Note: The Manchester Educational Foundation is a component unit of the District. Audit information is on pages 8, 11, 12, 21, 47, 48

MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012

Dave Yost • Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Fiduciary Net Assets – Fiduciary Fund	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	19
Notes to the Financial Statements	21
Federal Awards Receipts and Expenditures Schedule	49
Notes to Federal Awards Expenditures Schedule	51
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	55
Schedule of Findings	57

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2012, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio, as of June 30, 2012, 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 September 12, 2012, 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.

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www.ohioauditor.gov

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost
Auditor of State

September 12, 2012

MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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, 2012. 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, 2012 by $21,499,226, which represents a 16 percent increase from fiscal year 2011. The increase is the result of revenues exceeding expenses.

General revenues accounted for $12,676,307, or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest accounted for $2,933,269, or 19 percent of total revenues of $15,609,576.

The School District had $12,655,031 in expenses; 23 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 $12,676,307 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 2012. These statements include all 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 2012 and 2011:

(Table 1)
Net Assets

	Governmental Activities		
	2012	2011	Change
Assets			
Current and Other Assets	$ 17,116,925	$15,024,492	$ 2,092,433
Capital Assets, Net	26,370,764	26,887,881	(517,117)
Total Assets	43,487,689	41,912,373	1,575,316
Liabilities			
Other Liabilities	8,590,484	7,956,797	633,687
Long-Term Liabilities	13,397,979	15,410,895	(2,012,916)
Total Liabilities	21,988,463	23,367,692	(1,379,229)
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,769,416	12,364,976	1,404,440
Restricted	3,061,839	2,418,806	643,033
Unrestricted	4,667,971	3,760,899	907,072
Total Net Assets	$ 21,499,226	$18,544,681	$ 2,954,545

Total assets increased $1,575,316. Equity in Pooled Cash and Cash Equivalents increased $868,385 due to the reduction of the elementary lease payment and a decrease of personnel expenses from the previous year. Capital Assets, Net decreased $517,117, due to depreciation. Deferred Charges increased $131,148 due to the refinancing of the 1995 bonds. Property Taxes Receivable increased $792,411 due to an increase of public utility personal property assessed valuation. Interest Receivable increased $1,334 due to interest rate fluctuations. Materials and Supplies Inventory decreased $6,218 due to a decrease in custodian supplies, transportation supplies and food supplies. Intergovernmental Receivable increased $351,003 due to the increase of federal grant reimbursement payments outstanding at fiscal year-end. Accounts Receivable decreased $35,139 due to the completion of the energy efficiency project. Inventory Held for Resale decreased $10,565 due to the decline of food service inventory.

Total liabilities decreased $1,379,229. Accrued Wages and Benefits Payable decreased $95,137 due to decreased personnel costs. Accounts Payable increased $103,453 due to construction of school based health center and purchase of lawn tractor and Contracts Payable increased $25,000 due to construction. Intergovermental Payables decreased $10,622 due to a decrease in retirement benefits. Deferred Revenue increased $676,033 due to an increase in tax revenues from an increase of public utility personal property assessed valuation. Accrued Interest Payable decreased $29,428 due to the decrease in debt owed. Matured Compensated Absences Payable decreased $36,036 due to a decrease in severance payments. Long-term liabilities decreased $2,012,916 due to payments on high school bonds and leases incurred to build the new elementary and to purchase school buses.
Total Net Assets increased $2,954,545. Unrestricted Net Assets increased $907,072 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 $1,404,440 due to the reduction of debt during the year, offset by changes in capital assets, including depreciation expense. Restricted Net Assets increased $643,033 due to federal construction grant.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)

	2012	2011	% Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$816,718	$763,369	7%
Operating Grants, Contributions and Interest	2,116,551	1,945,790	9%
Total Program Revenues	2,933,269	2,709,159	8%
General Revenues:			
Property Taxes	8,427,174	7,958,265	6%
Grants and Entitlements not Restricted to Specific Programs	4,194,950	5,051,609	-17%
Investment Earnings	31,708	54,790	-42%
Miscellaneous	22,475	60,881	-63%
Total General Revenues	12,676,307	13,125,545	-3%
Total Revenues	15,609,576	15,834,704	-1%
Program Expenses:			
Instruction:			
Regular	4,501,493	4,711,002	-4%
Special	1,543,633	1,615,993	-4%
Vocational	638,032	629,413	1%
Student Intervention Services	208,147	211,840	-2%
Other	0	56,405	0%
Support Services:			
Pupils	379,947	491,056	-23%
Instructional Staff	876,224	1,021,860	-14%
Board of Education	92,388	97,174	-5%
Administration	605,085	944,392	-36%
Fiscal	498,396	451,213	10%
Operation and Maintenance of Plant	868,220	1,018,877	-15%
Pupil Transportation	680,810	661,235	3%
Operation of Non-Instructional Services:			
Food Services	502,666	579,261	-13%
Community Services	158,596	130,727	21%
Extracurricular Activities	308,014	280,761	10%
Interest and Fiscal Charges	793,380	898,225	-12%
Total Expenses	12,655,031	13,799,434	-8%
Change in Net Assets	2,954,545	2,035,270	45%
Net Assets at Beginning of Year	18,544,681	16,509,411	12%
Net Assets at End of Year	$21,499,226	$18,544,681	16%

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

The district lost 17% of its Grants and Entitlements not Restricted to Specific Programs ($856,659) due to the state reductions in the utility deregulation reimbursement and the state foundation funding. The district gained 6% in Property Taxes ($468,909) due to the increased valuation of improvements at the electric generation plants. Decreases in Support Services Expenses; Pupils 23% decrease, Instructional Staff 14% decrease, Administration 36% decrease, Operation and Maintenance of Plant 15% decrease, and Food Service 13% decrease are due to reductions in staff in these areas.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
Instruction	$6,891,305	$7,224,653	$5,476,508	$5,728,022
Support Services	4,001,070	4,685,807	3,272,632	4,284,163
Operation of Non-Instructional Services	661,262	709,988	3,919	49,840
Extracurricular Activities	308,014	280,761	175,323	130,025
Interest and Fiscal Charges	793,380	898,225	793,380	898,225
Total Expenses	$12,655,031	$13,799,434	$9,721,762	$11,090,275

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 $15,303,933 and expenditures of $22,517,754.

The General Fund saw an increase in fund balance of $894,606. This increase was due to an increase in property tax revenue as a result of an increase in the public utility assessed valuation and decrease in personnel expenditures. The Debt Service Fund saw a fund balance increase of $249,716 due to an increase in tax revenue as a result of an increase in the public utility assessed valuation and a reduction of debt payments.

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 $571,541 more than the final budgeted amount for the General Fund. Actual revenues were $18,162 above final budgeted revenues. Final budgeted expenditures were $560,589 more than actual expenditures. Original budgeted revenues were $1,593,030 less than final budgeted revenues due primary to increases in property taxes collected, intergovernmental revenues, tuition and miscellaneous revenues. Original budgeted appropriations were $17,013 more than final budgeted expenditures due primarily to decreases in regular instruction. 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 2012 the School District had $26,370,764 invested in capital assets.

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

	Governmental Activities	
	2012	2011
Land	$663,257	$663,257
Construction in Process	38,777	268,419
Land Improvements	2,419,631	2,511,892
Buildings and Improvements	21,175,767	21,140,341
Furniture, Fixtures and Equipment	1,682,325	1,827,401
Vehicles	391,007	476,571
Totals	$26,370,764	$26,887,881

For more information on capital assets, see Note 9 to the basic financial statements.

Debt

At June 30, 2012, the School District had $14,764,602 in bonds, loans and leases outstanding, with $2,298,696 due within one year. Table 5 summarizes bonds outstanding:

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

	2012	2011
General Obligation Bonds:		
1995 School Improvement Bonds	$12,669,615	$13,413,540
2002 Energy Conservation Bonds	0	83,276
2006 OASBO Lease	1,440,000	2,940,000
2007 Fifth Third Bank Lease	14,589	42,787
2011 Energy Conservation Notes	500,000	0
2011 Fifth Third Bank Lease	140,398	0
Totals	$14,764,602	$16,479,603

The School District's overall legal debt margin was $14,075,811 with an unvoted debt margin of $288,270 and an Energy Conservation debt margin of $2,104,428 at June 30, 2012.

For more information on debts and leases, refer to notes 14 and 15 in the basic financial statements.

Discretely Presented Component Unit

The Manchester Educational Foundation ("Foundation") was created by resolution of the Board of Education and organized as a non-profit corporation under Internal Revenue Code Section 501(c)(3). The purpose of the organization is to advance educational and charitable purposes by raising funds for the benefit of the students and residents of the Manchester Local School District. The Foundation is a component unit of the Manchester Local School District.

Current Issues

Deregulation Funding

In fiscal year 2011, the funding was decreased by 30%. The state also decided to go back into fiscal year 2010 and make an additional 15% decrease ($625,000) and this repayment is to be taken out of the March 2012 deregulation payment. In fiscal years 2012 and 2013, the payments have been decreased $250,401 each year by HB 153. It is possible that deregulation funding could be cut further due to the state's economic condition.

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.

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Manchester Local School District
Statement of Net Assets
June 30, 2012

	Primary Government	
	Governmental Activities	Component Unit
Assets		
Equity in Pooled Cash and Cash Equivalents	$8,299,041	
Cash and Cash Equivalents in Segregated Accounts		$5,929
Cash and Cash Equivalents with Escrow Agents	20,025	0
Prepaid Items	18,129	0
Inventory Held for Resale	6,671	0
Materials and Supplies Inventory	29,928	0
Intergovernmental Receivable	640,533	0
Property Taxes Receivable	7,943,448	0
Interest Receivable	2,167	0
Accounts Receivable	15,719	0
Deferred Charges	141,264	0
Capital Assets:		
Land and Construction in Process	702,034	0
Depreciable Capital Assets, Net	25,668,730	6,995
Total Assets	43,487,689	12,924
Liabilities		
Accounts Payable	155,008	0
Accrued Wages and Benefits Payable	707,414	0
Contracts Payable	25,000	0
Intergovernmental Payable	153,276	0
Due to Students	2,100	0
Deferred Revenue	7,481,592	0
Accrued Interest Payable	46,069	0
Retainage Payable	20,025	0
Long-Term Liabilities:		
Due Within One Year	1,105,656	2,097
Due in More Than One Year	12,292,323	4,515
Total Liabilities	21,988,463	6,612
Net Assets		
Invested in Capital Assets, Net of Related Debt	13,769,416	0
Restricted for:		
Debt Service	2,521,014	0
Other Purposes	540,825	0
Unrestricted	4,667,971	6,312
Total Net Assets	$21,499,226	$6,312

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	Manchester Educational Foundation
Governmental Activities:					
Instruction:					
Regular	$4,501,493	$444,080	$82,189	($3,975,224)	
Special	1,543,633	108,320	629,978	(805,335)	
Vocational	638,032	0	0	(638,032)	
Student Intervention Services	208,147	0	150,230	(57,917)	
Support Services:					
Pupils	379,947	0	11,485	(368,462)	
Instructional Staff	876,224	0	170,234	(705,990)	
Board of Education	92,388	0	0	(92,388)	
Administration	605,085	0	2,426	(602,659)	
Fiscal	498,396	0	1,697	(496,699)	
Operation and Maintenance of Plant	868,220	1,041	502,159	(365,020)	
Pupil Transportation	680,810	2,165	37,231	(641,414)	
Operation of Non-Instructional Services:					
Food Services	502,666	128,421	405,994	31,749	
Community Services	158,596	0	122,928	(35,668)	
Extracurricular Activities	308,014	132,691	0	(175,323)	
Interest and Fiscal Charges	793,380	0	0	(793,380)	
Total Governmental Activities	$12,655,031	$816,718	$2,116,551	$ (9,721,762)	
Component Unit:					
Manchester Educational Foundation	$421		$6,733		$6,312

General Revenues:		
Property Taxes Levied for:		
General Purposes	7,155,235	
Debt Service	1,271,939	
Grants and Entitlements not Restricted to Specific Programs	4,194,950	
Investment Earnings	31,708	
Miscellaneous	22,475	
Total General Revenues	12,676,307	
Change in Net Assets	2,954,545	6312
Net Assets Beginning of Year	18,544,681	0
Net Assets End of Year	$21,499,226	$6,312

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$4,635,858	$2,489,757	$1,173,426	$8,299,041
Restricted Assets:				
Cash and Cash Equivalents with Escrow Agents	0	0	20,025	20,025
Receivables:				
Property Taxes	6,848,284	1,095,164	0	7,943,448
Intergovernmental	10,008	0	630,525	640,533
Interest	1,888	0	279	2,167
Accounts	2,765	0	12,954	15,719
Inventory Held for Resale	0	0	6,671	6,671
Prepaid Items	18,049	0	80	18,129
Materials and Supplies Inventory	29,079	0	849	29,928
Total Assets	$11,545,931	$3,584,921	$1,844,809	$16,975,661
Liabilities				
Accounts Payable	$121,700	$0	$33,308	$155,008
Accrued Wages and Benefits Payable	598,070	0	109,344	707,414
Intergovernmental Payable	132,228	0	21,048	153,276
Deferred Revenue	6,713,926	1,066,102	374,326	8,154,354
Contracts Payable	0	0	25,000	25,000
Retainage Payable	0	0	20,025	20,025
Due to Students	0	0	2,100	2,100
Total Liabilities	7,565,924	1,066,102	585,151	9,217,177
Fund Balances				
Nonspendable	47,128	0	929	48,057
Restricted	0	2,518,819	240,517	2,759,336
Assigned	0	0	1,023,466	1,023,466
Unassigned (Deficit)	3,932,879	0	(5,254)	3,927,625
Total Fund Balances	3,980,007	2,518,819	1,259,658	7,758,484
Total Liabilities and Fund Balances	$11,545,931	$3,584,921	$1,844,809	$16,975,661

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, 2012

Total Governmental Fund Balances		$7,758,484
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 and Construction in Progress	702,034	
Capital assets	33,059,906	
Accumulated depreciation	(7,391,176)	
Total capital assets		26,370,764
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	296,548	
Intergovernmental	364,499	
Accounts	9,548	
Interest	2,167	
		672,762
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.		141,264
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(46,069)
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	(12,167,474)	
Notes payable	(490,000)	
Capital Leases payable	(107,441)	
Compensated absences payable	(633,064)	
		(13,397,979)
Net Assets of Governmental Activities		$21,499,226

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, 2012

	General	Debt Service	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$7,056,628	$1,255,035	$0	$8,311,663
Intergovernmental	3,929,332	445,142	1,729,365	6,103,839
Interest	26,685	0	3,931	30,616
Tuition and Fees	552,400	0	0	552,400
Extracurricular Activities	0	0	100,940	100,940
Customer Services	0	0	128,421	128,421
Rent	1,041	0	0	1,041
Gifts and Donations	0	0	22,018	22,018
Miscellaneous	40,503	0	12,492	52,995
Total Revenues	11,606,589	1,700,177	1,997,167	15,303,933
Expenditures:				
Current:				
Instruction:				
Regular	3,826,461	0	85,432	3,911,893
Special	834,448	0	615,225	1,449,673
Vocational	629,064	0	0	629,064
Student Intervention Services	13,470	0	196,396	209,866
Support Services:				
Pupils	344,562	0	9,443	354,005
Instructional Staff	748,911	0	101,061	849,972
Board of Education	92,388	0	0	92,388
Administration	596,176	0	2,352	598,528
Fiscal	445,611	43,891	4,318	493,820
Operation and Maintenance of Plant	875,647	0	0	875,647
Pupil Transportation	560,167	0	18,187	578,354
Operation of Non-Instructional Services:				
Food Services	0	0	502,958	502,958
Community Services	4,950	0	123,931	128,881
Extracurricular Activities	128,448	0	144,491	272,939
Capital Outlay	64,607	0	345,168	409,775
Debt Service:				
Principal	1,487,546	8,731,086	0	10,218,632
Interest and Fiscal Charges	59,527	881,832	0	941,359
Total Expenditures	10,711,983	9,656,809	2,148,962	22,517,754
Excess of Revenue Over (Under) Expenditures	894,606	(7,956,632)	(151,795)	(7,213,821)
Other Financing Sources (Uses):				
Refunding Bonds Issued		7,919,936		7,919,936
Premium on Refunding Bonds Issued		286,412		286,412
Total Other Financing Sources (Uses)	0	8,206,348	0	8,206,348
Net Change in Fund Balances	894,606	249,716	(151,795)	992,527
Fund Balances at Beginning of Year	3,085,401	2,269,103	1,411,453	6,765,957
Fund Balances at End of Year	$3,980,007	$2,518,819	$1,259,658	$7,758,484

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, 2012

Net Change in Fund Balances - Total Governmental Funds		$992,527
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	408,922	
Depreciation expense	(925,722)	
Excess of capital outlay under depreciation expense		(516,800)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital assets account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.		
Loss on Disposal of Capital Assets	(317)	
		(317)
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	115,511	
Intergovernmental	188,798	
Interest	1,334	
		305,643
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.		
Issuance costs	146,219	
Amortization of issuance costs	(15,071)	
Amortization of bond premium	9,706	
Accretion on capital appreciation bonds	(22,303)	
Decrease in accrued interest	29,428	
		147,979
Debt proceeds and premiums are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.		
Bond proceeds	(7,919,936)	
Bond premiums	(286,412)	
		(8,206,348)
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	801,150	
Current Refunding	7,919,936	
Note principal retirement	10,000	
Capital lease payments	1,487,546	
		10,218,632
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:		
Decrease in compensated absences		13,229
Change in Net Assets of Governmental Activities		$2,954,545

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$5,900,000	$7,055,909	$7,055,909	$0
Intergovernmental	3,597,572	3,907,864	3,919,324	11,460
Interest	49,440	24,483	22,392	(2,091)
Tuition and Fees	462,966	550,997	551,570	573
Rent	140	922	922	0
Gifts and Donations	1,308	0	0	550
Miscellaneous	21,576	67,695	75,915	8,220
Total Revenues	10,033,002	11,607,870	11,626,032	18,162
Expenditures:				
Current:				
Instruction:				
Regular	3,987,811	3,911,700	3,864,687	47,013
Special	875,784	838,150	830,697	7,453
Vocational	675,594	668,269	665,215	3,054
Student Intervention Services	16,400	19,499	13,994	12,715
Support Services:				
Pupils	382,319	362,111	352,236	9,875
Instructional Staff	703,612	785,824	761,048	24,776
Board of Education	88,509	109,215	107,388	1,827
Administration	667,002	732,765	637,222	95,543
Fiscal	434,557	470,399	456,065	14,334
Operation and Maintenance of Plant	882,479	996,303	894,657	101,646
Pupil Transportation	525,288	622,560	555,812	66,748
Operation of Non-Instructional Services:				
Community Services	9,100	9,140	4,950	4,190
Extracurricular Activities:				
Academic Oriented Activities	18,191	18,240	13,063	5,177
Sport Oriented Activities	85,128	130,455	116,217	14,238
Capital Outlay:				
Site Improvement Services	0	8,100	8,100	0
Architecture and Engineering Services	0	2,222	222	2,000
Building Acquisition and Construction Services	0	150,000	0	150,000
Building Improvement Services	0	56,285	56,285	0
Debt Service:				
Principal	1,493,062	1,487,212	1,487,212	0
Interest	57,108	59,861	59,861	0
Total Expenditures	10,901,944	11,438,310	10,884,931	560,589
Excess of Revenues Over Expenditures	(868,942)	169,560	741,101	571,541
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1,952	1,677	1,677	0
Insurance Recoveries	0	7,603	7,603	0
Advance In	10,371	10,371	10,371	9,288
Total Other Financing Sources (Uses)	12,323	19,651	19,651	811
Net Change in Fund Balances	(856,619)	189,211	760,752	571,541
Fund Balance at Beginning of Year	3,694,103	3,694,103	3,694,103	0
Prior Year Encumbrances Appropriated	50,389	50,389	50,389	0
Fund Balance at End of Year	$2,887,873	$3,933,703	$4,505,244	$571,541

See accompanying notes to the basic financial statements

Manchester Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$55,222	$27,262
Liabilities		
Undistributed Monies	0	$27,262
Net Assets		
Held in Trust for Scholarships	$55,222	

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, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	$7,219
Interest	3,304
Total Additions	10,523
Deductions:	
Scholarships Awarded	7,222
Change in Net Assets	3,301
Net Assets Beginning of Year	51,921
Net Assets End of Year	$55,222

See Accompanying Notes to the Basic Financial Statements

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1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Manchester Local School District was established in 2004 through the deconsolidation of existing land areas in the Adams County/Ohio Valley School District. The School District serves an area of approximately 115 square miles. It is located in Adams County, and includes the Villages of Manchester and Rome, all of Manchester and Sprigg Townships and portions of Green and Monroe Townships. The School District is staffed by 32 non-certificated employees, 60 certificated teaching personnel and seven administrative employees who provide services to 953 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 ensure 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 component unit column in the combined financial statements identifies the financial data of the School District's component unit, the Manchester Educational Foundation. It is discretely reported in a separate column to emphasize that it is legally separate from the School District.

The Manchester Educational Foundation ("Foundation") was created by resolution of the Board of Education and organized as a non-profit corporation under Internal Revenue Code Section 501(c)(3). The purpose of the organization is to advance educational and charitable purposes by raising funds for the benefit of the students and residents of the Manchester Local School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District participates in one jointly governed organization and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Schools of Ohio Risk Sharing Authority, Inc., and the Hunter Consulting Company Workers' Compensation Group Rating Plan sponsored by the Southwestern Ohio Educational Purchasing Council. These organizations are presented in Notes 17 and 18 of the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 6). 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012, but which were levied to finance fiscal year 2013 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.

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 2012, the School District's investments were limited to certificates of deposits, Federal Home Loan Bank Bonds, Ohio State Veterans Compensation Government 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 net asset value per share which is the price the investment could be sold for on June 30, 2012.

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 2012 amounted to $26,685, which includes $8,429 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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.

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:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. 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.

L. 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.

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Internal Activity

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.

O. 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.

P. Budgetary Process

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Bond Premiums/Issuance Costs/Accretion

On the government-wide financial statements bond premiums are deferred and amortized over the term of the bonds/capital lease using the straight-line method, which approximates the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as additions to the face amount of bonds payable. Issuance costs are amortized on a straight-line basis over the term of the bonds/capital lease and are reported as deferred charges

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period when the debt is issued. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance cost which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

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 restricted, committed or assigned fund balances (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. 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.

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	$894,606
Adjustments:	
Revenue Accruals	33,016
Expenditure Accruals	(47,355)
Encumbrances	(125,593)
Advances	10,371
Change in Fair Value of Investments FY 2011	746
Change in Fair Value of Investments FY 2012	(5,039)
Budget Basis	$760,752

4. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaids	$18,049	$0	$80	$18,129
Inventory	29,079	0	849	29,928
Total Nonspendable	47,128	0	929	48,057
Restricted for				
Debt Payment	0	2,518,819	0	2,518,819
Food Service Operations	0	0	73,692	73,692
Miscellaneous Grants	0	0	1,690	1,690
District Managed Activity	0	0	1,045	1,045
Title I	0	0	11,726	11,726
Improving Teacher Quality	0	0	502	502
Miscellaneous Federal Grants	0	0	151,862	151,862
Total Restricted	0	2,518,819	240,517	2,759,336
Assigned to				
Capital Improvements	0	0	1,012,854	1,012,854
Other Purposes	0	0	10,612	10,612
Total Assigned	0	0	1,023,466	1,023,466
Unassigned (Deficit)	3,932,879	0	(5,254)	3,927,625
Total Fund Balances	$3,980,007	$2,518,819	$1,259,658	$7,758,484

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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) above;

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.

5. DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2012, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments
Federal Home Loan Bank Bonds	$199,742	5/23/2017	6.86%
STAROhio	2,203,984	Average 45.3 days	N/A
Ohio State Veterans Compensation Bonds	505,971	10/1/2015	17.39%
	$2,909,697		

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 Bonds and Ohio State Veterans Compensation Bonds carry 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.

6. 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 and public utility located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in calendar year 2012 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.

6. PROPERTY TAXES (Continued)

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

The School District receives property taxes from Adams County. The Adams County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, 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, 2012 was $136,246 in the General Fund and $29,062 in the Debt Service Fund. The amount available as an advance at June 30, 2011 was $135,527 in the General Fund and $28,914 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 2012 taxes were collected are:

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	$103,337,880	35.79%	$103,172,300	35.79%
Public Utility Personal	185,423,890	64.21%	185,097,430	64.21%
Total Assessed Value	$288,761,770	100.00%	$288,269,730	100.00%
Tax rate per $1,000 of assessed valuation	$30.80		$30.80	

7. ELECTRIC DEREGULATION FUNDS

In fiscal year 2011, the funding was decreased by 30%. The state also decided to go back into fiscal year 2010 and make an additional 15% decrease ($625,000) and this repayment is to be taken out of the March 2012 deregulation payment. In fiscal years 2012 and 2013, the payments have been decreased $250,401 each year by HB 153. It is possible that deregulation funding could be cut further due to the state's economic condition.

8. RECEIVABLES

Receivables at June 30, 2012, consisted of taxes, intergovernmental grants, 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:

	Amounts
Governmental Activities	
Food Service Reimbursement	$15,234
IDEA Part B Grant	11,710
Title I Grant	111,087
Improving Teacher Quality	16,156
ODJFS Medicaid	9,278
Ohio Department of Taxation	730
Race to the Top Grant	9,712
Miscellaneous Federal Grants	466,626
Total Intergovernmental Receivables	$640,533

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	7/1/2011	Additions	Deductions	6/30/2012
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$663,257	$0	$0	$663,257
Construction in Progress	268,419	38,777	(268,419)	38,777
Total Capital Assets Not Being Depreciated	931,676	38,777	(268,419)	702,034
Capital Assets Being Depreciated:				
Land Improvements	3,196,473	5,500	0	3,201,973
Buildings and Improvements	25,038,879	542,989	0	25,581,868
Furniture, Fixtures and Equipment	3,211,845	90,075	(6,350)	3,295,570
Vehicles	980,495	0	0	980,495
Totals Capital Assets Being Depreciated	32,427,692	638,564	(6,350)	33,059,906
Less Accumulated Depreciation:				
Land Improvements	(684,581)	(97,761)	0	(782,342)
Building and Improvements	(3,898,538)	(507,563)	0	(4,406,101)
Furniture, Fixtures and Equipment	(1,384,444)	(234,834)	6,033	(1,613,245)
Vehicles	(503,924)	(85,564)	0	(589,488)
Total Accumulated Depreciation	(6,471,487)	(925,722) *	6,033	(7,391,176)
Total Capital Assets Being Depreciated, Net	25,956,205	(287,158)	(317)	25,668,730
Governmental Activities Capital Assets, Net	$26,887,881	($248,381)	($268,736)	$26,370,764

9. CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$491,486
Special	96,516
Vocational	8,968
Support Services:	
Pupils	34,255
Instructional Staff	36,699
Administration	35,436
Fiscal	3,043
Operation and Maintenance of Plant	43,271
Pupil Transportation	101,104
Operation of Non-Instructional Services - Food Services	29,398
Extracurricular Activities	45,546
Total Depreciation Expense	$925,722

10. 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 National Union Fire Insurance Company of Pittsburgh, PA. Coverage is an aggregate maximum of $450,000 per cheerleader with a $25,000 deductible.

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

10. RISK MANAGEMENT (Continued)

Insurance coverage provided includes the following:

Buildings and contents ($0 Deductible)	$33,514,503
Crime Coverage ($0 Deductible)	$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	$12,000,000
Auto Medical Payments	$5,000/$25,000
Uninsured Motorist	$1,000,000
Comprehensive and Collision ($0 Deductible)	ACV
Garagekeepers Physical Damage ($0 Deductible)	ACV/$100,000 limit
General Liability	
Each Occurrence Limit	$12,000,000
General Aggregate Limit	$14,000,000
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	$12,000,000

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

B. Workers' Compensation

For fiscal year 2012, the School District participated in the Hunter Consulting Company 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 Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were $122,946, $162,701 and $157,702, respectively. For fiscal year 2012, 92.40 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

11. DEFINED BENEFIT PENSION PLANS (Continued)

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan was $489,681 for the fiscal year ended June 30, 2012, $605,153 for the fiscal year ended June 30, 2011, and $573,656 for the fiscal year ended June 30, 2010. For fiscal year 2012, 85.95 percent has been contributed for the DB plan and Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Information for contributions to the DC and Combined Plans for fiscal year 2012 is not available.

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, 2012, one member of the Governing Board has elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

12. POSTEMPLOYMENT BENEFITS (Continued)

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 105(e). For fiscal year 2012, 1.3 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 fiscal year 2012, this amount was $35,800. During fiscal year 2012, the School District paid $21,269 in surcharge.

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, 2012, 2011, and 2010 were $33,854, $37,246, and $22,134; respectively. For fiscal year 2012, 92.40 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were $7,289, $9,378 and $7,624; respectively. For fiscal year 2012, 92.40 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System of Ohio

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were $37,668, $46,550, and $44,127 respectively. For fiscal year 2012, 85.95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

13. 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's contract. Teachers may accumulate for retirement severance purposes an unlimited number of days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave. The School District offers a super-severance provision for teachers and administrators who retire in their first year of eligibility. Under this policy, payment is made for one-half of the accumulated sick leave credit up to a maximum of 100 days.

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 $22, for single coverage, respectively, and $50 and $38, 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.

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.

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 7/1/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due in One Year
Governmental Activities:					
1995 School Improvement Bonds $16,801,260 - 4.55% - 5.25%	$12,669,615	0	$8,721,086	$3,948,529	$869,820
2012 G.O. Refunding Bonds $7,919,936 - 1.15% - 4.00%	0	7,919,936	0	7,919,936	140,000
Premium	0	286,412	9,706	276,706	
Accretion on Capital Appreciation Bonds	0	22,303	0	22,303	
2006 OASBO Lease $9,059,000 - 4.561%	1,440,000	0	1,440,000	0	0
2007 Fifth Third Bank Lease $134,980 - 4.615%	14,589	0	14,589	0	0
2011 Energy Conservation Notes $500,000 - 4.25%	500,000	0	10,000	490,000	25,000
2011 Fifth Third Bank Lease $175,610 - 4.17%	140,398	0	32,957	107,441	34,346
Compensated Absences	646,293	43,469	56,698	633,064	36,490
Total Governmental Activities Long-Term Obligations	$15,410,895	$8,272,120	$10,285,036	$13,397,979	$1,105,656

School Improvement Bonds 1995 and 2012

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

14. LONG-TERM OBLIGATIONS (Continued)

On May 15, 1995, Adams County/Ohio Valley School District issued $44,000,000 in voted general obligation bonds for the purpose of building new high schools and improvements to existing buildings. The bonds were issued for a 27 year period with final maturity on December 1, 2021. On July 1, 2004, Manchester Local School District assumed $16,801,260 of the outstanding bond amount. On February 28, 2012, with the assistance from Ross, Sinclaire & Associates, LLC, $7,919,936 of the 1995 School Improvement Bonds were refunded to take full advantage of the current conditions in the bond market. The bond refunding will save tax payers of the School District approximately $885,000 over the life of the old issue which is about a 9.34% present value savings. The bonds will be retired from the Debt Service Fund.

School Improvement Bonds 1995

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	$869,820	$245,953	$1,115,773
2014	949,939	182,262	1,132,201
2015	1,030,050	112,962	1,143,012
2016	1,098,720	38,455	1,137,175
Total	$3,948,529	$579,632	$4,528,161

School Improvement Bonds 2012

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	$140,000	$247,685	$387,685
2014	100,000	246,055	346,055
2015	100,000	244,230	344,230
2016	100,000	242,230	342,230
2017	819,936	621294	1,441,230
2018-2022	6,660,000	642897	7,302,897
Total	$7,919,936	$2,244,391	$10,164,327

Energy Conservation Notes 2012

On June 30, 2012, Manchester Local School District issued $500,000 in unvoted energy conservation notes for the purpose of providing energy conservation measures. The notes were issued for 15 years with final maturity at December 1, 2025. The bonds will be retired from the Debt Service Fund from inside property tax millage funds.

14. LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Notes 2011

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	$25,000	$20,294	$45,294
2014	30,000	19,125	49,125
2015	30,000	17,850	47,850
2016	30,000	16,575	46,575
2017	30,000	15,300	45,300
2018-2022	175,000	55,569	230,569
2023-2026	170,000	14,875	184,875
Total	$490,000	$159,588	$649,588

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 $14,075,811 with an unvoted debt margin of $288,270 and an Energy Conservation debt margin of $2,104,428 at June 30, 2012.

15. 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 has assigned U S Bank as trustee. The School District made the last semi-annual lease payment to U S Bank in May, 2012.

In fiscal year 2012, the School District made scheduled principal payments totaling $1,440,000.

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.

In fiscal years 2012 and 2007, the School District entered into lease-purchase agreements for the purchase of 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 leases are renewable annually and expire in fiscal years 2015 and 2012, respectively. The intention of the School District is to renew the lease annually.

In fiscal year 2012, the School District made scheduled principal payments totaling $47,546. The principal amount owed on the leases at fiscal year-end is $107,441.

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 $309,090.

15. CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

2011 Fifth Third Bank Leases

Fiscal Year Ending June 30,	Total
2013	$38,472
2014	38,472
2015	38,473
Total	115,417
Less Amount Representing Interest	(7,976)
Present Value of Minimum Lease Payments	$107,441

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 acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2011	$0
Current Fiscal Year Set-aside Requirement	150,479
Qualifying Disbursements	(1,487,212)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set-aside Reserve Balance as of June 30, 2012	$0

In previous years, the School District was required to have a textbook reserve. House Bill 30 of the 129th General Assembly repealed the textbook reserve requirement effective July 1, 2011.

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 $62,882 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

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), 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. Hunter Consulting Company 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 Hunter Consulting Company Workers' Compensation Group Rating Plan (GRP) sponsored by the Southwestern Ohio Educational Purchasing Council as a group insurance purchasing pool. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

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, 2012.

B. Litigation

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

20. DISCRETELY PRESENTED COMPONENT UNIT

A. Organization

The Manchester Educational Foundation ("Foundation") was created by resolution of the Board of Education and organized as a non-profit corporation under Internal Revenue Code Section 501(c)(3). The purpose of the organization is to advance educational and charitable purposes by raising funds for the benefit of the students and residents of the Manchester Local School District. The Foundation is a component unit of the Manchester Local School District.

B. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements of the Foundation present information regarding its net assets and in the following category:

Unrestricted

Net assets are under the discretionary control of the Board of Directors (the "Board"), are free from any and all donor restrictions, and include amounts designated by the Board for specified purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash on hand and cash in banks, (checking and savings accounts). At June 30, the Foundation had $5,929 in a checking account with 1st State Bank. The entire balance was covered by FDIC (Federal Deposit Insurance Corporation).

20. DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Capital Assets

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

Description	Estimated Lives
Furniture, Fixtures and Equipment	5 - 20 years

Long-Term Liabilities

The Foundation had the following note outstanding at June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012	Amount Due in One Year
Notes Payable					
2012 - 5.00% $6,612	$0	$6,612	$0	$6,612	$2,097

21. STATEWIDE REVIEW FOR ATTENDANCE DATA

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	n/a	10.555	$ 27,216	$ 27,216
Cash Assistance:				
School Breakfast Program	3L70-2012	10.553	100,600	100,600
School Snack Program	3L60-2012	10.555	9,000	9,000
School Lunch Program	3L60-2012	10.555	244,797	244,797
Summer Food Service Program for Children	3L60-2012	10.559	13,198	13,198
Cash Assistance Subtotal			367,595	367,595
Total for Child Nutrition Cluster			394,811	394,811
Team Nutrition Grant	3670-2012	10.574	1,776	1,776
Total U.S. Department of Agriculture			**396,587**	**396,587**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster (IDEA):				
Special Education Grants to States	3M20-2012	84.027	80,721	80,721
(IDEA Part B)	3M20-2011	84.027	18,354	22,907
Total Special Education Cluster (IDEA)			**99,074**	**103,628**
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	3M00-2012	84.010	461,255	464,485
	3M00-2011	84.010	54,035	71,952
Total Title I, Part A Cluster			**515,290**	**536,437**
Educational Technology State Grants Cluster:				
ARRA - Stimulus Title IID - Technology Grants Formula	3S20-2012	84.386	3,696	3,696
	3S20-2011	84.386	0	58
Total Educational Technology State Grants Cluster			**3,696**	**3,754**
Education Jobs	3ET0-2012	84.410	42,743	45,639
Race To The Top	3FD0-2012	84.395	38,874	45,293
Twenty First Century Grant	3Y20-2012	84.287	200,000	197,115
	3Y20-2011	84.287	0	808
Total Twenty First Century Grant			**200,000**	**197,923**
Improving Teacher Quality	3Y60-2012	84.367	64,410	65,103
	3Y60-2011	84.367	12,800	12,107
LPDC Grant	3Y60-2011	84.367	0	412
Total Improving Teacher Quality			**77,210**	**77,622**
Rural Education	3Y80-2012	84.358	15,709	14,556
(Title VI-B)	3Y80-2011	84.358	743	743
			16,452	**15,299**
State Fiscal Stabilization Fund Cluster:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	2011	84.394	**0**	**4,760**
State Fiscal Stabilization Fund Cluster Total:				
Learn and Serve America_School and Community Based Programs	3780-2011	94.004	371	1,201
Total Department of Education			**993,710**	**1,031,556**

(Continued)

MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
Passed Through Ohio Department of Transportation:				
Safe Routes to School Grants	2011	20.205	9,445	-
Total Department of Transportation			9,445	-
Total US Department of Education			1,003,155	1,031,556
U.S. Department of Health and Human Services				
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures		93.501	35,236	35,236
Passed Through Ohio Department of Education:				
Cooperative Agreements to Support Comprehensive School Health Proç	2012	93.938	10,000	10,000
Total US Department of Health and Human Services			45,236	45,236
Totals			$1,444,978	$1,473,379

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, 2012

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.

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Dave Yost • 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 12, 2012. 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.

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

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 and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

September 12, 2012

Dave Yost • Auditor of State

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

Manchester Local School District
Adams County
130 Wayne Frye Drive
West Union, Ohio 415144

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over 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.

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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, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost
Auditor of State

September 12, 2012

MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Title 1 – 84.010 Nutrition Cluster – 10.553, 10.555, 10.559
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None