



Dave Yost • Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	19
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund	21
Statement of Fiduciary Fund Net Position Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Position Fiduciary Funds.....	23
Notes to the Basic Financial Statements.....	25
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of Net Pension Liability – SERS- Last Three Fiscal Years	63
Schedule of the School District's Proportionate Share of Net Pension Liability – STRS- Last Three Fiscal Years	64
Schedule of School District Contributions – SERS – Last Nine Fiscal Years	66
Schedule of School District Contributions – STRS – Last Ten Fiscal Years.....	68
Schedule of Expenditures of Federal Awards.....	71
Notes to the Schedule of Expenditures of Federal Awards	72

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	73
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	75
Schedule of Findings.....	77



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, 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, 2016, 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, 2016, 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

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 January 18, 2017, 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

January 18, 2017

This page intentionally left blank.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
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, 2016. 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 Board of Education a school district charter on April 13, 2004 and the School District started formal operations on July 1, 2004.

Financial Highlights

The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$3,703,811, which represents approximately a 22 percent increase from fiscal year 2015. The increase is the result of the change in reporting the long-term pension liability required under GASB 68.

General revenues accounted for \$13,737,077, or 76 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest accounted for \$4,366,817, or 24 percent of total revenues of \$18,103,894.

The School District had \$14,400,083 in expenses; approximately 30 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 \$13,737,077 were adequate to provide for the remaining cost of these programs.

Using the Basic Financial Statements

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

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Reporting the Manchester Local School District as a Whole

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during fiscal year 2016. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Manchester Local School District's Most Significant Funds

Fund Financial Statements

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

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

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's Net Position for fiscal years 2016 and 2015:

(Table 1)
Net Position

	Governmental Activities		
	2016	2015	Change
Assets			
Current and Other Assets	\$20,517,393	\$18,968,968	\$1,548,425
Capital Assets, Net	30,588,098	30,547,363	40,735
Total Assets	<u>51,105,491</u>	<u>49,516,331</u>	<u>1,589,160</u>
Deferred Outflows of Resources			
Pension	<u>1,820,144</u>	<u>890,723</u>	<u>929,421</u>
Liabilities			
Current and Other Liabilities	1,466,866	1,336,214	130,652
Long-Term Liabilities:			
Due Within One Year	880,831	1,263,644	(382,813)
Due In More Than One Year:			
Net Pension Liability	14,146,168	11,993,227	2,152,941
Other Amounts	<u>8,013,056</u>	<u>8,789,618</u>	<u>(776,562)</u>
Total Liabilities	<u>24,506,921</u>	<u>23,382,703</u>	<u>1,124,218</u>
Deferred Inflow of Resources			
Property Taxes	7,241,541	8,296,835	(1,055,294)
Pension	<u>917,388</u>	<u>2,171,542</u>	<u>(1,254,154)</u>
Total Deferred Inflow Of Resources	<u>8,158,929</u>	<u>10,468,377</u>	<u>(2,309,448)</u>
Net Position			
Net Investment In Capital Assets	22,347,833	21,279,232	1,068,601
Restricted	2,203,799	2,026,973	176,826
Unrestricted (Deficit)	<u>(4,291,847)</u>	<u>(6,750,231)</u>	<u>2,458,384</u>
Total Net Position	<u>\$20,259,785</u>	<u>\$16,555,974</u>	<u>\$3,703,811</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Total assets increased \$1,589,160. Equity in Pooled Cash and Cash Equivalents increased \$1,261,252 due to funds in the construction fund for the renovation of the athletic fields. Capital Assets, Net increased \$40,735 due to the construction in process and the purchase of land. Property Taxes Receivable increased \$246,233 due to an increase of public utility personal property assessed valuation. Intergovernmental Receivable increased \$67,011 due to the increase of federal grant reimbursement payments outstanding at fiscal year-end. Accounts Receivable decreased \$21,303 due to a decrease in invoices outstanding at year end.

Total liabilities increased \$1,124,218. Accrued Wages and Benefits Payable increased \$41,264 due to increased personnel costs. Contracts Payable increased \$61,690 due to work in process. Intergovernmental Payables decreased \$26,083 due to a decrease in purchase service contracts. Accrued Interest Payable increased \$56,663 due to the increase in debt interest owed. Long-term Liabilities Due Within One Year decrease \$382,813 due to debt payment decreases. Net Pension Liability increased \$2,152,941 due to GASB 68 reporting. Other long-term liabilities decreased \$776,562 due to payments on high school bonds and HB 264 notes

Total Net Position increased \$3,703,811. Unrestricted Net Position increased \$2,458,384 due to the increase in total assets. The value of Net Investments in Capital Assets increased \$1,068,601 due to the construction of the Athletic Fields. Restricted Net Position increased \$176,826 due to a combination of increased tax collections along with decreases in federal grants.

Table 2 shows the changes in Net Position for fiscal years 2016 and 2015.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

(Table 2)
Change in Net Position

	2016	2015	% Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$975,566	\$948,042	2.90%
Operating Grants, Contributions and Interest	3,391,251	3,257,862	4.09%
Total Program Revenues	<u>4,366,817</u>	<u>4,205,904</u>	<u>3.83%</u>
General Revenues:			
Property Taxes	10,165,681	8,751,490	16.16%
Grants and Entitlements not Restricted to Specific Programs	3,418,815	3,450,558	-0.92%
Investment Earnings	86,672	30,053	188.40%
Miscellaneous	65,909	28,302	132.88%
Total General Revenues	<u>13,737,077</u>	<u>12,260,403</u>	<u>12.04%</u>
Total Revenues	<u>18,103,894</u>	<u>16,466,307</u>	<u>9.95%</u>
Program Expenses:			
Instruction:			
Regular	4,857,256	4,736,795	2.54%
Special	2,423,194	1,957,724	23.78%
Vocational	679,279	574,317	18.28%
Student Intervention Services	169,551	132,635	27.83%
Support Services:			
Pupils	577,765	553,395	4.40%
Instructional Staff	477,516	665,666	-28.26%
Board of Education	34,461	43,532	-20.84%
Administration	725,093	645,355	12.36%
Fiscal	556,081	538,606	3.24%
Operation and Maintenance of Plant	1,149,264	536,883	114.06%
Pupil Transportation	896,574	699,934	28.09%
Central	40,078	37,126	7.95%
Operation of Non-Instructional Services:			
Food Services	637,480	578,633	10.17%
Community Services	413,416	465,070	-11.11%
Extracurricular Activities	352,700	449,523	-21.54%
Interest and Fiscal Charges	410,375	419,489	-2.17%
Total Expenses	<u>14,400,083</u>	<u>13,034,683</u>	<u>10.48%</u>
Change in Net Position	3,703,811	3,431,624	7.93%
Net Position at Beginning of Year	<u>16,555,974</u>	<u>13,124,350</u>	
Net Position at End of Year	<u>\$20,259,785</u>	<u>\$16,555,974</u>	

The School District experienced a 188.4 percent increase in investment earnings due to higher interest rates. Miscellaneous revenues increased 132.88 percent due to refunds of expenditures. Operation and maintenance of plant increased 114.06 percent due to increases in staff and service contract costs.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

(Table 3)

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2016	2015	2016	2015
Instruction	\$8,129,280	\$7,401,471	\$5,439,281	\$4,738,117
Support Services	4,456,832	3,720,497	3,898,836	3,141,207
Operation of				
Non-Instructional Services	1,050,896	1,043,703	42,719	250,317
Extracurricular Activities	352,700	449,523	242,055	279,649
Interest and Fiscal Charges	410,375	419,489	410,375	419,489
Total Expenses	<u>\$14,400,083</u>	<u>\$13,034,683</u>	<u>\$10,033,266</u>	<u>\$8,828,779</u>

The School District's Funds

Information about the School District's major funds starts on page 15. The School District's funds are accounted for using the modified accrual basis of accounting. All funds had total revenues of \$18,118,533 and expenditures of \$15,574,164.

The General Fund saw an increase in fund balance of \$996,037. This increase was mainly due to a decrease of deferred inflows of resources. The Debt Service Fund saw a fund balance increase of \$251,570 due to the tax collections exceeding current fiscal year debt payments. The Permanent Improvement Capital Projects balance ended the year with a positive fund balance of \$2,584,513 due to no major repairs. The Construction Fund saw an increase \$1,128,125 mainly related to transfers from the General Fund and expenditures associated with the construction of the athletic field.

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 \$51,537 more than the final budgeted amount for the General Fund. Actual revenues were \$4,891 less than final budgeted revenues. Final budgeted expenditures were \$56,428 more than actual expenditures. Original budgeted revenues were \$401,867 less than final budgeted revenues due primary to increases in property taxes and intergovernmental. Original budgeted appropriations were \$176,417 less than final budgeted expenditures due primarily to increases in building improvement services. These differences represent cyclical changes that occur throughout the year and are not known at the time the original budgets are prepared.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Capital Assets

At the end of fiscal year 2016 the School District had \$30,588,098 in net capital assets.

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

	Governmental Activities	
	2016	2015
Land	\$754,455	\$735,571
Construction in Process	331,279	0
Land Improvements	2,253,976	2,322,287
Buildings and Improvements	25,449,915	25,624,551
Furniture, Fixtures and Equipment	1,500,999	1,518,333
Vehicles	297,474	346,621
Totals	\$30,588,098	\$30,547,363

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

Debt

At June 30, 2016, the School District had \$8,343,429 in bonds and notes outstanding, with \$849,936 due within one year. Table 5 summarizes bonds outstanding:

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

	2016	2015
General Obligation Bonds:		
1995 School Improvement Bonds	\$0	\$1,098,724
2012 Refunding Bonds	7,968,429	8,011,998
2011 Energy Conservation Notes	375,000	405,000
Totals	\$8,343,429	\$9,515,722

The School District's overall legal debt margin was \$19,153,971 with an unvoted debt margin of \$321,292 and an Energy Conservation debt margin of \$2,516,630 at June 30, 2016.

For more information on debt, refer to note 15 in the basic financial statements.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 Fields

The Board of Education selected McCarty and Associates as the architect to develop the plans for the improvement of the athletic fields in August, 2015. On April 26, 2016 the Board awarded the following construction contracts.

<u>Contractor</u>	<u>Contract</u>	<u>Amount</u>
Greenlawn Farm LLC	General	\$1,282,200.00
Heiberger Paving, Inc.	Track Renovations	\$ 220,739.00
Outdoor Aluminum, Inc.	Bleachers	\$ 238,970.00

The project is presently ongoing.

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.

This page intentionally left blank.

Manchester Local School District

Statement of Net Position

June 30, 2016

	Primary Governmental	Component
	Governmental Activities	Unit
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,965,061	\$6,247
Prepaid Items	8,935	0
Inventory Held for Resale	8,756	0
Materials and Supplies Inventory	29,441	0
Intergovernmental Receivable	396,344	0
Property Taxes Receivable	9,093,574	0
Interest Receivable	10,373	0
Accounts Receivable	4,909	0
Capital Assets:		
Land and Construction in Progress	1,085,734	0
Depreciable Capital Assets, Net	29,502,364	5,000
Total Assets	<u>51,105,491</u>	<u>11,247</u>
Deferred Outflows of Resources		
Pension	1,820,144	0
Liabilities		
Accounts Payable	114,211	0
Accrued Wages and Benefits Payable	879,396	0
Contracts Payable	231,603	0
Intergovernmental Payable	155,814	0
Due to Students	1,067	0
Accrued Interest Payable	84,775	0
Long-Term Liabilities:		
Due Within One Year	880,831	0
Due in More Than One Year:		
Net Pension Liability (See Note 12)	14,146,168	0
Other Amounts Due in More Than One Year	8,013,056	0
Total Liabilities	<u>24,506,921</u>	<u>0</u>
Deferred Inflows of Resources		
Property Taxes	7,241,541	0
Pension	917,388	0
Total Deferred Inflows of Resources	<u>8,158,929</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	22,347,833	0
Restricted for:		
Debt Service	1,905,302	0
Other Purposes	298,497	0
Unrestricted (Deficit)	<u>(4,291,847)</u>	<u>11,247</u>
Total Net Position	<u>\$20,259,785</u>	<u>\$11,247</u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$4,857,256	\$691,165	\$988,985	(\$3,177,106)	\$0
Special	2,423,194	46,455	953,830	(1,422,909)	0
Vocational	679,279	0	8,943	(670,336)	0
Student Intervention Services	169,551	0	621	(168,930)	0
Support Services:					
Pupils	577,765	0	0	(577,765)	0
Instructional Staff	477,516	0	86,733	(390,783)	0
Board of Education	34,461	0	0	(34,461)	0
Administration	725,093	0	0	(725,093)	0
Fiscal	556,081	0	1,696	(554,385)	0
Operation and Maintenance of Plant	1,149,264	6,483	0	(1,142,781)	0
Pupil Transportation	896,574	0	463,084	(433,490)	0
Central	40,078	0	0	(40,078)	0
Operation of Non-Instructional Services:					
Food Services	637,480	58,613	610,212	31,345	0
Community Services	413,416	70,432	268,920	(74,064)	0
Extracurricular Activities	352,700	102,418	8,227	(242,055)	0
Interest and Fiscal Charges	410,375	0	0	(410,375)	0
Total Governmental Activities:	\$14,400,083	\$975,566	\$3,391,251	(10,033,266)	0
Component Unit:					
Manchester Educational Foundation	\$29,184	\$0	\$15,806	0	(13,378)
General Revenues:					
Property Taxes Levied for:					
General Purposes				8,791,575	0
Debt Service				1,374,106	0
Grants and Entitlements not					
Restricted to Specific Programs				3,418,815	0
Investment Earnings				86,672	0
Miscellaneous				65,909	0
Total General Revenues:				13,737,077	0
Change in Net Position				3,703,811	(13,378)
Net Position Beginning of Year				16,555,974	24,625
Net Position End of Year				\$20,259,785	\$11,247

See Accompanying Notes to the Basic Financial Statement:

Manchester Local School District

Balance Sheet
Governmental Funds
June 30, 2016

	General	Debt Service	Permanent Improvement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$5,118,365	\$1,737,736	\$2,584,353	\$1,224,706	\$299,901	\$10,965,061
Receivables:						
Property Taxes	7,981,121	1,112,453	0	0	0	9,093,574
Intergovernmental	159,512	0	0	0	236,832	396,344
Interfund	79,180	0	0	0	0	79,180
Interest	6,733	0	2,330	1,132	178	10,373
Accounts	4,909	0	0	0	0	4,909
Inventory Held for Resale	0	0	0	0	8,756	8,756
Prepaid Items	8,668	0	0	0	267	8,935
Materials and Supplies Inventory	27,388	0	0	0	2,053	29,441
Total Assets	<u>\$13,385,876</u>	<u>\$2,850,189</u>	<u>\$2,586,683</u>	<u>\$1,225,838</u>	<u>\$547,987</u>	<u>\$20,596,573</u>
Liabilities						
Accounts Payable	\$87,410	\$0	\$0	\$4,084	\$22,717	\$114,211
Accrued Wages and Benefits Payable	752,414	0	0	1,875	125,107	879,396
Interfund Payable	0	0	0	0	79,180	79,180
Intergovernmental Payable	122,425	0	0	1,976	31,413	155,814
Contracts Payable	205,599	0	0	26,004	0	231,603
Due to Students	0	0	0	0	1,067	1,067
Total Liabilities	<u>1,167,848</u>	<u>0</u>	<u>0</u>	<u>33,939</u>	<u>259,484</u>	<u>1,461,271</u>
Deferred Inflows of Resources						
Property Taxes	6,381,429	860,112	0	0	0	7,241,541
Unavailable Revenue	237,391	42,453	2,170	1,054	59,346	342,414
Total Deferred Inflows of Resources	<u>6,618,820</u>	<u>902,565</u>	<u>2,170</u>	<u>1,054</u>	<u>59,346</u>	<u>7,583,955</u>
Fund Balances (Deficit)						
Nonspendable	36,056	0	0	0	2,320	38,376
Restricted	0	1,947,624	0	0	236,831	2,184,455
Assigned	1,190,320	0	2,584,513	1,190,845	19,428	4,985,106
Unassigned (Deficit)	4,372,832	0	0	0	(29,422)	4,343,410
Total Fund Balances	<u>5,599,208</u>	<u>1,947,624</u>	<u>2,584,513</u>	<u>1,190,845</u>	<u>229,157</u>	<u>11,551,347</u>
Total Liabilities and Fund Balances	<u>\$13,385,876</u>	<u>\$2,850,189</u>	<u>\$2,586,683</u>	<u>\$1,225,838</u>	<u>\$547,987</u>	<u>\$20,596,573</u>

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, 2016

Total Governmental Fund Balances		\$11,551,347
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land and Construction in Progress	1,085,734	
Capital assets	40,126,342	
Accumulated depreciation	<u>(10,623,978)</u>	
Total capital assets		30,588,098
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	273,574	
Intergovernmental	59,180	
Interest	<u>9,660</u>	
		342,414
 In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(84,775)
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds		
Deferred Outflows - Pension	1,820,144	
Deferred Inflows - Pension	(14,146,168)	
Net Pension Liability	<u>(917,388)</u>	
		(13,243,412)
 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	(7,968,429)	
Notes payable	(375,000)	
Compensated absences payable	<u>(550,458)</u>	
		<u>(8,893,887)</u>
 Net Position of Governmental Activities		 <u><u>\$20,259,785</u></u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Debt Service	Permanent Improvement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$8,786,289	\$1,373,159	\$0	\$0	\$0	\$10,159,448
Intergovernmental	4,583,101	442,631	0	0	1,799,545	6,825,277
Interest	52,262	0	18,157	8,795	1,392	80,606
Tuition and Fees	737,620	0	0	0	0	737,620
Extracurricular Activities	0	0	0	0	102,418	102,418
Customer Services	4,455	0	0	0	126,245	130,700
Rent	2,028	0	0	0	2,800	4,828
Gifts and Donations	0	0	0	0	11,727	11,727
Miscellaneous	41,855	0	0	0	24,054	65,909
Total Revenues	14,207,610	1,815,790	18,157	8,795	2,068,181	18,118,533
Expenditures:						
Current:						
Instruction:						
Regular	4,462,559	0	0	0	73,563	4,536,122
Special	1,737,917	0	0	0	610,749	2,348,666
Vocational	673,292	0	0	0	0	673,292
Student Intervention Services	50,028	0	0	0	121,012	171,040
Support Services:						
Pupils	530,384	0	0	0	0	530,384
Instructional Staff	356,880	0	0	0	92,190	449,070
Board of Education	34,409	0	0	0	0	34,409
Administration	675,528	0	0	0	0	675,528
Fiscal	531,521	38,215	0	0	14,115	583,851
Operation and Maintenance of Plant	1,105,419	0	0	0	0	1,105,419
Pupil Transportation	819,062	0	0	0	14,760	833,822
Central	39,031	0	0	0	0	39,031
Operation of Non-Instructional Services:						
Food Services	0	0	0	0	628,908	628,908
Community Services	89,765	0	0	0	318,187	407,952
Extracurricular Activities	224,900	0	0	0	132,871	357,771
Capital Outlay	242,224	0	0	380,670	50,000	672,894
Debt Service:						
Principal	0	1,228,724	0	0	0	1,228,724
Interest and Fiscal Charges	0	297,281	0	0	0	297,281
Total Expenditures	11,572,919	1,564,220	0	380,670	2,056,355	15,574,164
Excess of Revenue Over (Under) Expenditures	2,634,691	251,570	18,157	(371,875)	11,826	2,544,369
Other Financing Sources (Uses):						
Transfers In	0	0	138,654	1,500,000	0	1,638,654
Transfers Out	(1,638,654)	0	0	0	0	(1,638,654)
Total Other Financing Sources (Uses)	(1,638,654)	0	138,654	1,500,000	0	0
Net Change in Fund Balances	996,037	251,570	156,811	1,128,125	11,826	2,544,369
Fund Balances Beginning of Year	4,603,171	1,696,054	2,427,702	62,720	217,331	9,006,978
Fund Balances End of Year	\$5,599,208	\$1,947,624	\$2,584,513	\$1,190,845	\$229,157	\$11,551,347

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$2,544,369

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	879,553	
Depreciation expense	(838,818)	
Excess of capital outlay over depreciation expense	40,735	40,735

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

Delinquent Property Taxes	6,233	
Intergovernmental	(28,466)	
Interest	7,594	
	(14,639)	(14,639)

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	(87,176)	
Increase in accrued interest	(56,663)	
	(113,094)	(113,094)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 836,310

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (805,676)

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	1,198,724	
Note principal retirement	30,000	
	1,228,724	1,228,724

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

Increase in Compensated Absences	(12,918)	
	(12,918)	

Change in Net Position of Governmental Activities \$3,703,811

See Accompanying Notes to the Basic Financial Statements

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$7,500,000	\$7,656,449	\$7,656,449	\$0
Intergovernmental	4,261,051	4,395,589	4,398,049	2,460
Interest	21,458	44,329	33,740	(10,589)
Tuition and Fees	660,221	737,620	737,620	0
Customer Services	6,039	4,455	4,455	0
Rent	1,000	1,086	1,086	0
Miscellaneous	45,912	58,020	61,258	3,238
Total Revenues	12,495,681	12,897,548	12,892,657	(4,891)
Expenditures:				
Current:				
Instruction:				
Regular	4,442,488	4,466,922	4,462,249	4,673
Special	1,665,777	1,713,376	1,708,869	4,507
Vocational	620,273	609,819	609,819	0
Student Intervention Services	27,535	50,596	50,596	0
Support Services:				
Pupils	539,858	533,092	532,472	620
Instructional Staff	475,909	371,940	367,625	4,315
Board of Education	38,532	37,578	35,533	2,045
Administration	674,495	680,588	680,296	292
Fiscal	530,524	538,967	538,666	301
Operation and Maintenance of Plant	1,142,120	1,190,354	1,176,207	14,147
Pupil Transportation	831,075	856,760	835,521	21,239
Central	44,556	42,990	39,140	3,850
Operation of Non-Instructional Services:				
Food Service Operations	982	0	0	0
Community Services	110,432	106,888	106,890	(2)
Extracurricular Activities:				
Academic Oriented Activities	34,283	31,548	31,548	0
Sport Oriented Activities	182,229	199,577	199,136	441
Capital Outlay:				
Site Improvement Services	31,000	31,000	31,000	0
Building Improvement Services	0	106,490	106,490	0
Total Expenditures	11,392,068	11,568,485	11,512,057	56,428
Excess of Revenues Over Expenditures	1,103,613	1,329,063	1,380,600	51,537
Other Financing Sources (Uses):				
Transfers In	45,000	45,000	45,000	0
Transfers Out	(1,683,654)	(1,683,654)	(1,683,654)	0
Advance In	0	10,000	10,000	0
Advance Out	(10,000)	(79,180)	(79,180)	0
Total Other Financing Sources (Uses)	(1,648,654)	(1,707,834)	(1,707,834)	0
Net Change in Fund Balances	(545,041)	(378,771)	(327,234)	51,537
Fund Balance at Beginning of Year	5,014,294	5,014,294	5,014,294	0
Prior Year Encumbrances Appropriated	113,711	113,711	113,711	0
Fund Balance at End of Year	\$4,582,964	\$4,749,234	\$4,800,771	\$51,537

Manchester Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$121,469	\$36,403
Liabilities		
Undistributed Monies	0	\$36,403
Net Position		
Held in Trust for Scholarships	\$121,469	

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, 2016

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$4,587
Interest	7,731
Total Additions	12,318
Deductions:	
Payments in Accordance with Trust Agreements	4,750
Change in Net Position	7,568
Net Position Beginning of Year	113,901
Net Position End of Year	\$121,469

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

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 36 non-certificated employees, 64 certificated teaching personnel and eight administrative employees who provide services to 919 students and other community members. The School District currently operates two instructional buildings, bus garage, athletic facility building and athletic fields.

Reporting Entity:

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

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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:

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

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

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

Construction Fund - The Construction Capital Projects Fund is used to account for and report all debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of the new and remodeled classroom facilities.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Fiduciary Funds:

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

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

Deferred Outflows / Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance 2017 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

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 2016, the School District’s investments were limited to STAROhio, non-negotiable certificates of deposits, and Federal National Mortgage Association Notes. Investments, other than STAR Ohio, are reported at fair value which is based on quoted market prices.

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$52,262, which includes \$13,019 assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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:

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

<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.

Accrued Liabilities and Long-Term Obligations

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

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

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

Pensions

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

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. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Treasurer has been given authority to assign amounts for these purposes by the School District Board of Education. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2017 appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is 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.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

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

Bond Premiums and Accretion on Capital Appreciation Bonds

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

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, 2016, the IDEA Part B and Title I Special Revenue Funds had deficit fund balances of \$10,453 and \$18,969, respectively. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

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	\$996,037
Adjustments:	
Revenue Accruals	(1,296,444)
Expenditure Accruals	358,648
Encumbrances	(297,786)
Advances	(69,180)
Change in Fair Value of Investments FY 2015	1,299
Change in Fair Value of Investments FY 2016	(19,808)
Budget Basis	(\$327,234)

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:

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Balances	General	Debt Service	Permanent Improvement	Construction Funds	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$8,668	\$0	\$0	\$0	\$267	\$8,935
Inventory	27,388	0	0	0	2,053	29,441
<i>Total Nonspendable</i>	36,056	0	0	0	2,320	38,376
<i>Restricted for</i>						
Debt Payment	0	1,947,624	0	0	0	1,947,624
Food Service Operations	0	0	0	0	209,239	209,239
Recreation	0	0	0	0	8,413	8,413
Miscellaneous Grants	0	0	0	0	18,392	18,392
District Managed Activity	0	0	0	0	787	787
<i>Total Restricted</i>	0	1,947,624	0	0	236,831	2,184,455
<i>Assigned to</i>						
Future Appropriations	1,190,320	0	0	0	0	1,190,320
Capital Improvements	0	0	2,584,513	1,190,845	0	3,775,358
Other Purposes	0	0	0	0	19,428	19,428
<i>Total Assigned</i>	1,190,320	0	2,584,513	1,190,845	19,428	4,985,106
<i>Unassigned (Deficit)</i>	4,372,832	0	0	0	(29,422)	4,343,410
<i>Total Fund Balances</i>	\$5,599,208	\$1,947,624	\$2,584,513	\$1,190,845	\$229,157	\$11,551,347

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.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Investments

As of June 30, 2016, the School District had the following investments, which are in an internal investment pool:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Cost				
STAR Ohio	\$807,545	Less than 30 days	AAAm	19.96%
Fair Value				
Negotiable Certificates of Deposit	3,038,179	Less than five years	N/A	75.09
Federal National Mortgage Association Notes	200,338	Less than five years	AA+	N/A
Total Investments	\$4,046,062			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

NOTE 7 - PROPERTY TAXES

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Property taxes include amounts levied against all real and public utility located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Adams County. The Adams County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2016 was \$1,368,571 in the General Fund and \$209,888 in the Debt Service Fund. The amount available as an advance at June 30, 2015 was \$238,731 in the General Fund and \$44,434 in the Debt Service Fund.

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

The School District's assessed values upon which fiscal year 2016 taxes were collected are:

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	2015 Second - Half Collections		2016 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$109,244,850	35.42%	\$109,444,430	34.06%
Public Utility Personal	199,207,980	64.58%	211,847,770	65.94%
Total Assessed Value	<u>\$308,452,830</u>	<u>100.00%</u>	<u>\$321,292,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$32.10	

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 was taken out of the March 2012 deregulation payment. In fiscal years 2012 and 2013, the payments decreased \$250,401 each year by HB 153. The current biannual budget HB64 resumed the reduction of the deregulation payments and SB 208 modified the reduction to 5/8 of a mill each year. It is estimated the last year the School District will receive deregulation funding will be in fiscal year 2027.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2016, consisted of taxes, intergovernmental grants, interfund, 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:

	<u>Amounts</u>
Governmental Activities	
Food Service Reimbursement	\$13,293
IDEA Part B Grant	26,250
Title I Grant	51,744
21st Century Grant	16,738
Creating Healthy Communities Grant	80,785
ODJFS Summer REC Program Grant	48,022
ODJFS Medicaid	49,801
South Central Ohio Computer Association	14,496
Ohio Valley Career and Technical Center	13,011
Excess Cost Reimbursements	82,204
Total Intergovernmental Receivables	<u>\$396,344</u>

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 10 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	<u>6/30/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2016</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$735,571	\$18,884	\$0	\$754,455
Construction in Progress	0	331,279	0	331,279
Total Capital Assets Not Being Depreciated	<u>735,571</u>	<u>350,163</u>	<u>0</u>	<u>1,085,734</u>
Capital Assets Being Depreciated:				
Land Improvements	3,361,278	20,000	0	3,381,278
Buildings and Improvements	31,593,908	360,130	0	31,954,038
Furniture, Fixtures and Equipment	3,622,645	145,335	0	3,767,980
Vehicles	1,019,121	3,925	0	1,023,046
Totals Capital Assets Being Depreciated	<u>39,596,952</u>	<u>529,390</u>	<u>0</u>	<u>40,126,342</u>
Less Accumulated Depreciation:				
Land Improvements	(1,038,991)	(88,311)	0	(1,127,302)
Building and Improvements	(5,969,357)	(534,766)	0	(6,504,123)
Furniture, Fixtures and Equipment	(2,104,312)	(162,669)	0	(2,266,981)
Vehicles	(672,500)	(53,072)	0	(725,572)
Total Accumulated Depreciation	<u>(9,785,160)</u>	<u>(838,818) *</u>	<u>0</u>	<u>(10,623,978)</u>
Total Capital Assets Being Depreciated, Net	<u>29,811,792</u>	<u>(309,428)</u>	<u>0</u>	<u>29,502,364</u>
Governmental Activities Capital Assets, Net	<u>\$30,547,363</u>	<u>\$40,735</u>	<u>\$0</u>	<u>\$30,588,098</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$428,131
Special	72,332
Vocational	5,736
Support Services:	
Pupils	47,248
Instructional Staff	35,103
Administration	34,960
Fiscal	2,909
Operation and Maintenance of Plant	52,487
Pupil Transportation	65,937
Operation of Non-Instructional Services - Food Services	30,473
Operation of Non-Instructional Services - Community Services	11,276
Extracurricular Activities	52,226
Total Depreciation Expense	<u>\$838,818</u>

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 19).

Insurance coverage provided includes the following:

Buildings and contents (\$0 Deductible)	\$41,747,766
Crime Coverage (\$0 Deductible)	\$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	\$15,000,000
Auto Medical Payments	\$10,000/\$25,000
Uninsured Motorist	\$1,000,000
Comprehensive and Collision (\$0 Deductible)	ACV
Garagekeepers Physical Damage (\$0 Deductible)	ACV/\$250,000 limit
General Liability	
Each Occurrence Limit	\$15,000,000
General Aggregate Limit	\$17,000,000
Errors or Omissions Limit	\$1,000,000
Fire Damage Limit (any one fire)	\$500,000
Medical Expense (per person/accident)	\$10,000/\$25,000
Medical Expense (each accident)	\$25,000
Vehicle Liability Limit	\$15,000,000

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

Workers' Compensation

For fiscal year 2016, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The School District's contractually required contribution to SERS was \$206,137 for fiscal year 2016. Of this amount \$18,165 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$630,173 for fiscal year 2016. Of this amount \$90,611 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04112700%	0.04075001%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.04517920%</u>	<u>0.04185753%</u>	
Change in Proportionate Share	<u>0.00405220%</u>	<u>0.00110752%</u>	
Proportionate Share of the Net Pension Liability	\$2,577,970	\$11,568,198	\$14,146,168
Pension Expense	\$220,825	\$584,851	\$805,676

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$41,510	\$527,364	\$568,874
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	179,720	235,240	414,960
School District contributions subsequent to the measurement date	206,137	630,173	836,310
Total Deferred Outflows of Resources	\$427,367	\$1,392,777	\$1,820,144
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$85,416	\$831,972	\$917,388

\$836,310 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$26,400	(\$128,939)	(\$102,539)
2018	26,400	(128,939)	(102,539)
2019	26,203	(128,939)	(102,736)
2020	56,811	317,449	374,260
Total	\$135,814	(\$69,368)	\$66,446

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

Asset Class	Target		Long-Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,574,717	\$2,577,970	\$1,738,625

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Asset Class	Target		10 Year Expected	
	Allocation		Nominal	
			Rate of Return *	
Domestic Equity	31.00	%	8.00	%
International Equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed Income	18.00		3.75	
Real Estate	10.00		6.75	
Liquidity Reserves	1.00		3.00	
Total	100.00	%		
* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.				

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$16,069,098	\$11,568,198	\$7,762,014

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, one member of the Board of Education has elected Social Security and three student workers. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$34,187.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$33,584, and \$25,855, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$45,539, respectively. The full amount has been contributed for all three fiscal years.

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through ReliaStar Life Insurance Company (ING) at the expense of the Board of Education. The School District has elected to provide employee medical, surgical, dental, and vision benefits through United Healthcare. The monthly employee cost of health, dental and vision premiums to administrative, certificated and classified employees is \$76.24, \$53.36 and \$43.21, for single coverage, respectively, and \$206.64, \$144.63 and \$116.67, 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, Voya Plan, and the Ohio Association of School Board Officials (OASBO) Deferred Compensation Plan. The plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

	Amount Outstanding 6/30/15	Additions	Deductions	Amount Outstanding 6/30/16	Amounts Due in One Year
<i>Governmental Activities:</i>					
1995 School Improvement Bonds \$16,801,260 - 4.55% - 5.25%	\$1,098,724	\$0	\$1,098,724	\$0	\$0
2012 G.O. Refunding Bonds \$7,919,936 - 1.15% - 4.00%	7,579,936	0	100,000	7,479,936	819,936
Premium	184,471	0	30,745	153,726	0
Accretion on Capital Appreciation Bonds	247,591	87,176	0	334,767	0
Total Bonds Payable	<u>9,110,722</u>	<u>87,176</u>	<u>1,229,469</u>	<u>7,968,429</u>	<u>819,936</u>
2011 Energy Conservation Notes \$500,000 - 4.25%	<u>405,000</u>	<u>0</u>	<u>30,000</u>	<u>375,000</u>	<u>30,000</u>
Net Pension Liability					
STRS	9,911,813	1,656,385	0	11,568,198	0
SERS	2,081,414	496,556	0	2,577,970	0
Total Net Pension Liability	<u>11,993,227</u>	<u>2,152,941</u>	<u>0</u>	<u>14,146,168</u>	<u>0</u>
Compensated Absences	<u>537,540</u>	<u>95,115</u>	<u>82,197</u>	<u>550,458</u>	<u>30,895</u>
Total Governmental Activities Long-Term Obligations	<u>\$22,046,489</u>	<u>\$2,335,232</u>	<u>\$1,341,666</u>	<u>\$23,040,055</u>	<u>\$880,831</u>

School Improvement Bonds 1995 and 2012

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

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2012

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$819,936	\$621,294	\$1,441,230
2018	1,220,000	221,405	1,441,405
2019	1,265,000	177,861	1,442,861
2020	1,325,000	132,611	1,457,611
2021	1,390,000	83,280	1,473,280
2022	1,460,000	27,740	1,487,740
Total	<u>\$7,479,936</u>	<u>\$1,264,191</u>	<u>\$8,744,127</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 notes will be retired from the Debt Service Fund from inside property tax millage funds.

Energy Conservation Notes 2011

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$30,000	\$15,300	\$45,300
2018	30,000	14,025	44,025
2019	35,000	12,644	47,644
2020	35,000	11,156	46,156
2021	35,000	9,669	44,669
2022-2026	210,000	47,650	257,650
Total	<u>\$375,000</u>	<u>\$110,444</u>	<u>\$485,444</u>

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$19,153,971 with an unvoted debt margin of \$321,292 and an Energy Conservation debt margin of \$2,516,630 at June 30, 2016.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 16 – INTERFUND ACTIVITY

During fiscal year 2016, the School District advanced \$79,180 from the General Fund to the Food Service, IDEA-B, Title I and the Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$7,000, \$6,958, \$13,953, and \$51,269, respectively. General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers of \$138,654 and \$1,500,000 were made from the General Fund to the Permanent Improvement and Construction Capital Project Funds to reallocate monies for current and future repair and construction projects.

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, 2015	\$0
Current Fiscal Year Set-aside Requirement	138,654
Qualifying Disbursements	<u>(1,770,852)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

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 (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson,

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$55,518 for services provided during the fiscal year.

NOTE 19 - INSURANCE PURCHASING POOLS

Schools of Ohio Risk Sharing Authority, Inc.

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

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

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 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 21 - 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, 2016.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

Litigation

Manchester Local School District Board of Education has no outstanding litigation.

NOTE 22 – SUBSEQUENT EVENTS

In late November, 2016 the District was notified by the County Auditor that the public utility personal property tax was reduced by \$59,188,090 resulting in a tax revenue loss of \$1,568,484 in public utility personal property tax collections for calendar year 2017. The \$784,242 loss revenue in the 2016-17 school year will be covered through appropriation reductions and cash reserves in the general fund. The Board is presently working on reducing \$1,570,000 in costs for the 2017-18 school year.

In January, 2017 the District was notified that both electric generation plants are scheduled to be closed on June, 2018. The District is presently working with legislators for a plan to transition the District from local funding to state funding through the state school foundation program.

NOTE 23 – 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 is under the discretionary control of the Board of Directors (the “Board”), are free from any and all donor restrictions, and include amounts designated by the Board for specified purposes.

Use of Estimates

The preparation of financial statements in conformity with 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.

Manchester Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 \$6,248 in a checking account with 1st State Bank. The entire balance was covered by FDIC (Federal Deposit Insurance Corporation).

Capital Assets

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

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

This page intentionally left blank.

Manchester Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Three Fiscal Years (1)**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04517920%	0.04112700%	0.04112700%
School District's Proportionate Share of the Net Pension Liability	\$2,577,970	\$2,081,414	\$2,445,691
School District's Covered-Employee Payroll	\$1,367,129	\$1,205,962	\$1,064,282
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	188.57%	172.59%	229.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Manchester Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Three Fiscal Years (1)**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04185753%	0.04075001%	0.04075001%
School District's Proportionate Share of the Net Pension Liability	\$11,568,198	\$9,911,813	\$11,806,886
School District's Covered-Employee Payroll	\$4,267,121	\$4,263,271	\$4,191,569
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	271.10%	232.49%	281.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

This page intentionally left blank.

Manchester Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$206,137	\$180,188	\$167,146	\$147,297
Contributions in Relation to the Contractually Required Contribution	<u>(206,137)</u>	<u>(180,188)</u>	<u>(167,146)</u>	<u>(147,297)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,472,407	\$1,367,129	\$1,205,962	\$1,064,282
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$130,207	\$173,171	\$167,080	\$123,136	\$111,722
<u>(130,207)</u>	<u>(173,171)</u>	<u>(167,080)</u>	<u>(123,136)</u>	<u>(111,722)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$968,079	\$1,377,655	\$1,233,975	\$1,251,386	\$1,137,697
13.45%	12.57%	13.54%	9.84%	9.82%

Manchester Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$630,173	\$597,397	\$554,225	\$544,904
Contributions in Relation to the Contractually Required Contribution	<u>(630,173)</u>	<u>(597,397)</u>	<u>(554,225)</u>	<u>(544,904)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$4,501,236	\$4,267,121	\$4,263,271	\$4,191,569
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$489,681	\$605,153	\$573,656	\$511,577	\$507,406	\$503,114
<u>(489,681)</u>	<u>(605,153)</u>	<u>(573,656)</u>	<u>(511,577)</u>	<u>(507,406)</u>	<u>(503,114)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,766,777	\$4,655,023	\$4,412,738	\$3,935,208	\$3,903,123	\$3,870,108
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	33,493
Cash Assistance:			
National School Breakfast Program	10.553	3L70	139,396
National School Lunch Program	10.555	3L60	362,771
Summer Food Service Program for Children	10.559	3L60	21,136
Total Nutrition Cluster			<u>556,796</u>
Fresh Fruit and Vegetable Grant	10.582	3G60	31,204
Child and Adult Care Food Program	10.558	3L80	9,565
Total U.S. Department of Agriculture			<u>597,565</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Grants to States -	84.027	3M20-2015	15,931
IDEA Part B	84.027	3M20-2016	173,599
Total Special Education Grants			<u>189,530</u>
Title I Grants to Local Educational Agencies	84.010	3M00-2015	45,061
Title I Grants to Local Educational Agencies	84.010	3M00-2016	396,912
Total Title I			<u>441,973</u>
Twenty First Century Grant	84.287	3Y20-2015	14,719
Twenty First Century Grant	84.287	3Y20-2016	191,334
Total Twenty First Century Grant			<u>206,053</u>
Title IIA - Improving Teacher Quality	84.367	3Y60-2015	7,608
Title IIA - Improving Teacher Quality	84.367	3Y60-2016	56,986
Total IIA			<u>64,594</u>
Rural Education (Title VI-B)	84.358	3Y80	15,530
Total U.S. Department of Education			<u>917,680</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health</i>			
Creating Healthy Communities	93.758	00150014CC2016	99,310
Creating Healthy Communities	93.758	00150014CC2016	35,820
Total Creating Healthy Communities			<u>135,130</u>
<i>Passed Through Ohio Department of Job and Family Services</i>			
Temporary Assistance for Needy Families	93.558	G-1617-11-5476	9,344
Total U.S. Department of Health and Human Services			<u>144,474</u>
Total Expenditures of Federal Awards			<u>1,659,719</u>

The accompanying notes are an integral part of this schedule.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Manchester Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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

NOTE E - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2017.

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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

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

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

January 18, 2017



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Manchester Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Manchester Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Manchester Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

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

www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 18, 2017

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA: 10.553, 10.555, 10.559 Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



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
FEBRUARY 2, 2017**