergovernmental	12,757	
Interest	2,262	
	238,341	238,341

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (40,772)

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	(11,197,092)	
Notes payable	(465,000)	
Capital Leases payable	(73,095)	
Compensated absences payable	(516,415)	
	(12,251,602)	(12,251,602)

**Net Position of Governmental Activities** \$25,565,871

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, 2013

	General	Debt Service	Permanent Improvement	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$8,189,392	\$1,349,882	\$7	\$0	\$9,539,281
Intergovernmental	4,249,707	443,222	0	2,063,687	6,756,616
Interest	16,219	0	5,232	3,009	24,460
Tuition and Fees	536,165	0	0	0	536,165
Extracurricular Activities	0	0	0	90,280	90,280
Customer Services	0	0	0	49,535	49,535
Rent	1,714	0	0	0	1,714
Gifts and Donations	0	0	0	8,442	8,442
Miscellaneous	39,144	0	0	14,369	53,513
<b>Total Revenues</b>	<b>13,032,341</b>	<b>1,793,104</b>	<b>5,239</b>	<b>2,229,322</b>	<b>17,060,006</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	3,914,512	0	0	78,888	3,993,400
Special	1,103,013	0	0	701,999	1,805,012
Vocational	592,826	0	0	0	592,826
Student Intervention Services	17,551	0	0	121,298	138,849
Support Services:					
Pupils	403,121	0	0	4,838	407,959
Instructional Staff	343,045	0	0	208,775	551,820
Board of Education	41,640	0	0	0	41,640
Administration	702,971	0	0	2,228	705,199
Fiscal	461,752	39,957	0	4,745	506,454
Operation and Maintenance of Plant	876,921	0	0	0	876,921
Pupil Transportation	587,098	0	0	14,878	601,976
Central	117,707	0	0	0	117,707
Operation of Non-Instructional Services:					
Food Services	0	0	0	463,363	463,363
Community Services	5,049	0	0	120,810	125,859
Extracurricular Activities	152,836	0	0	107,234	260,070
Capital Outlay	134,635	0	0	586,993	721,628
Debt Service:					
Principal	34,346	1,034,820	0	0	1,069,166
Interest and Fiscal Charges	4,127	513,928	0	0	518,055
<b>Total Expenditures</b>	<b>9,493,150</b>	<b>1,588,705</b>	<b>0</b>	<b>2,416,049</b>	<b>13,497,904</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>3,539,191</b>	<b>204,399</b>	<b>5,239</b>	<b>(186,727)</b>	<b>3,562,102</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	0	0	2,141,452	400,000	2,541,452
Transfers Out	(1,541,452)	(1,000,000)	0	0	(2,541,452)
Proceeds from Sale of Capital Assets	4,079	0	0	0	4,079
<b>Total Other Financing Sources (Uses)</b>	<b>(1,537,373)</b>	<b>(1,000,000)</b>	<b>2,141,452</b>	<b>400,000</b>	<b>4,079</b>
<b>Net Change in Fund Balances</b>	<b>2,001,818</b>	<b>(795,601)</b>	<b>2,146,691</b>	<b>213,273</b>	<b>3,566,181</b>
<b>Fund Balances Beginning of Year</b>	<b>3,980,007</b>	<b>2,518,819</b>	<b>0</b>	<b>1,259,658</b>	<b>7,758,484</b>
<b>Fund Balances End of Year</b>	<b>\$5,981,825</b>	<b>\$1,723,218</b>	<b>\$2,146,691</b>	<b>\$1,472,931</b>	<b>\$11,324,665</b>

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, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$3,566,181

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

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

Capital assets additions	829,082	
Depreciation expense	(900,528)	
Excess of capital outlay under depreciation expense	(71,446)	(71,446)

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

Proceeds from Sale of Capital Assets		(4,079)
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(73,226)	
Intergovernmental	(351,742)	
Interest	95	
Accounts	(9,548)	
	(434,421)	(434,421)

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

Amortization of bond premium	30,745	
Accretion on capital appreciation bonds	(70,183)	
Decrease in accrued interest	(135,967)	
	(175,405)	(175,405)

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

Bond principal retirement	1,009,820	
Note principal retirement	25,000	
Capital lease payments	34,346	
	1,069,166	1,069,166

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:

Decrease in Compensated Absences		116,649
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**Change in Net Position of Governmental Activities**

See Accompanying Notes to the Basic Financial Statements

\$4,066,645

**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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$6,600,000	\$7,107,352	\$7,107,352	\$0
Intergovernmental	4,215,543	4,227,416	4,227,416	0
Interest	24,483	24,466	19,014	(5,452)
Tuition and Fees	501,570	537,495	537,512	17
Rent	922	1,602	1,602	0
Miscellaneous	25,915	31,117	32,580	1,463
<b>Total Revenues</b>	<b>11,368,433</b>	<b>11,929,448</b>	<b>11,925,476</b>	<b>(3,972)</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,166,918	4,080,090	3,913,527	166,563
Special	1,128,679	1,089,740	1,062,189	27,551
Vocational	667,039	611,710	585,170	26,540
Student Intervention Services	56,852	55,561	23,539	32,022
Support Services:				
Pupils	410,300	427,111	406,456	20,655
Instructional Staff	414,196	444,503	388,597	55,906
Board of Education	37,673	52,312	48,326	3,986
Administration	680,801	696,297	648,877	47,420
Fiscal	460,674	471,755	458,717	13,038
Operation and Maintenance of Plant	963,249	991,831	954,644	37,187
Pupil Transportation	818,474	862,482	758,135	104,347
Central	124,539	123,692	111,916	11,776
Operation of Non-Instructional Services:				
Community Services	7,749	8,373	5,129	3,244
Extracurricular Activities:				
Academic Oriented Activities	13,794	15,748	15,493	255
Sport Oriented Activities	144,298	160,869	148,689	12,180
Capital Outlay:				
Site Improvement Services	8,155	15,155	14,620	535
Architecture and Engineering Services	225	225	0	225
Building Improvement Services	30,505	125,569	125,569	0
Debt Service:				
Principal	38,473	34,346	34,346	0
Interest	4,127	4,127	4,127	0
<b>Total Expenditures</b>	<b>10,176,720</b>	<b>10,271,496</b>	<b>9,708,066</b>	<b>563,430</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,191,713</b>	<b>1,657,952</b>	<b>2,217,410</b>	<b>559,458</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	1,677	5,200	6,436	(1,236)
Transfers In	282,000	0	0	0
Transfers Out	(977,850)	(1,541,452)	(1,541,452)	0
Insurance Recoveries	0	7,262	7,262	0
<b>Total Other Financing Sources (Uses)</b>	<b>(694,173)</b>	<b>(1,528,990)</b>	<b>(1,527,754)</b>	<b>(1,236)</b>
<b>Net Change in Fund Balances</b>	<b>497,540</b>	<b>128,962</b>	<b>689,656</b>	<b>560,694</b>
Fund Balance at Beginning of Year	4,505,244	4,505,244	4,505,244	0
Prior Year Encumbrances Appropriated	125,575	125,575	125,575	0
<b>Fund Balance at End of Year</b>	<b>\$5,128,359</b>	<b>\$4,759,781</b>	<b>\$5,320,475</b>	<b>\$560,694</b>

See accompanying notes to the basic financial statements

**Manchester Local School District**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$54,084	\$30,918
<b>Liabilities</b>		
Undistributed Monies	0	\$30,918
<b>Net Assets</b>		
Held in Trust for Scholarships	\$54,084	

See Accompanying Notes to the Basic Financial Statements



**Manchester Local School District**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
<b>Additions:</b>	
Gifts and Contributions	\$5,668
Interest	654
Total Additions	6,322
<b>Deductions:</b>	
Scholarships Awarded	7,460
Change in Net Position	(1,138)
Net Position Beginning of Year	55,222
Net Position End of Year	\$54,084

See Accompanying Notes to the Basic Financial Statements

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**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

The Manchester Local School District was established in 2004 through the deconsolidation of existing land areas in the Adams County/Ohio Valley School District. The School District serves an area of approximately 115 square miles. It is located in Adams County, and includes the Villages of Manchester and Rome, all of Manchester and Sprigg Townships and portions of Green and Monroe Townships. The School District is staffed by 33 non-certificated employees, 62 certificated teaching personnel and seven administrative employees who provide services to 953 students and other community members. The School District currently operates two instructional buildings, bus garage and athletic fields.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure 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 component unit column in the combined financial statements identifies the financial data of the School District's component unit, the Manchester Educational Foundation. It is discretely reported in a separate column to emphasize that it is legally separate from the School District.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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.

**Basis of Presentation**

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

*Government-wide Financial Statements*

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

*Fund Financial Statements*

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

**Fund Accounting**

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

*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.

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

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

*Fiduciary Funds:*

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

**Measurement Focus**

*Government-wide Financial Statements:*

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

*Fund Financial Statements:*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and 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.

**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 that the amount of the transaction can be determined and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within 60 days of fiscal year-end.

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

*Deferred Inflows of Resources:*

In addition to liabilities, the statement of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, interest and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

*Expenses/Expenditures:*

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

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

**Cash and Cash Equivalents**

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

During fiscal year 2013, the School District's investments were limited to certificates of deposits, Ohio State Veterans Compensation Government Bonds and STAROhio. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$16,219, which includes \$3,467 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.

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the fiscal year in which services are consumed.

**Inventory**

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

**Capital Assets**

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

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

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

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

**Compensated Absences**

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

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



**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

**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.

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

**Fund Balance**

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

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

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

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

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

**Net Position**

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

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

**Internal Activity**

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

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

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.

**Budgetary Process**

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

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

**Bond Premiums and Accretion on Capital Appreciation Bonds**

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds/capital lease using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as additions to the face amount of bonds payable.

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

**Estimates**

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

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2012, the IDEA Part B, Title II-A and Miscellaneous Federal Grant Special Revenue Funds had deficit fund balances of \$2,148, \$6,865 and \$35, respectively. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

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

Net Change in Fund Balance	
GAAP Basis	\$2,001,818
Adjustments:	
Revenue Accruals	(1,100,041)
Expenditure Accruals	140,823
Encumbrances	(355,739)
Change in Fair Value of Investments FY 2012	5,039
Change in Fair Value of Investments FY 2013	(2,244)
Budget Basis	\$689,656

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 5 - FUND BALANCES**

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

<u>Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b><i>Nonspendable</i></b>					
Prepays	\$37,385	\$0	\$0	\$80	\$37,465
Inventory	24,934	0	0	1,251	26,185
<b><i>Total Nonspendable</i></b>	<b>62,319</b>	<b>0</b>	<b>0</b>	<b>1,331</b>	<b>63,650</b>
<b><i>Restricted for</i></b>					
Debt Payment	0	1,723,218	0	0	1,723,218
Food Service Operations	0	0	0	135,512	135,512
Miscellaneous Grants	0	0	0	880	880
District Managed Activity	0	0	0	4,936	4,936
Race to the Top	0	0	0	3,055	3,055
Title I	0	0	0	30,292	30,292
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,723,218</b>	<b>0</b>	<b>174,675</b>	<b>1,897,893</b>
<b><i>Assigned to</i></b>					
Capital Improvements	0	0	2,146,691	1,293,395	3,440,086
Other Purposes	0	0	0	12,578	12,578
<b><i>Total Assigned</i></b>	<b>0</b>	<b>0</b>	<b>2,146,691</b>	<b>1,305,973</b>	<b>3,452,664</b>
<b><i>Unassigned (Deficit)</i></b>	<b>5,919,506</b>	<b>0</b>	<b>0</b>	<b>(9,048)</b>	<b>5,910,458</b>
<b><i>Total Fund Balances</i></b>	<b>\$5,981,825</b>	<b>\$1,723,218</b>	<b>\$2,146,691</b>	<b>\$1,472,931</b>	<b>\$11,324,665</b>

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Investments

As of June 30, 2013, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investments</u>
STAROhio	\$504,491	Average 57.5 days	50.08%
Ohio State Veterans Compensation Bonds	502,896	10/1/2015	49.92%
	<u>\$1,007,387</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 Ohio State Veterans Compensation Bonds carry a rating of Aa1 by Moodys. STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in calendar year 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 7 - PROPERTY TAXES (Continued)**

The School District receives property taxes from Adams County. The Adams County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows – property taxes.

The amount available as an advance at June 30, 2013 was \$1,218,286 in the General Fund and \$183,176 in the Debt Service Fund. The amount available as an advance at June 30, 2012 was \$136,246 in the General Fund and \$29,062 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 reported as deferred inflows of resources – unavailable revenue.

The School District's assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second - Half Collections		2013 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$103,172,300	35.79%	\$103,847,710	34.92%
Public Utility Personal	185,097,430	64.21%	193,519,230	65.08%
Total Assessed Value	<u>\$288,269,730</u>	<u>100.00%</u>	<u>\$297,366,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

**NOTE 8 - ELECTRIC DEREGULATION FUNDS**

In fiscal year 2011, the funding was decreased by 30%. The state also decided to go back into fiscal year 2010 and make an additional 15% decrease (\$625,000) and this repayment is to be taken out of the March 2012 deregulation payment. In fiscal years 2012 and 2013, the payments have been decreased \$250,401 each year by HB 153. It is possible that deregulation funding could be cut further due to the state's economic condition.



**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2013, consisted of taxes, intergovernmental grants, interest, and accounts. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables will be received within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Food Service Reimbursement	\$14,147
IDEA Part B Grant	31,969
Title I Grant	76,936
Improving Teacher Quality	5,762
Workers Compensation	15,909
ODJFS Medicaid	16,390
Race to the Top Grant	29,521
Miscellaneous Federal Grants	1,729
Total Intergovernmental Receivables	\$192,363

**NOTE 10 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	7/1/2012	Additions	Deductions	6/30/2013
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$663,257	\$2,450	\$0	\$665,707
Construction in Progress	38,777	618,984	(657,761)	0
Total Capital Assets Not Being Depreciated	702,034	621,434	(657,761)	665,707
Capital Assets Being Depreciated:				
Land Improvements	3,201,973	1,420	0	3,203,393
Buildings and Improvements	25,581,868	703,498	0	26,285,366
Furniture, Fixtures and Equipment	3,295,570	147,724	(61,802)	3,381,492
Vehicles	980,495	12,767	0	993,262
Totals Capital Assets Being Depreciated	33,059,906	865,409	(61,802)	33,863,513
Less Accumulated Depreciation:				
Land Improvements	(782,342)	(83,656)	0	(865,998)
Building and Improvements	(4,406,101)	(511,971)	0	(4,918,072)
Furniture, Fixtures and Equipment	(1,613,245)	(240,330)	57,723	(1,795,852)
Vehicles	(589,488)	(64,571)	0	(654,059)
Total Accumulated Depreciation	(7,391,176)	(900,528) *	57,723	(8,233,981)
Total Capital Assets Being Depreciated, Net	25,668,730	(35,119)	(4,079)	25,629,532
Governmental Activities Capital Assets, Net	\$26,370,764	\$586,315	(\$661,840)	\$26,295,239

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 10 - CAPITAL ASSETS (Continued)**

\* Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$478,693
Special	96,647
Vocational	8,968

Support Services:

Pupils	35,400
Instructional Staff	36,392
Administration	34,942
Fiscal	3,114
Operation and Maintenance of Plant	48,893
Pupil Transportation	80,286
Operation of Non-Instructional Services - Food Services	28,908
Extracurricular Activities	48,285
Total Depreciation Expense	<u><u>\$900,528</u></u>

**NOTE 11 - RISK MANAGEMENT**

**Property and Liability**

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

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 11 - RISK MANAGEMENT (Continued)**

Insurance coverage provided includes the following:

Buildings and contents (\$0 Deductible)	\$34,673,197
Crime Coverage (\$0 Deductible)	\$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	\$12,000,000
Auto Medical Payments	\$5,000/\$25,000
Uninsured Motorist	\$1,000,000
Comprehensive and Collision (\$0 Deductible)	ACV
Garagekeepers Physical Damage (\$0 Deductible)	ACV/\$250,000 limit
General Liability	
Each Occurrence Limit	\$12,000,000
General Aggregate Limit	\$14,000,000
Errors or Omissions Limit	\$1,000,000
Fire Damage Limit (any one fire)	\$500,000
Medical Expense (per person/accident)	\$5,000
Medical Expense (each accident)	\$25,000
Vehicle Liability Limit	\$12,000,000

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

**Workers' Compensation**

For fiscal year 2013, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$139,421, \$122,946 and \$162,701, respectively. For fiscal year 2013, 94.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan was \$544,904 for the fiscal year ended June 30, 2013, \$489,681 for the fiscal year ended June 30, 2012, and \$605,153 for the fiscal year ended June 30, 2011. For fiscal year 2013, 86.48 percent has been contributed for the DB plan and Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011. Information for contributions to the DC and Combined Plans for fiscal year 2013 is not available.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, one member of the Governing Board has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$35,800. During fiscal year 2013, the School District paid \$21,998 in surcharge.

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

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, 2013, 2012, and 2011 were \$28,036, \$33,854, and \$37,246; respectively. For fiscal year 2013, 94.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$8,234, \$7,289 and \$9,378; respectively. For fiscal year 2013, 94.72 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**State Teachers Retirement System of Ohio**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$41,916, \$37,668, and \$46,550 respectively. For fiscal year 2013, 86.48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**NOTE 14 - EMPLOYEE BENEFITS**

**Compensated Absences**

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 14 - EMPLOYEE BENEFITS (Continued)**

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

**Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through 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 to certificated and classified employees is \$30 and \$22, for single coverage, respectively, and \$50 and \$38, respectively, for family coverage.

**Perfect Attendance Incentive**

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

**Deferred Compensation**

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS**

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

	Amount Outstanding 7/1/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
<i>Governmental Activities:</i>					
1995 School Improvement Bonds \$16,801,260 - 4.55% - 5.25%	\$3,948,529	\$0	\$869,820	\$3,078,709	\$949,935
2012 G.O. Refunding Bonds \$7,919,936 - 1.15% - 4.00%	7,919,936	0	140,000	7,779,936	100,000
Premium	276,706	0	30,745	245,961	0
Accretion on Capital Appreciation Bonds	22,303	70,183	0	92,486	0
Total Bonds Payable	12,167,474	70,183	1,040,565	11,197,092	1,049,935
2011 Energy Conservation Notes \$500,000 - 4.25%	490,000	0	25,000	465,000	30,000
2011 Fifth Third Bank Lease \$175,610 - 4.17%	107,441	0	34,346	73,095	35,793
Compensated Absences	633,064	92,486	209,135	516,415	33,980
Total Governmental Activities Long-Term Obligations	<u>\$13,397,979</u>	<u>\$162,669</u>	<u>\$1,309,046</u>	<u>\$12,251,602</u>	<u>\$1,149,708</u>

**School Improvement Bonds 1995 and 2012**

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



**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

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

**School Improvement Bonds 1995**

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$949,939	\$182,262	\$1,132,201
2015	1,030,050	112,962	1,143,012
2016	1,098,720	38,455	1,137,175
Total	<u>\$3,078,709</u>	<u>\$333,679</u>	<u>\$3,412,388</u>

**School Improvement Bonds 2012**

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$100,000	\$246,055	\$346,055
2015	100,000	244,230	344,230
2016	100,000	242,230	342,230
2017	819,936	621,294	1,441,230
2018-2022	6,660,000	642,897	7,302,897
Total	<u>\$7,779,936</u>	<u>\$1,996,706</u>	<u>\$9,776,642</u>

**Energy Conservation Notes 2011**

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

**Energy Conservation Notes 2011**

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$30,000	\$19,125	\$49,125
2015	30,000	17,850	47,850
2016	30,000	16,575	46,575
2017	30,000	15,300	45,300
2018-2022	175,000	55,569	230,569
2023-2026	170,000	14,875	184,875
Total	<u>\$465,000</u>	<u>\$139,294</u>	<u>\$604,294</u>

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$17,535,112 with an unvoted debt margin of \$297,367 and an Energy Conservation debt margin of \$2,211,302 at June 30, 2013.

**NOTE 16 - CAPITALIZED LEASES – LESSEE DISCLOSURE**

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

In fiscal year 2013, the School District made scheduled principal payments totaling \$34,346. The principal amount owed on the leases at fiscal year-end is \$73,095.

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013.

<b>2011 Fifth Third Bank Leases</b>	
Fiscal Year Ending June 30,	Total
2014	\$38,472
2015	38,473
Total	<u>76,945</u>
Less Amount Representing Interest	<u>(3,850)</u>
Present Value of Minimum Lease Payments	<u>\$73,095</u>

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 17 - SET-ASIDE CALCULATIONS**

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

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

	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	141,452
Qualifying Disbursements	<u>(1,175,798)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

**NOTE 18 - JOINTLY GOVERNED ORGANIZATION**

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

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA), which is organized under ORC Code Chapter 167 as a regional council of governments. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education and two representatives of the school treasurers. The School District paid SCOCA \$57,129 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**NOTE 19 - INSURANCE PURCHASING POOLS**

**Schools of Ohio Risk Sharing Authority, Inc.**

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 19 - INSURANCE PURCHASING POOLS (Continued)**

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.

**Ohio SchoolComp Workers' Compensation Group Rating Plan**

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

**NOTE 20 - CONTINGENCIES**

**Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

**Litigation**

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

**NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and Statement No. 65, "Items Previously Reported as Assets and Liabilities,"*

*GASB Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

*GASB Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements.

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT**

**Organization**

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

**Summary of Significant Accounting Policies**

*Basis of Accounting and Financial Statement Presentation*

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

*Unrestricted*

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

*Use of Estimates*

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

**Cash and Cash Equivalents**

Cash and cash equivalents consist of all cash on hand and cash in banks, (checking and savings accounts). At June 30, the Foundation had \$7,297 in a checking account with 1<sup>st</sup> State Bank. The entire balance was covered by FDIC (Federal Deposit Insurance Corporation).

**Capital Assets**

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

**Long-Term Liabilities**

The Foundation had the following note outstanding at June 30, 2013:

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2013</u>	<u>Amount Due in</u> <u>One Year</u>
<u>Notes Payable</u>					
2012 - 5.00% \$6,612	<u>\$6,496</u>	<u>\$0</u>	<u>\$2,097</u>	<u>\$4,399</u>	<u>\$2,202</u>

**MANCHESTER LOCAL SCHOOL DISTRICT  
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**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	25,085	25,085
Cash Assistance:				
School Breakfast Program	3L70-2013	10.553	127,361	127,361
School Snack Program	3L60-2013	10.555	9,559	9,559
School Lunch Program	3L60-2013	10.555	320,905	320,905
Summer Food Service Program for Children	3L60-2013	10.559	15,234	15,234
Cash Assistance Subtotal			473,059	473,059
Total for Child Nutrition Cluster			498,144	498,144
Total U.S. Department of Agriculture			<b>498,144</b>	<b>498,144</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster (IDEA):				
Special Education Grants to States (IDEA Part B)	3M20-2013	84.027	184,255	184,146
	3M20-2012	84.027	11,710	11,710
Total Special Education Cluster (IDEA)			<b>195,965</b>	<b>195,856</b>
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	3M00-2013	84.010	465,870	447,528
	3M00-2012	84.010	71,782	71,782
Total Title I, Part A Cluster			<b>537,652</b>	<b>519,310</b>
Race To The Top				
	3FD0-2013	84.395	126,491	123,180
	3FD0-2012	84.395	2,100	2,100
Total Race To The Top			<b>128,591</b>	<b>125,280</b>
Twenty First Century Grant				
	3Y20-2013	84.287	150,000	150,000
	3Y20-2012	84.287	0	2,885
Total Twenty First Century Grant			<b>150,000</b>	<b>152,885</b>
Improving Teacher Quality				
	3Y60-2013	84.367	67,333	70,242
	3Y60-2012	84.367	14,725	11,817
LPDC Grant				
Total Improving Teacher Quality			<b>82,058</b>	<b>82,059</b>
Rural Education				
(Title VI-B)	3Y80-2013	84.358	14,770	15,312
	3Y80-2012	84.358	1,110	1,721
			<b>15,880</b>	<b>17,033</b>
Total U.S. Department of Education			<b>1,110,146</b>	<b>1,092,423</b>
<b>U.S. Department of Health and Human Services</b>				
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	N/A	93.501	464,764	464,764
<i>Passed Through Ohio Department of Education:</i>				
Cooperative Agreements to Support Comprehensive School Health Programs	3AX0-2013	93.938	5,000	5,000
Total US Department of Health and Human Services			<b>469,764</b>	<b>469,764</b>
<b>Total</b>			<b>\$2,078,054</b>	<b>\$2,060,331</b>

The accompanying notes 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, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require 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.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 28, 2013, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 28, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 28, 2013

**MANCHESTER LOCAL SCHOOL DISTRICT  
ADAMS COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	School Based Health Center - 93.501 Nutrition Cluster – 10.553, 10.555, 10.559
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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

We noted the Board amended its anti-harassment policy at its meeting on November 7, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 28, 2013

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# Dave Yost • Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 24, 2013**