MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2017-2016

Dave Yost • Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY
JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

Manchester Local School District
Summit County
6075 Manchester Road
Akron, Ohio 44319

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the Manchester Local School District, Summit County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Manchester Local School District as of June 30, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018, 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.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

June 18, 2018

Manchester Local School District
Summit County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property Taxes	$ 8,083,237	$ 0	$ 0	$ 103,039	$8,186,276
Tuition	1,263,422	0	0	0	1,263,422
Intergovernmental	6,283,586	648,325	0	15,114	6,947,025
Rent	10,432	0	0	0	10,432
Extracurricular Activities	0	140,145	0	0	140,145
Customer Sales and Services	5,540	211,893	0	0	217,433
Contributions	59,410	46,048	0	0	105,458
Miscellaneous	68,111	0	0	0	68,111
Total Cash Receipts	15,773,738	1,046,411	0	118,153	16,938,302
Cash Disbursements					
Current:					
Instruction:					
Regular	6,753,254	58,985	0	0	6,812,239
Special	1,706,408	451,373	0	0	2,157,781
Vocational Education	95,550	0	0	0	95,550
Adult/Continuing	63,343	0	0	0	63,343
Student Intervention Services	2,380	0	0	0	2,380
Support Services:					
Pupils	1,265,386	500	0	0	1,265,886
Instructional Staff	382,257	6,440	0	0	388,697
Board of Education	43,843	0	0	0	43,843
Administration	1,041,432	550	0	8	1,041,990
Fiscal	369,540	0	0	1,718	371,258
Business	74,266	0	0	0	74,266
Operations and Maintenance	1,522,224	14,145	0	985	1,537,354
Pupil Transportation	917,843	0	0	0	917,843
Central	139,286	0	0	0	139,286
Operation of Non-Instructional Services:					
Food Service Operations	0	383,635	0	0	383,635
Extracurricular	490,882	182,805	0	0	673,687
Capital Outlay	59,307	0	0	91,677	150,984
Debt Service:					
Principal Retirement	0	0	147,267	0	147,267
Interest and Fiscal Charges	0	0	30,966	0	30,966
Total Cash Disbursements	14,927,201	1,098,433	178,233	94,388	16,298,255
Excess of Receipts Over (Under) Disbursements	846,537	(52,022)	(178,233)	23,765	640,047
Other Financing Receipts (Disbursements)					
Proceeds From Lease Purchase Agreement	91,920	0	0	0	91,920
Transfers In	0	81,719	178,233	0	259,952
Transfers Out	(259,952)	0	0	0	(259,952)
Total Other Financing Receipts (Disbursements)	(168,032)	81,719	178,233	0	91,920
Net Change in Fund Cash Balances	678,505	29,697	0	23,765	731,967
Fund Cash Balances, July 1	4,377,704	140,803	0	192,424	4,710,931
Fund Cash Balances, June 30					
Restricted	0	173,610	0	216,189	389,799
Assigned	63,648	0	0	0	63,648
Unassigned (Deficit)	4,992,561	(3,110)	0	0	4,989,451
Fund Cash Balances, June 30	$ 5,056,209	$ 170,500	$ 0	$ 216,189	$ 5,442,898

See accompanying notes and accountant's compilation report.

Manchester Local School District
Summit County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2017

	Proprietary Fund Type	Fiduciary Fund Types		
	Internal Service	Private Purpose Trust	Agency	Totals (Memorandum Only)
Operating Cash Receipts				
Charges for Services	$ 1,990,620	$ 0	$ 0	$ 1,990,620
Extracurricular Activities	0	0	91,789	91,789
Contributions and Donations	0	36,763	2,076	38,839
Total Operating Cash Receipts	1,990,620	36,763	93,865	2,121,248
Operating Cash Disbursements				
Salaries	0	0	1,330	1,330
Purchased Services	488,466	0	1,219	489,685
Claims	1,562,223	0	0	1,562,223
Other	0	22,730	83,786	106,516
Total Operating Cash Disbursements	2,050,689	22,730	86,335	2,159,754
Operating Income (Loss)	(60,069)	14,033	7,530	(38,506)
Non-Operating Receipts (Disbursements)				
Earnings on Investments	21,229	0	0	21,229
Net Change in Fund Cash Balances	(38,840)	14,033	7,530	(17,277)
Fund Cash Balances, July 1	154,207	102,899	65,416	322,522
Fund Cash Balances, June 30	$ 115,367	$ 116,932	$ 72,946	$ 305,245

See accompanying notes and accountant's compilation report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Manchester Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five-member elected Board of Education, and is responsible for providing public education to residents of the District.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The City of New Franklin, Franklin Township and Parent Teacher Association perform activities within the District boundaries for the benefit of its residents and are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

The District is involved with three jointly governed organizations and one insurance purchasing pool. These organizations are the Northeast Ohio Network for Educational Technology (NEONET), the Portage Lakes Career Center, the Interval Opportunity School, and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Notes 11 and 12 to the financial statements.

Management believes the basic financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest is presented as "fund cash balances" on the statement of cash receipts, cash disbursements, and changes in fund cash balances. See Note 2, for more detail on the District's cash. The District had no investments in fiscal year 2017.

D. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds – These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. The District had the following significant special revenue funds:

Food Service Fund – This fund is used to record financial transactions related to food service operation.

District Managed Student Activity Fund – This fund is used to account for those student activity programs which have student participation in the activity but do not have student management of the programs.

IDEA, Part B Fund – This fund is used to account for grants to assist states in providing an appropriate public education to all children with disabilities.

Title I, Disadvantaged Children/Targeted Assistance Fund – This fund is used to account for grants to assist state and local educational agencies to meet the special needs of educationally deprived children.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund may also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. The District's only debt service fund is the Bond Retirement Fund which is used to accumulate resources for the payment of principal and interest on the District's outstanding debt and leases.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The District had the following significant capital projects fund:

Permanent Improvement Fund – This fund is used to account for all transactions related to the acquiring, construction or improving of permanent improvements.

Internal Service Funds – This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had the following significant internal service fund:

Self-Insurance Fund – This fund is used to account for the cost of medical, dental, vision and prescription benefits provided to the District's employees.

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held by the District in a trustee capacity for individuals and/or private organizations which benefit the student body or the local community.

The District's Private Purpose Trust Funds accounts for programs that provide college scholarships to students after graduation.

The District's Agency Fund is used to account for assets held by a government unit as an agent for individuals, other governmental units and/or other funds. The District had the following significant agency fund:

Student Managed Activity Fund – This fund is used to account for those student activity programs which have student participation in the activity and have students involved in the management of the program.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Fiscal Officer for Summit County, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1, to June 30 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure.

3. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

H. 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 positon 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.

I. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

J. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 policies of the District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance.

The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's 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 District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the District's financial statements as the District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's fiscal year 2017 financial statements; however, there was no effect on beginning fund cash balance.

NOTE 2: DEPOSITS

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer, by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

4) Bonds and any other obligations of the State of Ohio;

5) Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7) The State Treasurer's Investment Pool (STAR Ohio); and

8) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 40% of the interim monies available for investment at any one time.

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. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits – At June 30, 2017, the carrying amounts of the District's deposits were $5,748,143 and the bank balances were $5,841,635. As of June 30, 2017, $500,000 of the bank balance was covered by federal depository insurance.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2017 is as follows:

2017 Budgeted vs Actual Receipts

	Budget Receipts	Actual Receipts	Variance
General	$ 16,588,530	$ 15,865,658	$ (722,872)
Special Revenue	1,625,595	1,128,130	(497,465)
Debt Service	294,042	178,233	(115,809)
Capital Projects	133,962	118,153	(15,809)
Internal Service	3,676,399	2,011,849	(1,664,550)
Fiduciary	4,044	130,628	126,584

2017 Appropriation vs Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 19,584,907	$ 15,249,061	$ 4,335,846
Special Revenue	1,253,909	1,106,311	147,598
Debt Service	178,233	178,233	0
Capital Projects	286,812	94,388	192,424
Internal Service	2,204,896	2,050,689	154,207
Fiduciary	284,445	114,504	169,941

NOTE 4: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 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.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 169,207,410	88.87%	$ 169,313,830	88.47%
Public Utility Personal Property	21,192,400	11.13%	22,072,230	11.53%
	$ 190,399,810	100.00%	$ 191,386,060	100.00%
Full Tax Rate per $1,000 of assessed value	$ 69.86		$ 69.85	

NOTE 5: INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

For 2017, the District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

NOTE 6: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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 30 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 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The District's contractually required contribution to SERS was $357,144 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 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, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $834,036 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The District's employer allocation percentage of the net pension liability is based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Employer contributions were determined based on the 14 percent employer rate and total member contributions from employer payroll reports for the year ended June 30, 2016:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 18,601,905	$ 4,962,686	$ 23,564,591
Proportion of the Net Pension Liability	0.05557284%	0.06780480%	

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The discount rate, assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability and mortality rates were also updated to more closely reflect actual experience.

The long-term return expectation for the Pension Plan Investments has been determined by 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 earnings were calculated using the long-term assumed investment rate of return (7.50 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 6,570,287	$ 4,962,686	$ 3,617,057

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 paid 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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	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
	100.00 %	7.61 %

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 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%)
District's proportionate share of the net pension liability	$ 24,720,420	$ 18,601,905	$ 13,440,577

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45 percent from 7.75 percent and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 7: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The 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 2017, SERS did not allocate any employer contributions to the Health Care fund. 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 2017, this amount was $23,500. 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 2017, the District's surcharge obligation was $33,651.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The District's contributions for health care for the fiscal year ended June 30, 2015, was $21,410. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the District did not contribute to health care in the last three fiscal years.

NOTE 8: SELF INSURANCE

The District provides major medical, hospitalization, vision, prescription drug, dental, and life insurance benefits to its employees through a third party administrator.

The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of June 30, 2017 (most recent available) follows:

Cash and Investments	$	115,368
Actuarial Liabilities	$	131,110

NOTE 9: CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the financial statements.

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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 districts, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; these adjustments are deemed to be immaterial.

NOTE 10: STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into the capital improvement reserve. This reserve is calculated and presented on a cash basis. During the fiscal year ended June 30, 2017, the reserve activity was as follows:

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2016	$ 0
Current Year Set-Aside Requirement	239,681
Current Year Qualifying Expenditures	(59,307)
Current Year Offset	(118,153)
Prior Year Offset From Bond Proceeds	(62,221)
Total	$ 0
Balance Carried Forward to Fiscal Year 2018	$ 0
Set-Aside Restricted Balance June 30, 2017	$ 0

The District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amount below zero.

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet) – The Northeast Ohio Network for Educational Technology (NEOnet) is a consortium of Educational Service Centers which have voluntarily formed in order to provide for the schools common needs. NEOnet is 1 of 23 sites in the Ohio Education Computer Network providing computer services to schools in their respective geographic areas. NEOnet serves educational service centers and school districts primarily in Summit, Medina and Portage Counties. The governance of NEOnet is controlled by an Assembly, Board of Directors and several subcommittees. The Agreement explains the role of each group and the methods used to make decisions. The Security Policy details the process of gaining access to our resources. The Student Data Release Form should be accessed to start the process of downloading student data. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. All the consortium revenues are generated from charges for services and State funding.

Portage Lakes Career Center – The Portage Lakes Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the board.

Interval Opportunity School – The Interval Opportunity School (the "School") is a jointly governed organization of three area public school districts. The function of the School is to provide "at risk students" with a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the School. The School is governed by a Board of Directors comprised of each superintendent from Coventry Local, Portage Lakes Career Center and Green Local. The Summit County Educational Service Center serves as the fiscal agent of the School. The continued existence of the School is not dependent on the District's continued participation and no equity interest exists.

NOTE 12: INSURANCE POOL

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between the SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

NOTE 13: LONG TERM DEBT

The changes in the District's long-term obligations during fiscal year 2017 were as follows:

		Outstanding 7/1/2016	Additions	Deletions	Outstanding 6/30/2017	Due in One Year
Long-Term Debt:						
2012 General Obligation Bond	3.20%	$ 132,000	$ 0	$ 17,000	$ 115,000	$ 18,000
2012 Tax Anticipation Note	3.20%	381,000	0	49,000	332,000	51,000
Total Long-Term Debt		513,000	0	66,000	447,000	69,000
Lease Obligations		406,957	91,920	81,267	417,610	98,782
		$ 919,957	$ 91,920	$ 147,267	$ 864,610	$ 167,782

The District issued Series 2012 School Improvement Bonds in the amount of $180,000 in July 2012. The Series 2012 bonds were issued for the purpose of rehabilitating, reconstructing, renovating, equipping and otherwise improving District buildings and facilities and improving their sites, including roof restoration, paving improvements, gymnasium repairs, building security improvements and District treatment plant upgrades.

The District issued Series 2012 Tax Anticipation Notes for $520,000. These Notes are issued in lieu of and in anticipation of the collection of a fraction of the proceeds to be received from the collection of an additional ad valorem property tax in excess of the ten-mill limitation approved by the electors of the District at an election thereon held on March 6, 2012 (the Tax Levy), for the purpose of general permanent improvements.

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 69,000	$ 13,200	$ 82,200
2019	71,000	10,960	81,960
2020	73,000	8,656	81,656
2021	75,000	6,288	81,288
2022	78,000	3,840	81,840
2023	81,000	1,296	82,296
	$ 447,000	$ 44,240	$ 491,240

NOTE 14: LEASES

The District leases buses under non-cancelable leases. The District disbursed $96,873 to pay lease costs for the year ended June 30, 2017. Future lease payments are as follows:

Fiscal Year	Amount
2018	$ 113,738
2019	106,939
2020	100,131
2021	85,288
2022	33,246
2023	16,762
Total Principal and Interest	456,104
Less Amount Representing Interest	38,494
Total Principal	$ 417,610

NOTE 15: COMMITMENTS

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

Fund	Amount
General	$ 61,908
Special Revenue	7,878
	$ 69,786

NOTE 16: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund cash balance for the major governmental fund types are presented as follows:

	General	Special Revenue	Capital Projects	Total
Restricted for:				
Capital Outlay	$ 0	$ 0	$ 216,189	$ 216,189
Student Managed Activities	0	51,201	0	51,201
State Grants	0	21,908	0	21,908
Federal Grants	0	79,525	0	79,525
Other Purposes	0	20,976	0	20,976
Total Restricted	0	173,610	216,189	389,799
Assigned for:				
Encumbrances:				
Instructional	1,890	0	0	1,890
Support Services	49,368	0	0	49,368
Extracurricular Activities	10,650	0	0	10,650
Subsequent Year Appropriations	1,740	0	0	1,740
Total Assigned	63,648	0	0	63,648
Unassigned	4,992,561	(3,110)	0	4,989,451
Total Fund Cash Balance (Deficit)	$ 5,056,209	$ 170,500	$ 216,189	$ 5,442,898

At June 30, 2017, the improving teacher quality fund had a deficit fund balance of $3,110.

NOTE 17: INTERNAL ACTIVITY

Interfund Transfers

Transfers made during fiscal year 2017 were as follows:

	Transfers In	Transfers Out
General Fund	$ 0	$ 259,952
Special Revenue Funds:		
Food Service	40,966	0
District Managed Student Activities	40,753	0
Debt Service	178,233	0
	$ 259,952	$ 259,952

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds, the transfer to debt service fund to finance debt payments.

NOTE 18: COMPLIANCE

The District did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Admin. Code 117-2-03.

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Manchester Local School District
Summit County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2016

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property Taxes	$ 7,969,893	$ 0	$ 0	$ 101,354	$8,071,247
Tuition	1,273,843	0	0	0	1,273,843
Intergovernmental	6,165,419	617,772	0	15,248	6,798,439
Rent	6,612	0	0	0	6,612
Extracurricular Activities	0	156,246	0	0	156,246
Customer Sales and Services	8,664	206,216	0	0	214,880
Contributions	41,376	750	0	0	42,126
Miscellaneous	22,089	0	0	0	22,089
Total Cash Receipts	15,487,896	980,984	0	116,602	16,585,482
Cash Disbursements					
Current:					
Instruction:					
Regular	6,336,727	24,679	0	0	6,361,406
Special	1,559,393	436,143	0	0	1,995,536
Vocational Education	82,004	0	0	0	82,004
Adult/Continuing	36,002	0	0	0	36,002
Student Intervention Services	2,380	0	0	0	2,380
Support Services:					
Pupils	1,151,169	3,260	0	0	1,154,429
Instructional Staff	349,498	24,185	0	0	373,683
Board of Education	46,975	0	0	0	46,975
Administration	1,067,853	258	0	5	1,068,116
Fiscal	394,671	0	0	1,764	396,435
Business	69,493	0	0	0	69,493
Operations and Maintenance	1,444,649	18,294	0	985	1,463,928
Pupil Transportation	991,958	0	0	0	991,958
Central	137,933	0	0	0	137,933
Operation of Non-Instructional Services:					
Food Service Operations	0	367,181	0	0	367,181
Extracurricular	456,648	172,066	0	0	628,714
Capital Outlay	14,946	0	0	59,107	74,053
Debt Service:					
Principal Retirement	0	0	130,369	0	130,369
Interest and Fiscal Charges	0	0	32,747	0	32,747
Total Cash Disbursements	14,142,299	1,046,066	163,116	61,861	15,413,342
Excess of Receipts Over (Under) Disbursements	1,345,597	(65,082)	(163,116)	54,741	1,172,140
Other Financing Receipts (Disbursements)					
Proceeds From Lease Purchase Agreement	172,560	0	0	0	172,560
Proceeds From Sale of Assets	1,500	0	0	0	1,500
Refund Prior Year Expenditures	39,568	450	0	0	40,018
Transfers In	0	51,380	163,116	0	214,496
Transfers Out	(214,496)	0	0	0	(214,496)
Total Other Financing Receipts (Disbursements)	(868)	51,830	163,116	0	214,078
Net Change in Fund Cash Balances	1,344,729	(13,252)	0	54,741	1,386,218
Fund Cash Balances, July 1	3,032,975	154,055	0	137,683	3,324,713
Fund Cash Balances, June 30					
Restricted	0	142,960	0	192,424	335,384
Assigned	3,053,059	0	0	0	3,053,059
Unassigned (Deficit)	1,324,645	(2,157)	0	0	1,322,488
Fund Cash Balances, June 30	$ 4,377,704	$ 140,803	$ 0	$ 192,424	$ 4,710,931

See accompanying notes and accountant's compilation report.

Manchester Local School District
Summit County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance
All Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2016

	Proprietary Fund Type	Fiduciary Fund Types		
	Internal Service	Private Purpose Trust	Agency	Totals (Memorandum Only)
Operating Cash Receipts				
Charges for Services	$ 1,810,641	$ 0	$ 0	$ 1,810,641
Extracurricular Activities	0	0	78,033	78,033
Earnings on Investments	0	0	30	30
Contributions and Donations	0	15,658	798	16,456
Total Operating Cash Receipts	1,810,641	15,658	78,861	1,905,160
Operating Cash Disbursements				
Salaries	0	0	1,440	1,440
Purchased Services	374,238	0	651	374,889
Claims	1,310,693	0	0	1,310,693
Other	0	16,640	71,559	88,199
Total Operating Cash Disbursements	1,684,931	16,640	73,650	1,775,221
Net Change in Fund Cash Balances	125,710	(982)	5,211	129,939
Fund Cash Balances, July 1	28,497	103,881	60,205	192,583
Fund Cash Balances, June 30	$ 154,207	$ 102,899	$ 65,416	$ 322,522

See accompanying notes and accountant's compilation report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Manchester Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five-member elected Board of Education, and is responsible for providing public education to residents of the District.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The City of New Franklin, Franklin Township and Parent Teacher Association perform activities within the District boundaries for the benefit of its residents and are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

The District is involved with three jointly governed organizations and one insurance purchasing pool. These organizations are the Northeast Ohio Network for Educational Technology (NEONET), the Portage Lakes Career Center, the Interval Opportunity School, and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Notes 11 and 12 to the financial statements.

Management believes the basic financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest is presented as "fund cash balances" on the statement of cash receipts, cash disbursements, and changes in fund cash balances. See Note 2, for more detail on the District's cash. The District had no investments in fiscal year 2016.

D. Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the specific recording of receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds – These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. The District had the following significant special revenue funds:

Food Service Fund – This fund is used to record financial transactions related to food service operation.

District Managed Student Activity Fund – This fund is used to account for those student activity programs which have student participation in the activity but do not have student management of the programs.

IDEA, Part B Fund – This fund is used to account for grants to assist states in providing an appropriate public education to all children with disabilities.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund may also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. The District's only debt service fund is the Bond Retirement Fund which is used to accumulate resources for the payment of principal and interest on the District's outstanding debt and leases.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The District had the following significant capital projects fund:

Permanent Improvement Fund – This fund is used to account for all transactions related to the acquiring, construction or improving of permanent improvements.

Internal Service Funds – This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had the following significant internal service fund:

Self-Insurance Fund – This fund is used to account for the cost of medical, dental, vision and prescription benefits provided to the District's employees.

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held by the District in a trustee capacity for individuals and/or private organizations which benefit the student body or the local community.

The District's Private Purpose Trust Funds accounts for programs that provide college scholarships to students after graduation.

The District's Agency Fund is used to account for assets held by a government unit as an agent for individuals, other governmental units and/or other funds. The District had the following significant agency fund:

Student Managed Activity Fund – This fund is used to account for those student activity programs which have student participation in the activity and have students involved in the management of the program.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Fiscal Officer for Summit County, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1, to June 30 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure.

3. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

H. 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 positon 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.

I. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

J. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 policies of the District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's 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 District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the District has to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.*

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

NOTE 2: DEPOSITS

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer, by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

4) Bonds and any other obligations of the State of Ohio;

5) Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7) The State Treasurer's Investment Pool (STAR Ohio and STAR Plus); and

8) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 40% of the interim monies available for investment at any one time.

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. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits – At June 30, 2016, the carrying amounts of the District's deposits were $5,033,453 and the bank balances were $5,084,383. As of June 30, 2016, $500,000 of the bank balance was covered by federal depository insurance and $4,584,383 was not exposed to custodial credit risk.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2016 is as follows:

2016 Budgeted vs Actual Receipts

	Budget Receipts	Actual Receipts	Variance
General	$ 16,014,044	$ 15,701,524	$ (312,520)
Special Revenue	1,207,403	1,032,814	(174,589)
Debt Service	121,625	163,116	41,491
Capital Projects	130,778	116,602	(14,176)
Internal Service	1,656,433	1,810,641	154,208
Fiduciary	142,879	94,519	(48,360)

2016 Appropriation vs Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 17,339,822	$ 14,413,477	$ 2,926,345
Special Revenue	1,215,919	1,057,762	158,157
Debt Service	182,207	163,116	19,091
Capital Projects	199,541	92,011	107,530
Internal Service	1,713,428	1,684,931	28,497
Fiduciary	258,721	98,889	159,832

NOTE 4: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the 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% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 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 in 2016 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County 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.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 169,034,280	90.08%	$ 169,207,410	88.87%
Public Utility Personal Property	18,605,700	9.92%	21,192,400	11.13%
	$ 187,639,980	100.00%	$ 190,399,810	100.00%
Full Tax Rate per $1,000 of assessed value	$ 69.88		$ 69.86	

NOTE 5: INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

For 2016, the District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

NOTE 6: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3% 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% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14%. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The District's contractually required contribution to SERS was $372,672 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – 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 was 2.2% 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 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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.

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. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $819,096 for fiscal year 2016.

Net Pension Liability

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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 15,559,543	$ 3,792,152	$ 19,351,695
Proportion of the Net Pension Liability	0.05629953%	0.06645790%	

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.25%
Future Salary Increases, including inflation	4.00% to 22%
COLA or Ad Hoc COLA	3.00%
Investment Rate of Return	7.75% 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
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
	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75%. 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%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75%, 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%), or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 5,258,352	$ 3,792,152	$ 2,557,491

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%
Projected salary increase	2.75% at 70 to 12.25% at age 20
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00% simple applied as follows: for members retiring before August 1, 2013, 2% per year, for members retiring August 1, 2013, or later, 2% COLA paid 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 not 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.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real 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
	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75% 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% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 21,613,379	$ 15,559,543	$ 10,440,122

NOTE 7: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The 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% of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were $32,991, $54,093 and $33,908, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $56,359, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 8: SELF INSURANCE

The District provides major medical, hospitalization, vision, prescription drug, dental, and life insurance benefits to its employees through a third party administrator.

The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of June 30, 2016 (most recent available) follows:

Cash and Investments	$	154,207
Actuarial Liabilities	$	174,295

NOTE 9: CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the financial statements.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, 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 districts, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments for June 30, 2016 Foundation funding for the District; these are deemed to be immaterial.

NOTE 10: STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into the capital improvement reserve. This reserve is calculated and presented on a cash basis. During the fiscal year ended June 30, 2016, the reserve activity was as follows:

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2015	$ 0
Current Year Set-Aside Requirement	237,150
Current Year Qualifying Expenditures	(14,946)
Current Year Offset	(116,603)
Prior Year Offset From Bond Proceeds	(105,601)
Total	$ 0
Balance Carried Forward to Fiscal Year 2017	$ 0
Set-Aside Restricted Balance June 30, 2016	$ 0

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet) – The Northeast Ohio Network for Educational Technology (NEOnet) is a consortium of Educational Service Centers which have voluntarily formed in order to provide for the schools common needs. NEOnet is 1 of 23 sites in the Ohio Education Computer Network providing computer services to schools in their respective geographic areas. NEOnet serves educational service centers and school districts primarily in Summit, Medina and Portage Counties. The governance of NEOnet is controlled by an Assembly, Board of Directors and several subcommittees. The Agreement explains the role of each group and the methods used to make decisions. The Security Policy details the process of gaining access to our resources. The Student Data Release Form should be accessed to start the process of downloading student data. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. All the consortium revenues are generated from charges for services and State funding.

Portage Lakes Career Center – The Portage Lakes Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the board.

Interval Opportunity School – The Interval Opportunity School (the "School") is a jointly governed organization of three area public school districts. The function of the School is to provide "at risk students" with a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced by the School. The School is governed by a Board of Directors comprised of each superintendent from Coventry Local, Portage Lakes Career Center and Green Local. The Summit County Educational Service Center serves as the fiscal agent of the School. The continued existence of the School is not dependent on the District's continued participation and no equity interest exists.

NOTE 12: INSURANCE POOL

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between the SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

NOTE 13: LONG TERM DEBT

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

		Outstanding 7/1/2015	Additions	Deletions	Outstanding 6/30/2016	Due in One Year
Long-Term Debt:						
2012 General Obligation Bond	3.20%	$ 149,000	$ 0	$ 17,000	$ 132,000	$ 17,000
2012 Tax Anticipation Note	3.20%	429,000	0	48,000	381,000	49,000
Total Long-Term Debt		578,000	0	65,000	513,000	66,000
Lease Obligations		299,876	172,450	65,369	406,957	81,269
		$ 877,876	$ 172,450	$ 130,369	$ 919,957	$ 147,269

The District issued Series 2012 School Improvement Bonds in the amount of $180,000 in July 2012. The Series 2012 bonds were issued for the purpose of rehabilitating, reconstructing, renovating, equipping and otherwise improving District buildings and facilities and improving their sites, including roof restoration, paving improvements, gymnasium repairs, building security improvements and District treatment plant upgrades.

The District issued Series 2012 Tax Anticipation Notes for $520,000. These Notes are issued in lieu of and in anticipation of the collection of a fraction of the proceeds to be received from the collection of an additional ad valorem property tax in excess of the ten-mill limitation approved by the electors of the District at an election thereon held on March 6, 2012 (the Tax Levy), for the purpose of general permanent improvements.

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 66,000	$ 15,360	$ 81,360
2018	69,000	13,200	82,200
2019	71,000	10,960	81,960
2020	73,000	8,656	81,656
2021	75,000	6,288	81,288
2022-2023	159,000	5,136	164,136
	$ 513,000	$ 59,600	$ 572,600

NOTE 14: LEASES

The District leases buses under non-cancelable leases. The District disbursed $65,369 to pay lease costs for the year ended June 30, 2016. Future lease payments are as follows:

Fiscal Year		Amount
2017	$	96,876
2018		96,872
2019		90,067
2020		83,259
2021		68,416
2022		16,263
Total Principal and Interest		451,753
Less Amount Representing Interest		44,796
Total Principal	$	406,957

NOTE 15: COMMITMENTS

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

Fund		Amount
General	$	56,682
Capital Projects		30,150
Special Revenue		11,696
	$	98,528

NOTE 16: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund cash balance for the major governmental funds types are presented as follows:

	General	Special Revenue	Capital Projects	Total
Restricted for:				
Capital Outlay	$ 0	$ 0	$ 192,424	$ 192,424
Student Managed Activities	0	57,158	0	57,158
State Grants	0	16,508	0	16,508
Federal Grants	0	58,218	0	58,218
Other Purposes	0	11,076	0	11,076
Total Restricted	0	142,960	192,424	335,384
Assigned for:				
Encumbrances:				
Instructional	11,876	0	0	11,876
Support Services	10,504	0	0	10,504
Extracurricular Activities	4,834	0	0	4,834
Capital Outlay	29,468	0	0	29,468
Subsequent Year Appropriations	2,996,377	0	0	2,996,377
Total Assigned	3,053,059	0	0	3,053,059
Unassigned	1,324,645	(2,157)	0	1,322,488
Total Fund Cash Balance (Deficit)	$ 4,377,704	$ 140,803	$ 192,424	$ 4,710,931

At June 30, 2016, the improving teacher quality fund had a deficit fund balance of $2,157.

NOTE 17: INTERNAL ACTIVITY

Interfund Transfers

Transfers made during fiscal year 2016 were as follows:

	Transfers In	Transfers Out
General Fund	$ 0	$ 214,496
Special Revenue Funds:		
Food Service	21,948	0
District Managed Student Activities	29,432	0
Debt Service	163,116	0
	$ 214,496	$ 214,496

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 18: COMPLIANCE

The District did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Admin. Code 117-2-03.

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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
Summit County
6075 Manchester Road
Akron, Ohio 44319

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 Manchester Local School District, Summit County, (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2018, wherein we issued an adverse opinion as the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-003 to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 2017-001 and 2017-002.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.

Dave Yost
Auditor of State
Columbus, Ohio

June 18, 2018

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

1. **Finding for Recovery - Public Funds Illegally Expended - Repaid Under Audit**

Finding Number	2017-001

NONCOMPLIANCE

The District's Treasurer received a payout of vacation days during fiscal year 2016 which exceeded the contractually allowed amount. The Treasurer was only allowed to receive ten vacation days as a cash payout. However, the Treasurer received payment for fifteen vacation days. This resulted in an overpayment of $1,523.

This was due to a lack of Board oversight. The Treasurer's vacation payout forms were drafted and approved by the Treasurer and no other review or approval process was established by the District. This lack of controls could cause additional overpayments in the future.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jennifer Rucker in the amount of $1,523 and in favor of Manchester Local School District's General Fund.

Reimbursement of the overpayment was made in full from the Treasurer and recorded by the District during fiscal year 2018. The finding is considered repaid under audit.

The District should review leave payout requests more carefully to help ensure the number of days the employee is cashing out does not exceed the contractually limited amount. In addition, the Board of Education should review and approve the Treasurer's vacation payout requests to help ensure compliance with applicable agreements.

Official's Response: Finding for Recovery – Public Funds Illegally Expended – Repaid Under Audit – We agree with the finding. We have implemented procedures to prevent this from occurring in the future.

2. **Financial Statement Presentation**

Finding Number	2017-002

NONCOMPLIANCE

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The District did not prepare its annual financial report in accordance with GAAP. The District's management elected to prepare its annual financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles.

Finding Number	2017-002 *(Continued)*

The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to **Ohio Rev. Code Section 117.38**, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial report in accordance with GAAP and implement all applicable Governmental Accounting Standard Board statements.

Official's Response: Financial Statement Presentation – We agree with this finding. It is more cost efficient to not file GAAP for Manchester Local Schools. Our Board is aware of the fine associated with not filing GAAP and agrees with our decision to remain filing on a cash basis.

3. **Budgetary Footnote Disclosures and Posting Budgetary Amendments**

Finding Number	2017-003

<u>MATERIAL WEAKNESS</u>

The budgetary process is one of the most important activities undertaken by the District. The allocation of resources and the Board of Education's decisions regarding programs and services to be provided are based on the District's budget. District officials monitor the budget by comparing estimated resources with appropriations, estimated resources with actual receipts and expenditures plus encumbrances with appropriations.

The District's accounting system in 2016 and 2017 was not updated for the most recent estimated receipts and annual appropriation measures as approved and amended by Board of Education.

Failure to properly and timely record budgetary information to the accounting system could result in the Board of Education making decisions based upon inaccurate financial information.

Additionally, several errors were noted in Note 3 to the financial statements regarding "Budgetary Activity".

The following errors were noted for 2016:

- General Fund, Special Revenue Fund, Capital Projects Fund, Internal Service Fund, and Fiduciary Fund budgeted expenditures were reported at $14,435,814, $1,072,823, $89,410, $1,684,931 and $99,067 rather than $17,339,822, $1,215,919, $199,541, $2,051,680 and $255,140, respectively, which were the total amount of appropriations approved by the Board of Education.

The following errors were noted for 2017:

- General Fund, Special Revenue Fund, Capital Projects Fund, Internal Service Fund, and Fiduciary Fund budgeted expenditures were reported at $15,277,311, $1,127,067, $124,539, $2,050,689 and $124,722 rather than $19,584,907, $1,253,909, $286,812, $2,204,896 and $280,401, respectively, which were the total amount of appropriations approved by the Board of Education.

Finding Number	2017-003 *(Continued)*

Budgetary information disclosed in the notes to the financial statements should reflect the District's actual budgetary activity through the fiscal year. The errors were caused by a lack of management procedures or policies in place to help ensure the accurate presentation of note disclosure information.

The District's budgetary information in Note 3 has been corrected for the above errors.
In addition, no budget versus actual reports are presented to the Board monthly for their review and approval at their monthly meetings. This prevents the Board from properly monitoring actual receipts and disbursements throughout the year compared with expected amounts which were established by the budget.

The Treasurer should record annual budgetary appropriations and estimated resources and any budgetary amendments at amounts approved by Board of Education in a timely manner to the accounting system. The Treasurer should present budget to actual revenue and expenditure reports to the Board at each Board meeting. The presentation of up-to-date and accurate budgetary information will assist the Board in their decision making process.

Additionally, management should implement procedures or policies to help ensure complete and accurate reporting of the financial statements and accompanying notes. The procedures would include the Treasurer's, or an appointed representative's, review of the District's year-end financial statements and notes to the financial statements for accuracy, reasonableness and consistency between years.

Official's Response: Budgetary Footnote Disclosures and Posting Budgetary Amendments – We agree with this finding. We utilize a third party to prepare the notes to the financial statements. We will work with our preparer to ensure the notes to the financial statements reflect our budgetary activity.

Manchester Local School District

6075 MANCHESTER ROAD AKRON, OHIO 44319

Jennifer Rucker, TREASURER 330-882-6926
Gina Taylor, ASSISTANT TREASURER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2014-001 & 2015-002	**Ohio Rev. Code Section 117.38,** Filing of the Financial Report **Ohio Admin. Code Section 117-2-03(B),** Prepare Annual Financial Report in Accordance with Generally Accepted Accounting Principles	Not Corrected	Refer to Finding 2017-002.
2014-002	**Bank Reconciliations**, Treasurer's June 30, 2014 included unsupported $71,307 reconciling item. District lacks monitoring controls over the bank reconciliations.	Partially corrected	District is currently reconciled. A comment is included in the management letter regarding bank reconciliations.
2015-001	**Ohio Rev. Code§ 5705.41(B),** Budgetary expenditures exceeded appropriations in the General, Special Revenue, Capital Projects and Internal Service funds.	Fully Corrected	The District was in compliance for fiscal years 2017 and 2016.
2015-003	**Federal Schedule,** Numerous errors were made in the District's Federal Awards Receipts and Expenditures Schedule	Finding No Longer Valid	The District's federal expenditures were below the Uniform Guidance Single Audit Threshold. No Federal Awards Receipts and Expenditures Schedules were required to be prepared or tested for fiscal years 2017 and 2016.

MANCHESTER LOCAL SCHOOL DISTRICT

SUMMIT 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
AUGUST, 2 2018