

**Manchester Local School
District**
Audited Financial Statements

June 30, 2010



Dave Yost • Auditor of State

Board of Education
Manchester Local School District
6075 Manchester Road
Akron, Ohio 44319

We have reviewed the *Independent Auditor's Report* of the Manchester Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit:

Marilyn Young is a Media Technician employee for the Manchester Local School District (the District) and is on the highest pay step. According to the contract, the highest rate is \$14.50/hr. Additionally, pursuant Ohio Rev. Code Section 3319.12, the annual salary notice indicates the rate of pay is \$14.50 per hour. However, the District paid this employee \$15.50 per hour. According to District records this employee was paid for 839 hours during the 2009/2010 school year.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Marilyn Young, Media Technician, in the amount of \$839 in favor of the District's General Fund.

Marilyn Young repaid the Findings for Recovery by personal check and by forfeiting her payment for being the advisor for the Academic Challenge. Therefore, as of October 11, 2010, this Finding for Recovery has been repaid in full.

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Manchester Local School District
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Manchester Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 25, 2011

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

JUNE 30, 2010

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 10, 2010

To the Board of Education
Manchester Local School District
Akron, OH 44319

Independent Auditor's Report

We have audited the accompanying financial statements of Manchester Local School District (the "District") as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the year ended June 30, 2010 in accordance with accounting principles generally accepted in the United States of America.

The government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Manchester Local School District
Independent Auditor's Report
November 10, 2010
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In accordance with *Government Auditing Standards*, we also have issued our report dated November 10, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements. The Schedule of Expenditures of Federal Awards presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2010, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express an opinion on the Schedule of Expenditures of Federal Awards.

Rea & Associates, Inc.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Taxes	\$ 5,285,667	\$ 243,201	\$ 0	\$ 86,135	\$ 0	\$ 5,615,003
Intergovernmental Revenue	6,565,040	948,170	0	16,794	0	7,530,004
Food Service	0	1,218	0	0	0	1,218
Earnings on Investments	3,801	0	0	0	470	4,271
Extracurricular Activities	0	152,182	0	0	0	152,182
Classroom Material and Fees	12,734	33,940	0	0	0	46,674
Contributions and Donations	0	19,683	0	0	0	19,683
Miscellaneous	19,690	19,881	0	0	58,369	97,940
Total Cash Receipts	11,886,932	1,418,275	0	102,929	58,839	13,466,975
Cash Disbursements:						
Instruction:						
Regular	5,959,853	165,610	0	0	0	6,125,463
Special	679,324	351,585	0	0	0	1,030,909
Vocational Education	71,382	0	0	0	0	71,382
Adult/Continuing	26,659	0	0	0	9,223	35,882
Other Instruction	27,725	0	0	0	0	27,725
Support Services:						
Pupils	860,713	117,671	0	0	0	978,384
Instructional Staff	445,794	34,827	0	0	0	480,621
Board of Education	41,900	0	0	0	0	41,900
Administration	874,165	107,108	0	15	0	981,288
Fiscal	481,003	3,960	0	1,413	0	486,376
Operations and Maintenance	1,113,901	208,133	0	0	0	1,322,034
Pupil Transportation	766,880	10,000	0	0	0	776,880
Central	133,245	0	0	0	0	133,245
Extracurricular Activities:						
Academic and Subject Oriented	65,717	79,451	0	0	0	145,168
Sports Oriented	290,857	154,911	0	0	0	445,768
Co-Circular Activities	16,230	129	0	0	0	16,359
Facilities Acquisition and Construction Services:						
Building Improvement	0	0	0	52,784	0	52,784
Other Facilities Acquisition & Construction	5,957	0	0	0	0	5,957
Debt Service:						
Principal Retirement	0	0	134,001	0	0	134,001
Interest and Fiscal Charges	0	0	24,136	0	0	24,136
Total Cash Disbursements	11,861,305	1,233,385	158,137	54,212	9,223	13,316,262
Total Cash Receipts Over/(Under) Cash Disbursements	25,627	184,890	(158,137)	48,717	49,616	150,713
Other Financing Source (Uses)						
Sale of Assets	2,133	0	0	0	0	2,133
Transfers - In	0	37,295	158,137	0	0	195,432
Advances-In	0	14,445	0	0	0	14,445
Refund of Prior Year Expenditure	7,684	0	0	0	0	7,684
Transfers - Out	(169,124)	(26,351)	0	0	0	(195,475)
Advances Out	(23,099)	0	0	0	0	(23,099)
Total Other Financing Sources (Uses)	(182,406)	25,389	158,137	0	0	1,120
Excess of Receipts and Other Financing Sources Over/(Under)						
Cash Disbursements and Other Financing Uses	(156,779)	210,279	0	48,717	49,616	151,833
Fund Cash Balances, July 1, 2009	1,189,068	112,086	0	29,797	83,705	1,414,656
Fund Cash Balances, June 30, 2010	\$ 1,032,289	\$ 322,365	\$ 0	\$ 78,514	\$ 133,321	\$ 1,566,489
Reserves for Encumbrances	\$ 25,695	\$ 9,928	\$ 0	\$ 0	\$ 0	\$ 35,623

The notes to the financial statements are an integral part of this statement.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Agency	
OPERATING CASH RECEIPTS:				
Charges for services	\$ 218,953	\$ 1,417,343	\$ 0	\$ 1,636,296
Extracurricular Activities	0	0	97,543	97,543
Classroom Materials and Fees	19,502	576	0	20,078
Total Operating Cash Receipts	238,455	1,417,919	97,543	1,753,917
OPERATING CASH DISBURSEMENTS:				
Salaries and Wages	138,609	0	0	138,609
Fringe Benefits	23,028	0	0	23,028
Purchased Services	2,130	1,391,206	0	1,393,336
Material and supplies	188,718	0	454	189,172
Capital Outlay-Replacement	499	0	0	499
Other Objects	795	10,184	99,492	110,471
Total Operating Cash Disbursements	353,779	1,401,390	99,946	1,855,115
Operating Income (Loss)	(115,324)	16,529	(2,403)	(101,198)
NON-OPERATING CASH RECEIPTS:				
Earnings on Investments	100	26	90	216
Intergovernmental	123,701	0	0	123,701
Miscellaneous	685	10,454	275	11,414
Total Non-Operating Cash Receipts	124,486	10,480	365	135,331
Excess Cash Receipts Over/ (Under) Cash Disbursements	9,162	27,009	(2,038)	34,133
Transfers-In	43	0	6,655	6,698
Advances-In	8,654	0	0	8,654
Transfers-Out	0	0	(6,655)	(6,655)
Net Cash Receipts Over/(Under) Cash Disbursements	17,859	27,009	(2,038)	42,830
FUND CASH BALANCES, July 1, 2009	4,243	91,243	61,887	157,373
FUND CASH BALANCES, June 30, 2010	\$ 22,102	\$ 118,252	\$ 59,849	\$ 200,203
RESERVE FOR ENCUMBRANCES	\$ 0	\$ 757	\$ 500	\$ 1,257

The accompanying notes are an integral part of these financial statements.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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.

Average daily membership during 2010 was 1,493. The District employed 87 certificated employees and 68 non-certificated employees during the fiscal year.

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 Village of 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, 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.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and Investments

Investments in repurchase agreements are valued at cost. Investments in money markets are valued at share price, which is the price the investment could be sold for on June 30, 2010.

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:

Title VIB Fund – This fund is used to account for grant money used to assist states in providing an appropriate public education for all students with disabilities.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 notes.

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 funds:

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

Enterprise Funds – These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose. The District had the following significant enterprise fund:

Lunchroom Fund – This fund is used to account for all revenues and expenses related to the provision of food services for the District's students and staff.

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 and prescription benefits provided to the District's employees.

Expendable Trust Funds – This fund is used to account for resources restricted by legally binding trust agreements. The District's only expendable trust fund is the Special Trust Fund which is used to account for monies held by the District in a trustee capacity for individuals and/or private organizations which benefit the student body or the local community.

Agency Fund – This fund is used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and/or other funds.

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.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor (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. Budgeted receipts as shown in Note 3 do not include July 1, 2010 unencumbered fund balances. However, those fund balances are available for appropriations.

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 2010 budgetary activity appears in Note 3.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 date is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2: POOLED CASH AND INVESTMENTS

State statutes 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;

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: POOLED CASH AND INVESTMENTS (Continued)

- 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 percent 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; and
- 7) The State Treasurer's Investment Pool (STAR Ohio);
- 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 25 percent of the interim monies available for investment at any one time; and

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.

Deposits – At June 30, 2010, the carrying amounts of the District's deposits were \$128,236 and the bank balances were \$236,542. As of June 30, 2010, \$236,542 of the bank balance was covered by federal depository insurance and \$0 was uncollateralized and uninsured.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: POOLED CASH AND INVESTMENTS (Continued)

Investments

As of June 30, 2010, the District had the following investments and maturity:

	Fair Value	Investment Maturity 6 months or less
Repurchase Agreement	\$ 1,540,000	\$ 1,540,000
Money Market Fund	98,456	59,849
Total	\$ 1,638,456	\$ 1,599,849

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk The District's investments in the federal agency securities that underlie the District's repurchase agreement and money market account were rated Aaa by Moody's Investor Services. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2010:

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	\$ 1,540,000	93.99%
Money Market Fund	98,456	6.01%
Total	\$ 1,638,456	100.00%

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2010:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 13,571,704	\$ 11,896,749	\$ (1,674,955)
Special Revenue	1,546,409	1,470,015	(76,394)
Debt Service	158,137	158,137	0
Capital Projects	104,276	102,929	(1,347)
Enterprise	376,000	371,638	(4,362)
Internal Service	1,214,000	1,428,399	214,399
Fiduciary	104,000	163,402	59,402
 Total	 <u>\$ 17,074,526</u>	 <u>\$ 15,591,269</u>	 <u>\$ (1,483,257)</u>

2010 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 13,013,110	\$ 12,079,223	\$ 933,887
Special Revenue	1,720,812	1,269,664	451,148
Debt Service	158,137	158,137	0
Capital Projects	135,487	54,212	81,275
Enterprise	379,224	353,779	25,445
Internal Service	1,280,951	1,402,147	(121,196)
Fiduciary	245,663	116,324	129,339
 Total	 <u>\$ 16,933,384</u>	 <u>\$ 15,433,486</u>	 <u>\$ 1,499,898</u>

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 4: PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2008; an update will be done in 2011. The next revaluation is scheduled for 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory is 12.5% in 2007, 6.25% in 2008 and will be reduced to 0% in 2009.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Summit County Treasurer collects property taxes on behalf of the District. The Summit County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2010 for operations was \$62.88 per \$1,000 of assessed valuation, and permanent improvements, \$1.00 per \$1,000 of assessed valuation.

The Summit County Fiscal Officer collects property tax on behalf of all taxing districts within the county and periodically remits to the taxing districts their portions of the taxes collected.

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 percent coinsured.

For 2010, 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.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 6: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$290,124, \$205,273 and \$189,274, respectively; 100% has been contributed for all fiscal years.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 6: DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (continued)

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$729,601, \$752,945 and \$754,048, respectively; 100% has been contributed for all fiscal years.

NOTE 7: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 7: POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (continued)

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

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$10,443, \$93,942 and \$86,372, respectively; 100% has been contributed for all fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76% of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$17,523, \$16,937 and \$13,638, respectively; 100% has been contributed for all fiscal years.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010 (latest information available), STRS Ohio allocated employer contributions equal to 1 % of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$56,123, \$57,919 and \$58,004, respectively; 100% has been contributed for all 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 follows:

Cash and investments	\$	98,456
Actuarial liabilities	\$	126,214

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 9: CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

NOTE 10: SET-ASIDE REQUIREMENTS

State of Ohio House Bill 412 requires the District to set-aside a portion of the general operating resources for future use. For the fiscal years ended June 30, 2010 the required set-asides were:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside cash balance as of			
June 30, 2009	\$ (197,443)	\$ 210,568	\$ 13,125
Current year set-aside requirement	247,657	247,657	495,314
Current year offset	0	(86,134)	(86,134)
Current year qualifying disbursements	<u>(132,155)</u>	<u>(62,199)</u>	<u>(194,354)</u>
 Total	 <u>\$ (81,941)</u>	 <u>\$ 309,892</u>	 <u>\$ 227,951</u>
 Balance carried forward to FY 2011	 <u>\$ (81,941)</u>	 <u>\$ 309,892</u>	

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONET) – NEONET is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Summit and Portage Counties. The primary function of NEONET is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by NEONET include student scheduling, registration, grade reporting and test scoring. Each member district pays an annual fee for the services provided by NEONET. NEONET is governed by a board of directors comprised of each superintendent within the organization. The Summit County Educational Service Center serves as the fiscal agent of the organization and received funding from the State Department of Education. Each school district has one vote in all matters and each member district’s control over budgeting and financing of NEONET is limited to its voting authority and any representative it may have on the Board of Directors. The continued existence of NEONET is not dependent on the District’s continued participation and no equity interest exists.

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.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 11: JOINTLY GOVERNED ORGANIZATIONS (Continued)

Interval Opportunity School – The Interval Opportunity School (the “School”) is a jointly governed organization made up of six area public school districts. The function of the School is to provide “at risk students” with possibly a last and 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 Coventry Local School District 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 2010 were as follows:

	<u>Outstanding 7/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2010</u>
Energy Conservation Notes:				
2001 Energy Conservation Chiller Note (4.99%)	\$ 52,677	\$ 0	\$ (16,711)	\$ 35,966
2002 Energy Conservation Note (5.54%)	<u>171,279</u>	<u>0</u>	<u>(54,003)</u>	<u>117,276</u>
Total Notes Payable	<u>223,956</u>	<u>0</u>	<u>(70,714)</u>	<u>153,242</u>
Lease Obligation	<u>249,065</u>	<u>0</u>	<u>(63,287)</u>	<u>185,778</u>
Total Long-Term Debt	<u>\$ 473,021</u>	<u>\$ 0</u>	<u>\$ (134,001)</u>	<u>\$ 339,020</u>

On April 17, 2001 the District issued a \$150,000 note for the purpose of purchasing an energy conservation chiller. On February 15, 2002 the District issued a \$485,444 energy conservation note for the purpose of building energy conservation improvements. The notes are being retired from the Bond Retirement debt service fund.

Manchester Local School District
Summit County
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 13: LONG TERM DEBT (Continued)

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	Energy Conservation Chiller Note		Energy Conservation Note		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 17,546	\$ 1,795	\$ 57,036	\$ 6,587	\$ 74,582	\$ 8,382
2012	18,420	919	60,240	3,384	78,660	4,303
Totals	<u>\$ 35,966</u>	<u>\$ 2,714</u>	<u>\$ 117,276</u>	<u>\$ 9,971</u>	<u>\$ 153,242</u>	<u>\$ 12,685</u>

NOTE 14: LEASES

The District leases buses under noncancelable leases. The District disbursed \$75,173 to pay lease costs for the year ended June 30, 2010. Future lease payments are as follows:

Year	Amount
2011	75,173
2012	65,140
2013	44,395
2014	11,729
2015	5,866
Total Principal and Interest	202,303
Less amount representing interest	<u>16,525</u>
Total Principal	<u>\$ 185,778</u>



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 10, 2010

To the Board of Education
Manchester Local School District
6075 Manchester Road
Akron, OH 44319

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters In Accordance with *Government Auditing Standards*

We have audited the financial statements of Manchester Local School District, Summit County, (the "District") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010, with an adverse opinion on the District's accompanying financial statements because they do not present fairly the financial position, results of operations, and cash flows, where applicable, in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 through 2010-003 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2010-004.

We also noted certain matters that we reported to the District's management in a separate letter dated November 10, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we do not express opinions on them.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 10, 2010

To the Board of Education
Manchester Local School District
6075 Manchester Road
Akron, OH 44319

**Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Federal Program
and on Internal Control Over Compliance in Accordance
With OMB Circular A-133**

Compliance

We have audited the compliance of Manchester Local School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Manchester Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

MANCHESTER LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements	
U. S. Department of Education						
(Passed Through Ohio Department of Education):						
<i>Title I Cluster</i>						
Title I	84.010	2009	\$ 28,209	\$ 31,154	\$ 0	
	84.010	2010	121,646	119,251	0	
Title I: ARRA	84.389	2010	48,038	60,571	0	
Total Title I Cluster			<u>197,893</u>	<u>210,976</u>	<u>0</u>	
<i>Special Education Cluster</i>						
IDEA-B	84.027	2009	0	4,398	0	
		2010	240,464	241,456	0	
IDEA-B: ARRA	84.391	2010	83,565	73,565	0	
Total Special Education Cluster			<u>324,029</u>	<u>319,419</u>	<u>0</u>	
Safe and Drug-Free Schools and Communities	84.186	2009	0	884	0	
		2010	2,465	1,935	0	
Total Safe and Drug-Free Schools and Communities			<u>2,465</u>	<u>2,819</u>	<u>0</u>	
Title II-D	84.318	2009	28	1,201	0	
		2010	976	0	0	
Total Title II-D			<u>1,004</u>	<u>1,201</u>	<u>0</u>	
Title II-A	84.367	2009	0	35	0	
		2010	32,733	30,897	0	
Total Title II-A			<u>32,733</u>	<u>30,932</u>	<u>0</u>	
State Fiscal Stabilization Fund: ARRA	84.394	2010	335,183	174,856	0	
Total Passed Through Ohio Department of Education			<u>893,307</u>	<u>740,203</u>	<u>0</u>	
Total Department of Education			<u>893,307</u>	<u>740,203</u>	<u>0</u>	
U. S. Department of Agriculture						
(Passed Through Ohio Department of Education):						
Non-Cash Assistance:						
National School Lunch Program	(A)	10.555	2010	19,340	0	19,340
Cash Assistance:						
National School Lunch Program	(B)	10.555	2010	121,113	121,113	0
Total National School Lunch Program				<u>140,453</u>	<u>121,113</u>	<u>19,340</u>
Total Department of Agriculture				<u>140,453</u>	<u>121,113</u>	<u>19,340</u>
Total Federal Assistance			<u>\$ 1,033,760</u>	<u>\$ 861,316</u>	<u>\$ 19,340</u>	

- (A) Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the value at the entitlement value of commodities received and disbursed.
- (B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Adverse
(d) (1) (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS) which are not considered to be material?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster State Fiscal Stabilization Fund	CFDA # 84.027 & 84.391 (ARRA) CFDA# 84.394 (ARRA)
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

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

Material Weaknesses

Finding Number	2010-001
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Criteria: The District's payroll responsibilities should include the review of pay rates entered annually.

Condition: The District's payroll function lacked internal controls in the process of entering pay rates into the system.

Cause: Our testing revealed a couple errors had occurred without being detected by District employees.

Effect: Errors found were an underpayment to an employee in the amount of \$2,087 and an overpayment to an employee in the amount of \$839.

Recommendation: We recommend the District implement a control requiring an employee, other than the person entering the original pay rates at the beginning of each year, review the items input into the system and sign off as reviewed.

District's Response: The payment errors were corrected. Repayment was made by the media tech and the teacher received the compensation due. All future salary notices and computer entries will be reviewed by either the Treasurer or the Assistant to the Treasurer or both.

FINDING NUMBER	2010-002
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Criteria: Health insurance contributions should be deposited as soon as the check is written. Also, the self-insurance account should be reconciled monthly.

Condition: Health insurance contribution checks were being held in the Assistant Treasurer's desk. The self-insurance account was not being reconciled monthly.

Cause: During our bank reconciliation and outstanding check testing, we noted the Assistant Treasurer keeps check(s) prepared for health insurance contributions in her desk until the Treasurer sends a listing of claims to the bank to be paid. At this time, the Assistant Treasurer will send the check(s) along with the claims listing.

Effect: This caused the contribution checks to be included as outstanding in the general account, but the checks did not show as deposits in transit for the self-insurance account. Therefore, the cash balance in the self-insurance fund would be understated. This resulted in adjustments which were included in the financial statements.

Recommendation: We recommend the Assistant Treasurer send the employee contribution checks to the bank as soon as they are prepared. We also recommend the Treasurer reconcile the self-insurance fund monthly along with the other accounts.

District's Response: The practice of holding the deduction checks has been halted. All checks are deposited when printed.

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

FINDING NUMBER	2010-003
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Criteria: All tax advances should be posted to funds according to the tax levies passed.

Condition: The District erroneously posted a tax advance to the wrong fund.

Cause: The District coded a tax advance to the incorrect fund. When the advance was written into the receipt book, the incorrect code was used, therefore, it was posted incorrectly by the Assistant Treasurer.

Effect: The amount for the Emergency Levy Fund was posted to the General Fund. The District did correct this error with an adjusting entry in FY11.

Recommendation: We recommend the District put procedures in place to identify this type of error.

District's Response: The correction was made in FY2011 as reported.

Material Non-Compliance

FINDING NUMBER	2010-004
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Criteria: Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code 117.38

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

GASB Statement 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments" requires the School District's basic financial statements and required supplementary information (RSI) consist of the following:

- Management's Discussion and Analysis – Providing management's analytical overview of the School District's financial activities.
- Basic Financial Statements – The basic financial statements will consist of Government-wide financial statements, which will include a statement of net assets and a statement of activities, prepared on the economic resources measurement focus and the accrual basis of accounting. These statements will report all assets, liabilities, revenues, expenses, and gains and losses of the School District. The basic financial statements also will consist of the more familiar fund financial statements, but they will focus on the School District's "Major" funds as defined in the Statement.
- Required Supplementary Information – Budgetary comparison schedules and certain "modified approach" infrastructure information

Condition: The District did not prepare its financial statements in accordance with Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B).

**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

FINDING NUMBER	2010-004 (continued)
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Cause: For fiscal year 2010, the District prepared its financial statements 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. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Effect: 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.

Recommendation: We recommend the School District review the new standards and ensure preparation of its financial statements in accordance with AICPA’s *Audit and Accounting Guide Audits of State and Local Governments (GASB 34 edition)*. We also recommend the District prepare its financial statements in accordance with Ohio Administrative Code and Ohio Revised Code.

District’s Response: The Manchester Local Board of Education has elected not to prepare its annual financial report in accordance with generally accepted accounting principles.

3. FINDINGS FOR FEDERAL AWARDS

NONE	
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**MANCHESTER LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Employees paid wrong amount for FY09.	No	Refer to Finding 2010-001
2009-002	Employee contribution checks for health insurance kept until a listing of claims are paid.	No	Refer to Finding 2010-002
2009-003	<p>Ohio Rev. Code Section 117.38, Filing of the Financial Report</p> <p>Ohio Admin. Code Section 117-2-03(B), Prepare Annual Financial Report in Accordance with Generally Accepted Accounting Principles</p>	No	Refer to Finding 2010-004



Dave Yost • Auditor of State

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
FEBRUARY 8, 2011**