



Dave Yost • Auditor of State



**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance All Governmental Fund Types for the Fiscal Year Ended June 30, 2015 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types for the Fiscal Year Ended June 30, 2015.....	4
Notes to the Basic Financial Statements .....	5
Federal Awards Receipts and Expenditures Schedule.....	27
Notes to the Federal Awards Receipts and Expenditures Schedule .....	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	31
Schedule of Findings.....	33
Schedule of Prior Audit Findings.....	37

This page intentionally left blank



# Dave Yost • Auditor of State

## 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 Manchester Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2015, 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 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 cash 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 matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Manchester Local School District as of and for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Supplementary Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, 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**  
Auditor of State  
Columbus, Ohio

June 30, 2016

**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, 2015*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property Taxes	\$ 7,759,943	\$ 0	\$ 0	\$ 97,521	\$7,857,464
Tuition	1,142,090	0	0	0	1,142,090
Intergovernmental	6,116,892	572,389	0	15,708	6,704,989
Rent	9,385	0	0	0	9,385
Earnings on Investments	691	0	0	0	691
Extracurricular Activities	0	139,628	0	0	139,628
Customer Sales and Services	2,307	186,986	0	0	189,293
Contributions	43,850	14,363	0	0	58,213
Miscellaneous	20,541	0	0	0	20,541
<i>Total Cash Receipts</i>	<u>15,095,699</u>	<u>913,366</u>	<u>0</u>	<u>113,229</u>	<u>16,122,294</u>
<b>Cash Disbursements</b>					
Current:					
Instruction:					
Regular	6,212,866	32,205	0	0	6,245,071
Special	1,430,604	346,821	0	0	1,777,425
Vocational Education	74,844	0	0	0	74,844
Adult/Continuing	41,828	0	0	0	41,828
Student Intervention Services	2,205	0	0	0	2,205
Support Services:					
Pupils	1,128,691	300	0	0	1,128,991
Instructional Staff	363,511	14,791	0	0	378,302
Board of Education	43,239	0	0	0	43,239
Administration	927,964	542	0	11	928,517
Fiscal	346,893	0	0	1,602	348,495
Business	71,996	0	0	0	71,996
Operations and Maintenance	1,385,480	20,317	0	985	1,406,782
Pupil Transportation	990,308	0	0	0	990,308
Central	135,615	0	0	0	135,615
Operation of Non-Instructional Services:					
Food Service Operations	0	345,184	0	0	345,184
Extracurricular	464,690	149,053	0	0	613,743
Capital Outlay	39,557	0	0	22,500	62,057
Debt Service:					
Principal Retirement	0	0	90,045	0	90,045
Interest and Fiscal Charges	0	0	25,764	0	25,764
<i>Total Cash Disbursements</i>	<u>13,660,291</u>	<u>909,213</u>	<u>115,809</u>	<u>25,098</u>	<u>14,710,411</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,435,408</u>	<u>4,153</u>	<u>(115,809)</u>	<u>88,131</u>	<u>1,411,883</u>
<b>Other Financing Receipts (Disbursements)</b>					
Proceeds From Lease Purchase Agreement	191,542	0	0	0	191,542
Refund Prior Year Expenditures	101,109	29,528	0	0	130,637
Refund Prior Year Receipts	(44,249)	0	0	0	(44,249)
Advances In	28,062	0	0	0	28,062
Advances Out	0	(28,062)	0	0	(28,062)
Transfers In	181	49,571	115,809	0	165,561
Transfers Out	(165,380)	(181)	0	0	(165,561)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>111,265</u>	<u>50,856</u>	<u>115,809</u>	<u>0</u>	<u>277,930</u>
<i>Net Change in Fund Cash Balances</i>	1,546,673	55,009	0	88,131	1,689,813
<i>Fund Cash Balances, July 1</i>	<u>1,486,302</u>	<u>99,046</u>	<u>0</u>	<u>49,552</u>	<u>1,634,900</u>
<b>Fund Cash Balances, June 30</b>					
Restricted	86,229	154,537	0	137,683	378,449
Assigned	72,420	0	0	0	72,420
Unassigned (Deficit)	2,874,326	(482)	0	0	2,873,844
<i>Fund Cash Balances, June 30</i>	<u>\$ 3,032,975</u>	<u>\$ 154,055</u>	<u>\$ 0</u>	<u>\$ 137,683</u>	<u>\$ 3,324,713</u>

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, 2015*

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Internal Service	Private Purpose Trust	Agency	
<b>Operating Cash Receipts</b>				
Charges for Services	\$ 1,371,798	\$ 0	\$ 0	\$ 1,371,798
Extracurricular Activities	0	0	77,489	77,489
Earnings on Investments	0	64	29	93
Contributions and Donations	0	5,816	1,976	7,792
<i>Total Operating Cash Receipts</i>	<u>1,371,798</u>	<u>5,880</u>	<u>79,494</u>	<u>1,457,172</u>
<b>Operating Cash Disbursements</b>				
Salaries	0	0	1,615	1,615
Purchased Services	304,253	0	1,182	305,435
Claims	1,249,435	0	0	1,249,435
Other	0	16,404	74,301	90,705
<i>Total Operating Cash Disbursements</i>	<u>1,553,688</u>	<u>16,404</u>	<u>77,098</u>	<u>1,647,190</u>
<i>Operating Income (Loss)</i>	<u>(181,890)</u>	<u>(10,524)</u>	<u>2,396</u>	<u>(190,018)</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Earnings on Investments	4	0	0	4
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>4</u>	<u>0</u>	<u>0</u>	<u>4</u>
<i>Net Change in Fund Cash Balances</i>	(181,886)	(10,524)	2,396	(190,014)
<i>Fund Cash Balances, July 1</i>	<u>210,383</u>	<u>114,405</u>	<u>57,809</u>	<u>382,597</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 28,497</u>	<u>\$ 103,881</u>	<u>\$ 60,205</u>	<u>\$ 192,583</u>

See accompanying notes and accountant's compilation report.



**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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 2015.

**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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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 2015 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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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

**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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

*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, 2015, the District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. See Note 6 for further information.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 6 for further information.

**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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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 25% of the interim monies available for investment at any one time.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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, 2015, the carrying amounts of the District's deposits were \$3,517,296 and the bank balances were \$3,702,405 of the bank balance \$86,229 is restricted in an Escrow account for the purchase of a new school bus in 2016. As of June 30, 2015, \$586,229 of the bank balance was covered by federal depository insurance and \$3,116,176 was uncollateralized and uninsured.

**NOTE 3: BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2015 is as follows:

	2015 Budgeted vs Actual Receipts		
	Budget	Actual	Variance
	Receipts	Receipts	
General	\$ 15,741,297	\$ 15,416,593	\$ (324,704)
Special Revenue	1,066,583	992,284	(74,299)
Debt Service	121,625	115,809	(5,816)
Capital Projects	124,490	113,229	(11,261)
Internal Service	1,513,000	1,371,802	(141,198)
Fiduciary	71,500	85,374	13,874

	2015 Appropriation vs Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 13,909,715	\$ 13,926,251	\$ (16,536)
Special Revenue	915,729	946,149	(30,420)
Debt Service	115,809	115,809	0
Capital Projects	30,098	52,648	(22,550)
Internal Service	1,384,831	1,553,688	(168,857)
Fiduciary	98,279	97,941	338

Some funds are included in the general fund on the combined statement of cash receipts, cash disbursements, and changes in fund cash balances, but have legally adopted budgets. This includes uniform school supplies, rotary special services, emergency levy fund and public school support funds.



**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 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 Summit 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, 2015, 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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 173,313,060	93.09%	\$ 169,034,280	90.08%
Public Utility Personal Property	12,865,820	6.91%	18,605,700	9.92%
	\$ 186,178,880	100.00%	\$ 187,639,980	100.00%
Full Tax Rate per \$1,000 of assessed value	\$ 69.89		\$ 69.88	

**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 2015, 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, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**NOTE 6: DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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](http://www.ohsers.org) under Employers/Audit Resources.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18%. The remaining 0.82% of the 14% employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$344,134 for fiscal year 2015.

**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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 will be 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 percent 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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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, 2015, plan members were required to contribute 12% 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 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$834,252 for fiscal year 2015.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2014, 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:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 13,399,768	\$ 3,370,234	\$ 16,770,002
Proportion of the Net Pension Liability	0.05508989%	0.06659300%	

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***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, 2014, are presented below:

Wage Inflation	3.25%
Future Salary Increases, including inflation	4% to 22%
COLA or Ad Hoc COLA	3%
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:

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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 1 percentage point lower (6.75%), or 1% 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	\$ 4,808,322	\$ 3,370,234	\$ 2,160,677

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, 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% 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

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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, 2014, 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, 2014. 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, 2014. 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, 2014.

**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	\$ 19,183,229	\$ 13,399,768	\$ 8,508,906

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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](http://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 2015, 0.82% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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, 2015, 2014, and 2013 were \$54,093, \$33,908 and \$34,164, respectively. For fiscal year 2015, 100% has been contributed all for fiscal years.

**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](http://www.strsoh.org) or by calling (888) 227-7877.



**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

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 2015, 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, 2015, 2014, and 2013 were \$0, \$56,359 ,and \$60,578, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**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	\$ 28,497
Actuarial Liabilities	\$ 92,000

**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, 2015, 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 not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**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, 2015, the reserve activity was as follows:

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2014	\$ 0
Current Year Set-Aside Requirement	239,629
Current Year Qualifying Expenditures	(39,557)
Current Year Offset	(113,228)
Prior Year Offset From Bond Proceeds	(86,844)
Total	\$ 0
 Balance Carried Forward to Fiscal Year 2016	 \$ 0
 Set-Aside Restricted Balance June 30, 2015	 \$ 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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**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 2015 were as follows:

		Outstanding <u>7/1/2014</u>	Additions	Deletions	Outstanding <u>6/30/2015</u>	Due in <u>One Year</u>
Long-Term Debt:						
2012 General Obligation Bond	3.20%	\$ 165,000	\$ 0	\$ 16,000	\$ 149,000	\$ 17,000
2012 Tax Anticipation Note	3.20%	<u>475,000</u>	<u>0</u>	<u>46,000</u>	<u>429,000</u>	<u>48,000</u>
Total Long-Term Debt		<u>640,000</u>	<u>0</u>	<u>62,000</u>	<u>578,000</u>	<u>65,000</u>
 Lease Obligations		 <u>136,379</u>	 <u>191,542</u>	 <u>28,045</u>	 <u>299,876</u>	 <u>52,479</u>
		<u>\$ 776,379</u>	<u>\$ 191,542</u>	<u>\$ 90,045</u>	<u>\$ 877,876</u>	<u>\$ 117,479</u>

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.

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2015, are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 65,000	\$ 17,456	\$ 82,456
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
2021-2023	234,000	11,424	245,424
	\$ 578,000	\$ 77,056	\$ 655,056

**NOTE 14: LEASES**

The District leases buses under non-cancelable leases. The District disbursed \$34,320 to pay lease costs for the year ended June 30, 2015. Future lease payments are as follows:

Fiscal Year	Amount
2016	\$ 64,345
2017	64,348
2018	64,346
2019	57,540
2020 - 2021	86,623
Total Principal and Interest	337,202
Less Amount Representing Interest	37,326
Total Principal	\$ 299,876

**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	\$ 47,260
Capital Projects	27,550
Special Revenue	7,719
	\$ 82,529

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**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:				
Bus Purchases	\$ 86,229	\$ 0	\$ 0	\$ 86,229
Capital Outlay	0	0	137,683	137,683
Student Managed Activities	0	47,522	0	47,522
State Grants	0	11,108	0	11,108
Federal Grants	0	75,944	0	75,944
Other Purposes	0	19,963	0	19,963
Total Restricted	<u>86,229</u>	<u>154,537</u>	<u>137,683</u>	<u>378,449</u>
Assigned for:				
Encumbrances:				
Instructional	4,559	0	0	4,559
Support Services	33,577	0	0	33,577
Extracurricular Activities	3,445	0	0	3,445
Capital Outlay	5,679	0	0	5,679
Subsequent Year Appropriations	25,160	0	0	25,160
Total Assigned	<u>72,420</u>	<u>0</u>	<u>0</u>	<u>72,420</u>
Unassigned	<u>2,874,326</u>	<u>(482)</u>	<u>0</u>	<u>2,873,844</u>
Total Fund Cash Balance (Deficit)	<u>\$ 3,032,975</u>	<u>\$ 154,055</u>	<u>\$ 137,683</u>	<u>\$ 3,324,713</u>

**NOTE 17: INTERNAL ACTIVITY**

**A. Interfund Advances**

Interfund advances consisted of the following at June 30, 2015:

	Advances In	Advances Out
General Fund	\$ 28,062	\$ 0
Special Revenue Funds:		
Race to the Top	0	28,062
	<u>\$ 28,062</u>	<u>\$ 28,062</u>

**Manchester Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The interfund advances during fiscal year 2015 were to repay a portion of the prior fiscal year outstanding balance.

**B. Interfund Transfers**

Transfers made during fiscal year 2015 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 181	\$ 165,380
Special Revenue Funds:		
Food Service	25,983	0
District Managed Student Activities	23,588	181
Debt Service	115,809	0
	\$ 165,561	\$ 165,561

These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The district managed student activities fund returned \$181 to the general fund for a transfer to cover disbursements for student events.

**NOTE 18: COMPLIANCE**

The District did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Revised Code 5705.41(B). For the year ended June 30, 2015, the District had expenditures in excess of appropriations in the following funds:

Fund	Excess
General	\$ 16,536
Special Revenue	30,420
Capital Projects	22,550
Self Insurance Fund	168,857

The District will monitor future budgets and make necessary changes.

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through the Ohio Department of Education:</i>					
Child Nutrition Cluster:					
National School Breakfast Program	10.553	18,239		18,239	
National School Lunch Program	10.555	128,383	27,370	128,383	27,370
Total Child Nutrition Cluster		<u>146,622</u>	<u>27,370</u>	<u>146,622</u>	<u>27,370</u>
<b>Total U.S Department of Agriculture</b>		<u>146,622</u>	<u>27,370</u>	<u>146,622</u>	<u>27,370</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through the Ohio Department of Education:</i>					
Special Education Grants to States	84.027	223,441		216,789	
Title I Grants to Local Educational Agencies	84.010	133,373		130,033	
ARRA - Race-to-the-Top Incentive Grants	84.395	34,986		14,791	
Improving Teacher Quality Grants, Title 11-A	84.367	<u>25,614</u>		<u>26,096</u>	
<b>Total U.S. Department of Education</b>		<u>417,414</u>		<u>387,709</u>	
<b>Total Federal Financial Assistance</b>		<u><u>564,036</u></u>	<u><u>27,370</u></u>	<u><u>534,331</u></u>	<u><u>27,370</u></u>

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

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

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

Manchester Local School District  
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 Manchester Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2016, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompany schedule of findings that we consider a significant deficiency. We consider finding 2015-003 to be a significant deficiency.

***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 items 2015-001 and 2015-002.

***Entity'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 30, 2016



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Programs***

We have audited the Manchester Local School District's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

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

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

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

***Opinion on the Major Federal Program***

In our opinion, the Manchester Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2015.

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

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 30, 2016

**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
June 30, 2015**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education – Grants to State – CFDA \$84.027 Child Nutrition Cluster: National School Lunch Program – CFDA #10.555 Non-Cash Assistance (Food Distribution) – CFDA #10.555 National School Breakfast Program – CFDA #10.553
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**1. Budgetary Expenditures Exceeding Appropriations**

<i>Finding Number</i>	2015-001
-----------------------	----------

NONCOMPLIANCE

**Ohio Rev. Code§ 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated. It was noted that actual budgetary expenditures exceeded appropriations in the following fund types:

General Fund: Budgetary expenditures of \$13,926,251 exceeded appropriations of \$13,909,715 by (\$16,536)

Special Revenue: Budgetary expenditures of \$946,149 exceeded appropriations of \$915,729 by (\$30,420)

Capital Projects: Budgetary expenditures of \$52,648 exceeded appropriations of \$30,098 by (\$22,550)

Internal Service: Budgetary expenditures of \$1,553,688 exceeded appropriations of \$1,384,831 by (\$168,857)

The budgetary violations were caused by the Treasurer not accurately posting all appropriations approved by the Board of Education to the District's accounting system. In addition, no budget-to-actual expenditure reports are presented to the Board monthly for their review and approval. This prevents the Board from properly monitoring actual disbursements throughout the year to budgeted appropriations and could result in the overspending of resources.

The Treasurer should accurately post all appropriations to the District's accounting system and present budget-to-actual expenditure reports to the Board of Education for their review and approval each month.

**Official's Response:** Budgetary Expenditures Exceeding Appropriations - We agree with this finding, and this has been corrected beginning with FY2016.

**Non-Compliance Findings  
(Continued)**

**2. Financial Statement Presentation**

<i>Finding Number</i>	2015-002
-----------------------	----------

NONCOMPLIANCE

**Ohio Admin. Code §117-2-03(B)** requires the District to file its annual financial report which is prepared using generally accepted accounting principles (GAAP).

Further, **Ohio Rev. Code §117.38**, states that cash-basis entities must file annual reports with the Auditor of State. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report within 60 days after year end shall pay a penalty of \$25 for each day the report remains unfilled, not to exceed \$750. The Auditor of State may waive these penalties, upon the filing of the past due financial report.

The District did not file their annual report with the Auditor of State until February 10, 2016. Also, 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. 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 §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, implement all applicable Governmental Accounting Standard Board statements, and file an annual report with the Auditor of State by the required deadline.

**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.

**Non-Compliance Findings  
 (Continued)**

**3. Federal Schedule**

<i>Finding Number</i>	2015-003
-----------------------	----------

SIGNIFICANT DEFICIENCY

Sound financial reporting is the responsibility of the District's management and is essential to ensure the information provided to the readers of the financial statements and all other related information is complete and accurate.

The following exceptions were noted with the client's Federal Awards Receipts and Expenditures Schedule (the Federal Schedule):

- FY 2014 Race to the Top grant receipts were overstated by \$9,168 and FY 2014 Race to the Top grant expenditures were overstated by \$28,062 on the District's Federal Schedule.
- FY 2015 Race to the Top grant receipts of \$15,531 and FY 2015 Race to the Top grant expenditures of \$14,230 were not included on the District's Federal Schedule.
- Child Nutrition Cluster (National School Lunch Program CFDA 10.555 and School Breakfast Program CFDA 10.553) receipts and expenditures were improperly combined on the District's Federal Schedule under CFDA #10.555. Also, the Child Nutrition Cluster total receipts and expenditures were overstated by \$216,187 because the District included non-federal food service receipts and expenditures on the District's Federal Schedule.
- Non-cash food commodities received and expended by the District from the National School Lunch Program of \$27,320 were not included on the District's Federal Schedule.
- FY 2015 Special Education Grants to States receipts were overstated by \$350 on the District's Federal Schedule. The \$350 was a refund of a prior year expenditure.
- FY 2015 Title 1 Grant receipts were overstated by \$486 on the District's Federal Schedule. The \$486 was a refund of a prior year expenditure.

These errors were not identified and corrected prior to the District preparing their Federal Schedule due to deficiencies in the District's internal controls over the preparation of the Federal Schedule. The accompanying Federal Awards Receipts and Expenditures Schedule has been adjusted to accurately report the District's federal receipts and expenditures.

In order to help ensure proper presentation and reporting of federal award amounts, the District should closely monitor all federal receipts and expenditures for proper posting to the District's accounting records and reporting on the Federal Awards Receipts and Expenditures Schedule.

**Official's Response:** Federal Schedule - We agree with the finding. The line items not listed or not recorded properly on the federal schedule were an error. This error has been corrected beginning with FY2016.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

None



**MANCHESTER LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2014-001	<p><b>Ohio Rev. Code Section 117.38,</b> Filing of the Financial Report</p> <p><b>Ohio Admin. Code Section 117-2-03(B),</b> Prepare Annual Financial Report in Accordance with Generally Accepted Accounting Principles</p>	No	<b>Not Corrected.</b> Refer to Finding 2015-002.
2014-002	<p><b>Bank Reconciliation</b></p> <p>Treasurer's June 30, 2014 included unsupported \$71,307 reconciling item.</p> <p>District lack monitoring controls over the bank reconciliations</p>	No	<b>Partially Corrected.</b> District is reconciled but lacks monitoring controls over bank reconciliations. A comment is included in the management letter regarding monitoring of bank reconciliations.
2014-003	<p><b>34 C.F.R. 80.22</b> Sets limitations on the use of grant funds</p> <p><b>2 C.F.R. 225, Appendix A, Section C. (1)(a)</b> Requires for a cost to be allowable under Federal Awards</p>	Yes	<b>Corrected</b>
2014-004	<p><b>OMB Circular A-133 Section 200 (b)</b> Non-federal entities that expend \$500,000 or more in a year must have a single audit conducted in accordance with Section 500</p> <p><b>OMB Circular A-133 Section 320 (a)</b> Data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s) or nine months after the end of the audit period.</p>	No	<b>Finding No Longer Valid.</b> The federal government is monitoring filing of data collection forms and reporting packages.

**This page intentionally left blank.**



# 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  
JULY 19, 2016**