



Mary Taylor, CPA
Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 19, 2010

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

As management of the Manchester Local School District, we offer readers of the Manchester Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

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

Financial Highlights

The assets of the School District exceeded its liabilities at June 30, 2010 by \$16,509,411 which represents a 27 percent increase from fiscal year 2009. The increase is the result of revenues exceeding expenses.

General revenues accounted for \$14,199,476, or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest, accounted for \$2,821,513, or 17 percent of total revenues of \$17,020,989.

The School District had \$13,558,220 in expenses; 21 percent of these expenses were offset by program specific charges for services and sales, and operating grants, contributions and interest. General revenues (primarily grants and entitlements and property taxes) of \$14,199,476 were adequate to provide for the remaining cost of these programs.

Using the Basic Financial Statements

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

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

Reporting the Manchester Local School District as a Whole

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that demonstrates how the School District did financially during 2010. These statements include all

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Manchester Local School District's Most Significant Funds

Fund Financial Statements

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2010 and 2009:

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

(Table 1)
Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
Current and Other Assets	\$14,358,969	\$13,328,184	\$1,030,785
Capital Assets, Net	27,126,376	27,463,250	(336,874)
Total Assets	41,485,345	40,791,434	693,911
Liabilities			
Other Liabilities	7,791,025	8,214,109	(423,084)
Long-Term Liabilities	17,184,909	19,530,683	(2,345,774)
Total Liabilities	24,975,934	27,744,792	(2,768,858)
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,667,022	8,625,985	2,041,037
Restricted	2,385,186	2,540,397	(155,211)
Unrestricted	3,457,203	1,880,260	1,576,943
Total Net Assets	\$16,509,411	\$13,046,642	\$3,462,769

Total assets increased \$693,911. Equity in Pooled Cash and Cash Equivalents increased \$1,279,466 due to the reduction of the elementary lease payment from the previous year, and Cash and Cash Equivalents with Escrow Agents decreased \$19,157 due to releasing contractors' retainage accounts. Capital Assets, Net decreased \$336,874, due to the increase of depreciation of the New Elementary and the turning over of the sewer system to the Village of Manchester. Deferred Charges decreased \$10,133 due to the amortization of lease processing costs. Property Taxes Receivable decreased \$427,782 due to a decrease in tax revenue from Duke Energy's tax appeal asking for a reduction of public utility personal property assessed valuation. Interest Receivable decreased \$18,650 due to the fall of interest rates due to the market conditions. Materials and Supplies Inventory decreased \$5,189 due to an auction at the bus garage to get rid of obsolete inventory items. Intergovernmental Receivable increased \$220,306 due to an increase of federal grant reimbursement payments outstanding at year-end. Accounts Receivable increased \$14,037 due to an outstanding construction change order credit.

Total liabilities decreased \$2,768,858. Accrued Wages and Benefits Payable increased \$48,497 due to increased personnel costs. Accounts Payable increased \$49,224 due to summer renovations at the high school. Deferred Revenue decreased \$433,821 due to a decrease in tax revenues from Duke Energy's tax appeal asking for a reduction of public utility personal property assessed valuation. Accrued Interest Payable decreased \$15,621 due to the decrease in debt owed. Matured Compensated Absences Payable increased \$20,170 due to an increase in severance payments. Long-term liabilities decreased \$2,345,774 due to payments on bonds, and the leases incurred to build the new elementary and purchase school buses.

Total Net Assets increased \$3,462,769. Unrestricted Net Assets increased \$1,576,943 due to the decrease in Long-Term Liabilities and the increase in Equity in Pooled Cash and Cash Equivalents. The value of Invested in Capital Assets, Net of Related Debt increased \$2,041,037 due to the

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

reduction of debt during the year, offset by changes in capital assets, including depreciation expense.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

(Table 2)

Change in Net Assets

	2010	2009	% Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$731,791	\$616,965	19%
Operating Grants, Contributions and Interest	2,089,722	1,530,600	37%
Capital Grants and Contributions	0	52,968	-100%
Total Program Revenues	<u>2,821,513</u>	<u>2,200,533</u>	<u>28%</u>
General Revenues:			
Property Taxes	7,563,597	7,601,008	0%
Grants and Entitlements not Restricted to Specific Programs	6,545,783	6,546,498	0%
Gifts and Donations	0	1,723	0%
Investment Earnings	63,021	128,589	-51%
Miscellaneous	27,075	24,358	11%
Total General Revenues	<u>14,199,476</u>	<u>14,302,176</u>	<u>-1%</u>
Total Revenues	<u>17,020,989</u>	<u>16,502,709</u>	<u>3%</u>
Program Expenses:			
Instruction:			
Regular	4,702,878	4,644,572	1%
Special	1,801,204	1,838,233	-2%
Vocational	680,853	1,044,508	-35%
Student Intervention Services	176,342	92,777	90%
Support Services:			
Pupils	488,161	484,281	1%
Instructional Staff	680,900	592,400	15%
Board of Education	79,503	87,209	-9%
Administration	922,233	820,546	12%
Fiscal	438,824	442,477	-1%
Operation and Maintenance of Plant	1,137,230	1,073,745	6%
Pupil Transportation	617,806	605,938	2%
Operation of Non-Instructional Services:			
Food Services	521,631	582,168	-10%
Community Services	113,573	0	100%
Extracurricular Activities	179,080	301,577	-41%
Interest and Fiscal Charges	1,018,002	1,149,413	-11%
Total Expenses	<u>13,558,220</u>	<u>13,759,844</u>	<u>-1%</u>
Change in Net Assets	3,462,769	2,742,865	26%
Net Assets at Beginning of Year	<u>13,046,642</u>	<u>10,303,777</u>	<u>27%</u>
Net Assets at End of Year	<u>\$16,509,411</u>	<u>\$13,046,642</u>	<u>27%</u>

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

There were several areas in the 2009-2010 Statement of Net Assets that showed a significant increase or decrease in comparison to 2008-2009 Statement of Net Assets. These areas were: charges for services and sales rose 19% due to fees collected for preschool program, Operating Grants increased 37% due to District receiving ARRA funding for the Title I, IDEA-B and Title IID programs, capital grants and contributions decrease 100% due to the completion of the new elementary school building, investment earnings decreased 51% due to a reduction in investment account balances as a result of final expenditures on the new elementary building construction which was completed in December 2008 and the decline in market interest rates, vocational instruction expenditures decreased 35% due the carryover credit from the previous year on the contract with the Ohio Valley Career and Technical Center and because the District had 10 fewer students attending the facility, student intervention services expenditures rose 90% due to the receipt of the 21st Century Grant which expanded the afterschool and summer school programs, community services expenditures rose 100% due to the District receiving a preschool grant from the state, and extracurricular activities expenditures decrease 41% due the safety patrol activity being discontinued, and the athletic boosters taking over the concession sales.

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The twenty -even percent (27%) end of the year increase in Net Assets between fiscal years 2009 and 2010 is due to the decrease of debt adding to the value of Invested in Capital Assets, Net of Related Debt and additional federal grant revenues, particularly ARRA funds.

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

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

(Table 3)

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2010	2009	2010	2009
Instruction	\$7,361,277	\$7,620,090	\$5,661,850	\$6,416,505
Support Services	4,364,657	4,106,596	3,931,543	3,798,985
Operation of				
Non-Instructional Services	635,204	582,168	60,522	79,700
Extracurricular Activities	179,080	301,577	64,790	114,708
Interest and Fiscal Charges	1,018,002	1,149,413	1,018,002	1,149,413
Total Expenses	<u>\$13,558,220</u>	<u>\$13,759,844</u>	<u>\$10,736,707</u>	<u>\$11,559,311</u>

The School District's Funds

Information about the School District's major funds starts on page 12. The School District's funds are accounted for using the modified accrual basis of accounting. All funds had total revenues of \$16,853,421 and expenditures of \$15,583,207.

The General Fund saw an increase in fund balance of \$706,941. This increase was due to a decrease in transfers to the debt service fund to cover debt and lease payments. The Debt Service Fund saw a fund balance decrease of \$304,480 due to a decrease in transfers from the General Fund and the receipt of full electric deregulation funding.

General Fund - Budget Highlights

The School District's budget is prepared according to the requirements of the State Department of Education, and is based on cash receipts, disbursements and encumbrances. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated cash balance was \$142,968 more than the final budgeted amount for the General Fund. Actual revenues were \$195 below final budgeted revenues. Final budgeted expenditures were \$139,236 more than actual expenditures. Original budgeted revenues were \$1,199,591 less than final budgeted revenues due primary to increases in property taxes and intergovernmental monies received during the year. Original budgeted appropriations were \$656,744 more than final budgeted expenditures due primarily to increases in support services costs. These differences represent cyclical changes that occur throughout the year and are not known at the time the original budgets are prepared.

Capital Assets

At the end of fiscal year 2010 the School District had \$27,126,376 invested in capital assets.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

	Governmental Activities	
	2010	2009
Land	\$663,257	\$663,257
Construction in Process	27,188	2,188
Land Improvements	2,586,525	2,636,087
Buildings and Improvements	21,546,966	22,003,824
Furniture, Fixtures and Equipment	1,950,385	1,726,330
Vehicles	352,055	431,564
Totals	\$27,126,376	\$27,463,250

For more information on capital assets, see Note 8 to the basic financial statements.

Debt

At June 30, 2010, the School District had \$16,479,603 in bonds, loans and leases outstanding, with \$2,355,399 due within one year. Table 5 summarizes bonds outstanding:

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

	2010	2009
General Obligation Bonds:		
1995 School Improvement Bonds	\$13,413,540	\$14,100,240
2002 Energy Conservation Bonds	83,276	165,680
2006 OASBO Lease	2,940,000	4,532,000
2007 Fifth Third Bank Lease	42,787	69,727
Totals	\$16,479,603	\$18,867,647

The School District's overall legal debt margin was \$10,005,252 with an unvoted debt margin of \$260,209 and an Energy Conservation debt margin of \$2,258,603 at June 30, 2010.

For more information on debts and leases, refer to notes 13 and 14 in the basic financial statements.

Manchester Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Current Issues

Deregulation Funding

The School District will lose thirteen million three hundred thousand dollars (\$13,300,000) over the next five years due to a legislative change in the deregulation law. The School District has contacted their representatives and has been in discussion about a possible reversal; however at this time the law has not been modified to hold the School District harmless from deregulation payment decreases for the next biennial budget.

Contacting the School District's Financial Management

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

Manchester Local School District

Statement of Net Assets

June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,011,832
Cash and Cash Equivalents with Escrow Agents	19,977
Prepaid Items	10,336
Inventory Held for Resale	9,272
Materials and Supplies Inventory	44,868
Intergovernmental Receivable	415,722
Property Taxes Receivable	6,805,532
Interest Receivable	3,000
Accounts Receivable	18,181
Deferred Charges	20,249
Capital Assets:	
Land and Construction in Process	690,445
Depreciable Capital Assets, Net	26,435,931
	<hr/>
Total Assets	41,485,345
	<hr/>
Liabilities	
Accounts Payable	124,895
Accrued Wages and Benefits Payable	806,096
Intergovernmental Payable	179,042
Due to Students	2,145
Deferred Revenue	6,542,881
Accrued Interest Payable	89,811
Matured Compensated Absences Payable	26,178
Retainage Payable	19,977
Long-Term Liabilities:	
Due Within One Year	2,388,963
Due in More Than One Year	14,795,946
	<hr/>
Total Liabilities	24,975,934
	<hr/>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,667,022
Restricted for:	
Debt Service	2,145,136
Other Purposes	240,050
Unrestricted	3,457,203
	<hr/>
Total Net Assets	\$16,509,411
	<hr/> <hr/>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$4,702,878	\$380,229	\$144,160	(\$4,178,489)
Special	1,801,204	90,401	936,641	(774,162)
Vocational	680,853	0	0	(680,853)
Student Intervention Services	176,342	0	147,996	(28,346)
Support Services:				
Pupils	488,161	0	61,456	(426,705)
Instructional Staff	680,900	0	206,288	(474,612)
Board of Education	79,503	0	0	(79,503)
Administration	922,233	0	120,328	(801,905)
Fiscal	438,824	0	4,265	(434,559)
Operation and Maintenance of Plant	1,137,230	0	1,347	(1,135,883)
Pupil Transportation	617,806	0	39,430	(578,376)
Operation of Non-Instructional Services:				
Food Services	521,631	146,871	315,601	(59,159)
Community Services	113,573	0	112,210	(1,363)
Extracurricular Activities	179,080	114,290	0	(64,790)
Interest and Fiscal Charges	1,018,002	0	0	(1,018,002)
Total Governmental Activities	<u>\$13,558,220</u>	<u>\$731,791</u>	<u>\$2,089,722</u>	<u>(10,736,707)</u>
General Revenues:				
Property Taxes Levied for:				
				6,447,502
				1,116,095
Grants and Entitlements not				
				6,545,783
				63,021
				27,075
Total General Revenues				<u>14,199,476</u>
Change in Net Assets				3,462,769
Net Assets Beginning of Year				<u>13,046,642</u>
Net Assets End of Year				<u>\$16,509,411</u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District

Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,598,688	\$2,189,328	\$1,223,816	\$7,011,832
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agents	0	0	19,977	19,977
Receivables:				
Property Taxes	5,720,410	1,085,122	0	6,805,532
Intergovernmental	7,250	0	408,472	415,722
Interfund	89,875	0	0	89,875
Interest	2,913	0	87	3,000
Accounts	4,070	0	14,111	18,181
Inventory Held for Resale	0	0	9,272	9,272
Prepaid Items	10,266	0	70	10,336
Materials and Supplies Inventory	43,866	0	1,002	44,868
Total Assets	<u>\$9,477,338</u>	<u>\$3,274,450</u>	<u>\$1,676,807</u>	<u>\$14,428,595</u>
Liabilities				
Accounts Payable	\$107,496	\$0	\$17,399	\$124,895
Accrued Wages and Benefits Payable	684,240	0	121,856	806,096
Interfund Payable	0	0	89,875	89,875
Intergovernmental Payable	157,253	0	21,789	179,042
Deferred Revenue	5,626,701	1,064,625	233,196	6,924,522
Matured Compensated Absences Payable	26,178	0	0	26,178
Retainage Payable	0	0	19,977	19,977
Due to Students	0	0	2,145	2,145
Total Liabilities	<u>6,601,868</u>	<u>1,064,625</u>	<u>506,237</u>	<u>8,172,730</u>
Fund Balances				
Reserved for Property Taxes	96,622	20,497	0	117,119
Unreserved:				
Undesignated, Reported in:				
General Fund	2,778,848	0	0	2,778,848
Special Revenue Funds	0	0	87,848	87,848
Debt Service Fund	0	2,189,328	0	2,189,328
Capital Projects Funds	0	0	1,082,722	1,082,722
Total Fund Balances	<u>2,875,470</u>	<u>2,209,825</u>	<u>1,170,570</u>	<u>6,255,865</u>
Total Liabilities and Fund Balances	<u>\$9,477,338</u>	<u>\$3,274,450</u>	<u>\$1,676,807</u>	<u>\$14,428,595</u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances \$6,255,865

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

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

Land	663,257	
Construction in Progress	27,188	
Other Capital Assets	32,114,624	
Accumulated Depreciation	(5,678,693)	
Total Capital Assets	27,126,376	27,126,376

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	145,532	
Intergovernmental	221,449	
Interest	3,000	
Accounts	11,660	
	381,641	381,641

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 20,249

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (89,811)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds Payable	(13,496,816)	
Capital Leases Payable	(2,982,787)	
Compensated Absences	(705,306)	
	(17,184,909)	(17,184,909)

Net Assets of Governmental Activities \$16,509,411

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Debt Service	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$6,449,167	\$1,116,466	\$0	\$7,565,633
Intergovernmental	6,147,250	445,131	1,884,972	8,477,353
Interest	59,626	0	603	60,229
Tuition and Fees	469,820	0	0	469,820
Extracurricular Activities	0	0	92,365	92,365
Customer Services	0	0	146,871	146,871
Gifts and Donations	260	0	12,396	12,656
Miscellaneous	15,415	0	13,079	28,494
Total Revenues	13,141,538	1,561,597	2,150,286	16,853,421
Expenditures:				
Current:				
Instruction:				
Regular	4,232,322	0	275,367	4,507,689
Special	999,353	0	816,678	1,816,031
Vocational	693,303	0	0	693,303
Student Intervention Services	22,660	0	153,682	176,342
Support Services:				
Pupils	387,186	0	66,322	453,508
Instructional Staff	461,244	0	177,438	638,682
Board of Education	79,503	0	0	79,503
Administration	782,938	0	116,842	899,780
Fiscal	395,728	35,295	4,082	435,105
Operation and Maintenance of Plant	1,107,653	0	974	1,108,627
Pupil Transportation	473,002	0	22,693	495,695
Operation of Non-Instructional Services:				
Food Services	0	0	474,316	474,316
Community Services	1,267	0	112,306	113,573
Extracurricular Activities	124,397	0	127,934	252,331
Capital Outlay	13,888	0	13,300	27,188
Debt Service:				
Principal	0	2,388,044	0	2,388,044
Interest and Fiscal Charges	0	1,023,490	0	1,023,490
Total Expenditures	9,774,444	3,446,829	2,361,934	15,583,207
Excess of Revenue Over (Under) Expenditures	3,367,094	(1,885,232)	(211,648)	1,270,214
Other Financing Sources (Uses):				
Transfers In	0	1,580,752	1,090,000	2,670,752
Transfers Out	(2,670,752)	0	0	(2,670,752)
Proceeds from Sale of Capital Assets	9,710	0	0	9,710
Insurance Recoveries	889	0	0	889
Total Other Financing Sources (Uses)	(2,660,153)	1,580,752	1,090,000	10,599
Net Change in Fund Balances	706,941	(304,480)	878,352	1,280,813
Fund Balances at Beginning of Year	2,168,529	2,514,305	292,218	4,975,052
Fund Balances at End of Year	<u>\$2,875,470</u>	<u>\$2,209,825</u>	<u>\$1,170,570</u>	<u>\$6,255,865</u>

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$1,280,813

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

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

Capital asset additions	716,547	
Depreciation expense	(882,022)	
Excess of capital outlay under depreciation expense		(165,475)

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

Proceeds from Sale of Capital Assets	(9,710)	
Insurance Proceeds	(889)	
Loss on Disposal of Capital Assets	(160,800)	
		(171,399)

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

Delinquent Property Taxes	(2,036)	
Intergovernmental	154,944	
Interest	3,000	
Accounts	11,660	
		167,568

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

Amortization of issuance costs	(10,133)	
Decrease in accrued interest	15,621	
		5,488

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

Bond principal retirement	769,104	
Capital lease payments	1,618,940	
		2,388,044

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

Increase in compensated absences		(42,270)

Change in Net Assets of Governmental Activities \$3,462,769

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$6,051,400	\$6,442,503	\$6,442,503	\$0
Intergovernmental	5,397,010	6,160,204	6,160,365	161
Interest	100,000	83,985	82,238	(1,747)
Tuition and Fees	392,007	468,745	468,745	0
Gifts and Donations	0	260	260	550
Miscellaneous	29,700	14,011	15,402	1,391
Total Revenues	11,970,117	13,169,708	13,169,513	(195)
Expenditures:				
Current:				
Instruction:				
Regular	4,182,334	4,216,442	4,090,050	126,392
Special	1,079,434	1,002,123	1,002,123	0
Vocational	1,118,466	694,675	694,675	0
Student Intervention Services	106,855	23,033	23,033	12,715
Support Services:				
Pupils	437,436	388,377	388,377	0
Instructional Staff	480,920	459,299	459,299	0
Board of Education	110,582	83,100	83,100	0
Administration	776,271	758,934	758,861	73
Fiscal	374,059	423,418	423,362	56
Operation and Maintenance of Plant	1,141,339	1,123,879	1,123,879	0
Pupil Transportation	613,080	498,586	498,586	0
Operation of Non-Instructional Services:				
Community Services	0	1,267	1,267	0
Extracurricular Activities:				
Academic Oriented Activities	12,451	16,387	16,387	0
Sport Oriented Activities	151,189	130,816	130,816	0
Capital Outlay:				
Site Improvement Services	20,000	33,688	33,688	0
Architecture and Engineering Services	0	2,670	2,670	0
Building Acquisition and Construction Services	14,184	54,996	54,996	0
Building Improvement Services	0	50,166	50,166	0
Total Expenditures	10,618,600	9,961,856	9,835,335	139,236
Excess of Revenues Over Expenditures	1,351,517	3,207,852	3,334,178	126,326
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	10,000	9,710	9,710	0
Insurance Recoveries	0	889	889	0
Advances Out	0	(89,875)	(89,875)	0
Transfers In	40,000	0	0	0
Transfers Out	(1,754,402)	(2,687,394)	(2,670,752)	9,288
Total Other Financing Sources (Uses)	(1,704,402)	(2,766,670)	(2,750,028)	811
Net Change in Fund Balances	(352,885)	441,182	584,150	142,968
Fund Balance at Beginning of Year	2,760,695	2,760,695	2,760,695	0
Prior Year Encumbrances Appropriated	114,980	114,980	114,980	0
Fund Balance at End of Year	\$2,522,790	\$3,316,857	\$3,459,825	\$142,968

See accompanying notes to the basic financial statements

Manchester Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$36,892	\$24,224
Liabilities		
Undistributed Monies	0	\$24,224
Net Assets		
Held in Trust for Scholarships	\$36,892	

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$21,780
Interest	364
Total Additions	22,144
Deductions:	
Scholarships Awarded	14,004
Change in Net Assets	8,140
Net Assets Beginning of Year	28,752
Net Assets End of Year	\$36,892

See Accompanying Notes to the Basic Financial Statements

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Manchester Local School District was established in 2004 through the deconsolidation of existing land areas in the Adams County/Ohio Valley School District. The School District serves an area of approximately 115 square miles. It is located in Adams County, and includes the Villages of Manchester and Rome, all of Manchester Township, portions of Green Township, Monroe Township, and all of Sprigg Township. The School District is staffed by 36 non-certificated employees, 65 certificated teaching personnel and nine administrative employees who provide services to 900 students and other community members. The School District currently operates two instructional buildings and one bus garage.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in one jointly governed organization and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association (SCOCA), the Schools of Ohio Risk Sharing Authority, Inc., and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 of the basic financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Manchester Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Fiduciary Funds:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” on the financial statements. The School District also utilizes an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “Cash and Cash Equivalents with Escrow Agents.”

During fiscal year 2010, the School District’s investments were limited to certificates of deposits, Federal Home Loan Bank Bonds and STAROhio. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$59,626 which includes \$20,608 assigned from other School District funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the fiscal year in which services are consumed.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent retainage held on construction projects.

I. Capital Assets

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

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

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

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". The amounts are eliminated in the governmental activities column of the Statement of Net Assets.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2010.

O. Internal Activity

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Estimates

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

Q. Budgetary Process

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

authorized to allocate Board appropriations to the function and object level within each fund.

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

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

R. Deferred Charges

In the government-wide financial statements, issuance costs are deferred and amortized over the term of the capital lease using the straight-line method, since the results are not significantly different from the effective interest method. Issuance costs are reported as deferred charges.

On the governmental fund financial statements, issuance costs are recognized in the period when the debt is issued.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. The change of fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.

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

Net Change in Fund Balance	
GAAP Basis	\$706,941
Adjustments:	
Revenue Accruals	25,385
Expenditure Accruals	77,244
Encumbrances	(138,135)
Advances	(89,875)
Change in Fair Value of Investments FY 2009	3,318
Change in Fair Value of Investments FY 2010	(728)
Budget Basis	\$584,150

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2010, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank Bonds	\$300,750	3/3/2015	59.74%
STAROhio	202,647	Average 56 days	N/A
	<u>\$503,397</u>		

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

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond State statute requirements. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Federal Home Loan Bank Bond carries a rating of Aaa by Moodys. STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

NOTE 5 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Adams County. The Adams County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$96,622 in the General Fund and \$20,497 in the Debt Service Fund. The amount available as an advance at June 30, 2009 was \$89,958 in the General Fund and \$19,086 in the Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The School District's assessed values upon which fiscal year 2010 taxes were collected are:

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

NOTE 5 - PROPERTY TAXES (continued)

	2009 Second - Half Collections		2010 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$100,800,610	37.24%	\$100,981,910	38.80%
Public Utility Personal	169,687,460	62.70%	159,226,890	61.17%
General Business Personal	159,590	0.06%	79,795	0.03%
Total Assessed Value	<u>\$270,647,660</u>	<u>100.00%</u>	<u>\$260,288,595</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

NOTE 6 - ELECTRIC DEREGULATION FUNDS

The School District expects to lose \$13,300,000 over the next five years due to a legislative change in the deregulation law. The School District has contacted their representatives and has been in discussion about a possible reversal; however at this time the law has been modified to hold the School District harmless from deregulation payment decreases for the current biennial budget for fiscal years 2009-10 and 2010-11.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010, consisted of taxes, intergovernmental grants, interfund, interest, and accounts. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables will be received within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

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

NOTE 7 – RECEIVABLES (continued)

	Amounts
Governmental Activities:	
Food Service Reimbursement	\$10,492
IDEA Part B Grant	25,310
ARRA IDEA Part B Grant	63,797
Title I Grant	147,861
ARRA Title I Grant	51,992
Early Childhood Education	374
Improving Teacher Quality	26,082
Ohio Department of Education	337
21st Century Learning Center	48,707
Safe Routes to School	5,066
Adams County Juvenile Court	1,439
Southern Ohio Educational Service Center	5,474
Title II-D	25,500
Title VI-B	3,291
Total Intergovernmental Receivables	\$415,722

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 7/1/09	Additions	Deductions	Balance at 6/30/10
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$663,257	\$0	\$0	\$663,257
Construction in Progress	2,188	27,188	(2,188)	27,188
Total Capital Assets Not Being Depreciated	665,445	27,188	(2,188)	690,445
Capital Assets Being Depreciated:				
Land Improvements	3,141,542	202,820	(172,028)	3,172,334
Buildings and Improvements	24,932,410	26,657	0	24,959,067
Furniture, Fixtures and Equipment	2,692,166	462,070	(28,817)	3,125,419
Vehicles	903,389	0	(45,585)	857,804
Totals Capital Assets Being Depreciated	31,669,507	691,547	(246,430)	32,114,624
Less Accumulated Depreciation:				
Land Improvements	(505,455)	(92,970)	12,616	(585,809)
Building and Improvements	(2,928,586)	(483,515)	0	(3,412,101)
Furniture, Fixtures and Equipment	(965,836)	(228,307)	19,109	(1,175,034)
Vehicles	(471,825)	(77,230)	43,306	(505,749)
Total Accumulated Depreciation	(4,871,702)	(882,022) *	75,031	(5,678,693)
Total Capital Assets Being Depreciated, Net	26,797,805	(190,475)	(171,399)	26,435,931
Governmental Activities Capital Assets, Net	\$27,463,250	(\$163,287)	(\$173,587)	\$27,126,376

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

NOTE 8 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$460,530
Special	85,016
Vocational	9,312
Support Services:	
Pupils	34,042
Instructional Staff	40,070
Administration	33,070
Fiscal	2,837
Operation and Maintenance of Plant	45,453
Pupil Transportation	89,063
Operation of Non-Instructional Services - Food Services	39,114
Extracurricular Activities	43,515
Total Depreciation Expense	<u><u>\$882,022</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

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

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

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

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

NOTE 9 - RISK MANAGEMENT (continued)

Insurance coverage provided includes the following:

Building and contents (\$250 Deductible)	\$31,948,389
Crime Coverage (\$250 Deductible)	\$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	\$3,000,000
Auto Medical Payments	\$5,000/\$25,000
Uninsured Motorist	\$1,000,000
Comprehensive and Collision (\$250 Deductible)	ACV
Garagekeepers Physical Damage (\$250 Deductible)	ACV/\$100,000 limit
General Liability	
Each Occurrence Limit	\$3,000,000
General Aggregate Limit	\$5,000,000
Errors or Omissions Limit	\$3,000,000
Fire Damage Limit (any one fire)	\$500,000
Medical Expense (per person/accident)	\$5,000
Medical Expense (each accident)	\$25,000
Vehicle Liability Limit	\$3,000,000

Settled claims have not exceeded this commercial coverage in the past fiscal year. There was a decrease in building and contents coverage from the prior fiscal year. This was due to the School District disposing of assets it no longer needed.

B. Workers' Compensation

For fiscal year 2010, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$157,702, \$113,751, and \$104,213, respectively; 94.47 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$573,656, \$511,577, and \$507,406, respectively; 86.05 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were not yet available.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

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

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$22,143, \$64,557, and \$64,023 respectively; 94.47 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$9,378, \$7,624, and \$7,509 respectively; 94.47 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

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

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$44,127, \$39,352, and \$39,031, respectively; 86.05 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Fort Dearborn Life Insurance Company at the expense of the Board of Education. The School District has elected to provide employee medical/surgical/dental/vision benefits through Anthem BC/BS. The cost of health, dental and vision premiums to certificated and classified employees is \$30 and \$16, respectively, for single coverage and \$50 and \$30, respectively, for family coverage.

C. Perfect Attendance Incentive

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

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

NOTE 12 - EMPLOYEE BENEFITS (continued)

D. Deferred Compensation

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

NOTE 13 - LONG-TERM OBLIGATIONS

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

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 7/1/09	Additions	Deductions	Amount Outstanding 6/30/10	Amounts Due in One Year
<i>Governmental Activities:</i>					
1995 School Improvement Bonds \$16,801,260 - 4.55% - 5.25%	\$14,100,240	0	\$686,700	\$13,413,540	\$743,925
2002 Energy Conservation Bonds \$509,030 - 4.33% - 5.92%	165,680	0	82,404	83,276	83,276
2006 OASBO Lease \$9,059,000 - 4.561%	4,532,000	0	1,592,000	2,940,000	1,500,000
2007 Fifth Third Bank Lease \$134,980 - 4.615%	69,727	0	26,940	42,787	28,198
Compensated Absences	663,036	112,331	70,061	705,306	33,564
Total Governmental Activities Long-Term Obligations	<u>\$19,530,683</u>	<u>\$112,331</u>	<u>\$2,458,105</u>	<u>\$17,184,909</u>	<u>\$2,388,963</u>

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

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

School Improvement Bonds 1995

On May 15, 1995, Adams County/Ohio Valley School District issued \$44,000,000 in voted general obligation bonds for the purpose of building new high schools and improvements to existing buildings. The bonds were issued for a 27 year period with final maturity at December 1, 2021. On July 1, 2004, Manchester Local School District assumed \$16,801,260 of the outstanding bond amount. The bonds will be retired from the Debt Service Fund.

Energy Conservation Bonds 2002

On June 18, 2001, Adams County/Ohio Valley School District issued \$1,293,047 in unvoted general obligation bonds for the purpose of providing energy conservation measures. The bonds were issued for 10 years with final maturity at July 2, 2011. On July 1, 2004, Manchester Local School District assumed \$509,030 of the outstanding bond amount. The bonds will be retired from the Debt Service Fund from funds transferred from the General Fund.

Compensated absences will be paid from the General, Food Service, IDEA Part B, Title I and Title II A Funds.

The School District's overall legal debt margin was \$10,005,252 with an unvoted debt margin of \$260,209 and an Energy Conservation debt margin of \$2,258,603 at June 30, 2010.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2010, are as follows:

School Improvement Bonds 1995

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$743,925	\$774,311	\$1,518,236
2012	801,150	720,234	1,521,384
2013	869,820	661,750	1,531,570
2014	949,935	598,058	1,547,993
2015	1,030,050	528,759	1,558,809
2016-2020	6,042,960	1,618,123	7,661,083
2021-2022	2,975,700	158,628	3,134,328
Total	<u>\$13,413,540</u>	<u>\$5,059,863</u>	<u>\$18,473,403</u>

Energy Conservation Bonds 2001

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	<u>\$83,276</u>	<u>\$2,725</u>	<u>\$86,001</u>

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

NOTE 14 - CAPITALIZED LEASES – LESSEE DISCLOSURE

In fiscal year 2007, the School District entered into a lease-purchase agreement for the construction of a new Elementary building. The School District is leasing the project from the Ohio Association of School Business Officials Lease Program through the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority has assigned U S Bank as trustee. The School District makes semi-annual lease payments to U S Bank. Interest rates are fixed. The lease is renewable annually and expires in fiscal year 2012. The intention of the School District is to renew the lease annually.

In fiscal year 2010, the School District made scheduled principal payments totaling \$1,592,000. The principal amount owed on the lease at fiscal year-end is \$2,940,000.

At fiscal year-end, capital assets under this lease have been capitalized as buildings and improvements, and furniture, fixtures and equipment in the statement of net assets for governmental activities in the amount of \$9,059,000.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

OASBO Lease 2006	
Fiscal Year	
Ending June 30,	Total
2011	\$1,620,456
2012	1,491,255
Total	3,111,711
Less Amount Representing Interest & Fees	(171,711)
Present Value of Minimum Lease Payments	<u>\$2,940,000</u>

In fiscal year 2007, the School District entered into a lease-purchase agreement for the purchase of two school buses. The School District is leasing the project from Fifth Third Bank. Fifth Third Bank will retain title to the school buses during the lease term. The School District makes semi-annual lease payments to Fifth Third Bank. Interest rates are fixed. The lease is renewable annually and expires in fiscal year 2012. The intention of the School District is to renew the lease annually.

In fiscal year 2010, the School District made scheduled principal payments totaling \$26,940. The principal amount owed on the lease at fiscal year-end is \$42,787.

At fiscal year-end, capital assets under this lease have been capitalized as vehicles in the statement of net assets for governmental activities in the amount of \$133,480.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

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

NOTE 14 - CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

Fifth Third Bank Lease 2007	
Fiscal Year	Total
<u>Ending June 30,</u>	
2011	\$29,851
2012	14,926
Total	<u>44,777</u>
Less Amount Representing Interest	(1,990)
Present Value of Minimum Lease Payments	<u><u>\$42,787</u></u>

NOTE 15 - INTERFUND ACTIVITY

A. Interfund Transfers

Transfers made during the year-ended June 30, 2010, were as follows:

Transfer To	<u>Transfer From</u> <u>General Fund</u>
Debt Service Fund	\$1,580,752
All Other Governmental Funds	1,090,000
Total	<u><u>\$2,670,752</u></u>

The transfers were made to make debt payments, fund improvements and cover public school support and EMIS expenditures.

B. Interfund Receivables/Payables

As of June 30, 2010, receivables and payables that resulted from various interfund transactions were as follows:

Payable	<u>Receivable</u> <u>General Fund</u>
All Other Governmental Funds	<u><u>\$89,875</u></u>

The amounts due to the General Fund from All Other Governmental Funds are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in All Other Governmental Funds within one year.

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

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2009	(\$182,915)	\$0
Current Year Set-aside Requirement	135,491	135,491
Qualifying Disbursements	<u>(221,680)</u>	<u>(1,701,344)</u>
Set-aside Balance Carried Forward to Future Years	<u>(\$269,104)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association (SCOCA)

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$58,725 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

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

NOTE 18 - INSURANCE PURCHASING POOLS

A. Schools of Ohio Risk Sharing Authority, Inc.

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

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - CONTINGENCIES

A. Grants

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

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

NOTE 19 - CONTINGENCIES (continued)

B. Litigation

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

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**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program		10.555	\$ 22,118	\$ 22,118
Cash Assistance:				
School Breakfast Program		10.553	91,930	91,930
School Snack Program		10.555	7,962	7,962
School Lunch Program		10.555	210,825	210,825
Summer Food Service Program for Children Cash Assistance Subtotal		10.559	<u>11,407</u>	<u>11,407</u>
			322,124	322,124
Total for Nutrition Cluster			<u>344,242</u>	<u>344,242</u>
Total U.S. Department of Agriculture			<u>344,242</u>	<u>344,242</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	2010	84.027	132,223	138,077
	2009	84.027	28,000	26,876
ARRA - Special Education Grants to State Programs	2010	84.391	<u>103,528</u>	<u>102,847</u>
Total Special Education Cluster			<u>263,751</u>	<u>267,800</u>
Title I Grants to Local Educational Agencies	2010	84.010	343,539	349,251
	2009	84.010	62,400	67,493
ARRA - Stimulus Title IID - Technology Grants Formula	2010	84.386	4,181	4,181
ARRA - Stimulus Title IID - Technology Grants Compete	2010	84.386	24,500	24,500
Title I School Improvement	2010	84.388	1,180	1,939
ARRA - Title I School Improvement Stimulus A	2010	84.388	52,102	51,367
ARRA - Stimulus School Improvement Subsidy G	2010	84.388	14,882	14,882
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	238,188	233,234
Safe and Drug-Free Schools and Communities_ State Grants	2010	84.186	6,702	6,731
ITwenty First Century Grant	2010	84.287	136,336	184,368
Improving Teacher Quality	2010	84.367	68,199	74,080
	2009	84.367	13,000	12,610
Rural Education (Title VI-B)	2010	84.358	17,243	19,043
	2009	84.358	2,164	1,460
ARRA - State Fiscal Stabilization Fund	2010	84.394	106,303	106,303
Learn and Serve America_School and Community Based Programs	2010	94.004	12,691	12,297
	2009	94.004	<u>0</u>	<u>2,009</u>
Total Department of Education			<u>1,103,610</u>	<u>1,165,748</u>
<i>Passed Through Ohio Department of Transportation:</i>				
Safe Routes to School Grants	2010	20.205	<u>850</u>	<u>5,916</u>
Total Department of Transportation			<u>850</u>	<u>5,916</u>
Totals			<u>\$1,712,453</u> #	<u>\$1,783,706</u> #

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the audit committee, board of education, and federal awarding agencies. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 19, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, board of education, and federal awarding agencies. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 19, 2010

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material 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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 – 84.010; 84.388; 84.389 IDEA Part B – 84.027; 84.391
<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**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2010**