



Dave Yost • Auditor of State

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	21
Statement of Fiduciary Net Position – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	23
Notes to the Financial Statements	25
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of Net Pension Liability – SERS – Last Two Fiscal Years.....	61
Schedule of the School District's Proportionate Share of Net Pension Liability – STRS – Last Two Fiscal Years.....	62
Schedule of School District Contributions – SERS – Last Ten Fiscal Years.....	63
Schedule of School District Contributions - STRS – Last Ten Fiscal Years.....	64
Federal Awards Receipts and Expenditures Schedule.....	67
Notes to Federal Awards Expenditures Schedule	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69

MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Required by OMB Circular A-133	71
Schedule of Findings.....	73



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 the Manchester Local School District, Adams County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 12 and 21 to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and schedules of net pension liabilities and pension contributions*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on District's basic financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 21, 2015

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015. 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 Board of Education a school district charter on April 13, 2004 and the School District started formal operations on July 1, 2004.

Financial Highlights

The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$16,555,974, which represents approximately a 38 percent decrease from fiscal year 2014. The decrease is the result of the change in reporting the long-term pension liability required under GASB 68.

General revenues accounted for \$12,260,403, or 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants, contributions and interest accounted for \$4,205,904, or 26 percent of total revenues of \$16,466,307.

The School District had \$13,034,683 in expenses; approximately 32 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 \$12,260,403 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 position 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 position 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 2015. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 position and changes in those assets. This change in net position 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.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

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, the Debt Service Fund, the Permanent Improvement Fund, and the Construction 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 position 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 Position for fiscal years 2015 and 2014:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

(Table 1)
Net Position

	Governmental Activities		
	2015	2014	Change
Assets			
Current and Other Assets	\$18,968,968	\$20,862,328	(\$1,893,360)
Capital Assets, Net	30,547,363	27,017,430	3,529,933
Total Assets	<u>49,516,331</u>	<u>47,879,758</u>	<u>1,636,573</u>
Deferred Outflows of Resources			
Pension	<u>890,723</u>	<u>725,677</u>	<u>165,046</u>
Liabilities			
Current and Other Liabilities	1,336,214	1,637,031	(300,817)
Long-Term Liabilities:			
Due Within One Year	1,263,644	1,234,520	29,124
Due In More Than One Year:			
Net Pension Liability	11,993,227	14,252,577	(2,259,350)
Other Amounts	<u>8,789,618</u>	<u>9,981,987</u>	<u>(1,192,369)</u>
Total Liabilities	<u>23,382,703</u>	<u>27,106,115</u>	<u>(3,723,412)</u>
Deferred Inflow of Resources			
Property Taxes	8,296,835	8,374,970	(78,135)
Pension	<u>2,171,542</u>	<u>0</u>	<u>2,171,542</u>
Total Deferred Inflow Of Resources	<u>10,468,377</u>	<u>8,374,970</u>	<u>2,093,407</u>
Net Position			
Net Investment In Capital Assets	21,279,232	16,521,202	4,758,030
Restricted	2,026,973	1,797,082	229,891
Unrestricted (Deficit)	<u>(6,750,231)</u>	<u>(5,193,934)</u>	<u>(1,556,297)</u>
Total Net Position	<u>\$16,555,974</u>	<u>\$13,124,350</u>	<u>\$3,431,624</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$26,651,250 to \$13,124,350.

Total assets increased \$1,636,573. Equity in Pooled Cash and Cash Equivalents decreased \$2,102,723 due to construction costs of the Athletic Building. Capital Assets, Net increased \$3,529,933 due to the completion of the Athletic Building. Property Taxes Receivable decreased \$7,800 due to a decrease of public utility personal property assessed valuation. Intergovernmental Receivable increased \$200,108 due to the increase of federal grant reimbursement payments outstanding at fiscal year-end. Accounts Receivable increased \$18,349 due to an increase in invoices outstanding at year end. Prepaid Items decreased \$5,554 due to educational subscriptions being changed to school year terms.

Total liabilities decreased \$3,723,412. Accrued Wages and Benefits Payable increased \$27,844 due to increased personnel costs. Accounts Payable decreased \$53,178 due to capital outlay expenses. Contracts Payable decreased \$244,665 due to the completion of the Athletic Building. Intergovernmental Payables decreased \$26,083 due to a decrease in purchase service contracts. Accrued Interest Payable decreased \$6,585 due to the decrease in debt owed. Long-term Liabilities Due Within One Year increased \$29,124 due to debt payment increases. Net Pension Liability decreased \$2,259,350 due to employee retirements. Other long-term liabilities decreased \$1,192,369 due to payments on high school bonds, HB 264 notes and leases incurred to purchase school buses.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

Total Net Position increased \$3,431,624. Unrestricted Net Position decreased \$1,556,297 due to the construction costs paid on the Athletic Building. The value of Net Investments in Capital Assets increased \$4,758,030 due to the construction of the Athletic Building. Restricted Net Position increased \$229,891 due to increases in federal grants.

Table 2 shows the changes in Net Position for fiscal years 2015 and 2014.

(Table 2)
Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$948,042	\$756,561	25.31%
Operating Grants, Contributions and Interest	<u>3,257,862</u>	<u>2,967,731</u>	<u>9.78%</u>
Total Program Revenues	<u>4,205,904</u>	<u>3,724,292</u>	<u>12.93%</u>
General Revenues:			
Property Taxes	8,751,490	7,323,115	19.51%
Grants and Entitlements not Restricted to Specific Programs	3,450,558	3,345,887	3.13%
Investment Earnings	30,053	34,027	-11.68%
Miscellaneous	<u>28,302</u>	<u>4,923</u>	<u>474.89%</u>
Total General Revenues	<u>12,260,403</u>	<u>10,707,952</u>	<u>14.50%</u>
Total Revenues	<u>16,466,307</u>	<u>14,432,244</u>	<u>14.09%</u>
Program Expenses:			
Instruction:			
Regular	4,736,795	4,633,332	2.23%
Special	1,957,724	2,164,261	-9.54%
Vocational	574,317	542,526	5.86%
Student Intervention Services	132,635	128,801	2.98%
Support Services:			
Pupils	553,395	606,303	-8.73%
Instructional Staff	665,666	436,757	52.41%
Board of Education	43,532	53,276	-18.29%
Administration	645,355	869,202	-25.75%
Fiscal	538,606	535,095	0.66%
Operation and Maintenance of Plant	536,883	984,641	-45.47%
Pupil Transportation	699,934	739,722	-5.38%
Central	37,126	71,299	-47.93%
Operation of Non-Instructional Services:			
Food Services	578,633	578,593	0.01%
Community Services	465,070	127,333	265.24%
Extracurricular Activities	449,523	387,908	15.88%
Interest and Fiscal Charges	<u>419,489</u>	<u>487,816</u>	<u>-14.01%</u>
Total Expenses	<u>13,034,683</u>	<u>13,346,865</u>	<u>-2.34%</u>
Change in Net Position	3,431,624	1,085,379	216.17%
Net Position at Beginning of Year	<u>13,124,350</u>	N/A	
Net Position at End of Year	<u>\$16,555,974</u>	<u>\$13,124,350</u>	

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$725,677 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$524,731. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$13,034,683
Pension expense under GASB 68	(524,731)
2015 contractually required contribution	777,585
Adjusted 2015 program expenses	13,287,537
Total 2014 program expenses under GASB 27	13,346,865
Change in program expenses not related to pension	(\$59,328)

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 experienced a 25% increase in Charges for Services and Sales due to an increase in open enrollment. A 9.8% increase in Operating Grants, Contributions and Interest was due to changes in additional grants. Property Taxes increased 19.5% due to tax collection increases. A 3% increase in Grants and Entitlements not Restricted to Specific Programs is due to increases in the state foundation. Investment Earnings decreased 11.7% due to less cash to invest. Miscellaneous Revenues increased 475% due to refunds and payment for services. Regular Instruction increased 2 due to employee cost increases. Special Instruction decreased 9.5% due to reduction in service contracts. Vocational Instruction increased 6% due to contract increases. Pupil Support Services decreased 8.7% due to change of staff costs. Instructional Staff increased 52% due to coordinator positions and technology services. Board of Education decreased 18% due to a decrease of meetings. Administration decreased 26% due to reduction of assistant principal. Operation and Maintenance of Plant decreased 45% due to less repairs and Central decreased 48% due to changes in accounting to Instruction. Community Services increased 265% due to increase in public fees charged for use of Athletic Building. Extracurricular Activities increased 16% due to hosting the county tournaments. Interest and Fiscal Charges decrease 14% due to the bond interest payments decreasing as the principal payments increase.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

(Table 3)

	Governmental Activities			
	Total Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2015	Net Cost of Services 2014
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Instruction	\$7,401,471	\$7,468,920	\$4,738,117	\$5,077,754
Support Services	3,720,497	4,296,295	3,141,207	3,797,849
Operation of				
Non-Instructional Services	1,043,703	705,926	250,317	(7,841)
Extracurricular Activities	449,523	387,908	279,649	266,995
Interest and Fiscal Charges	419,489	487,816	419,489	487,816
Total Expenses	<u>\$13,034,683</u>	<u>\$13,346,865</u>	<u>\$8,828,779</u>	<u>\$9,622,573</u>

The School District's Funds

Information about the School District's major funds starts on page 15. The School District's funds are accounted for using the modified accrual basis of accounting. All funds had total revenues of \$16,369,067 and expenditures of \$18,011,200.

The General Fund saw an increase in fund balance of \$46,761. This increase was due to the increase in Capital Assets. The Debt Service Fund saw a fund balance increase of \$83,874 due to the increase in tax collections. The Permanent Improvement Capital Projects balance ended the year with a positive fund balance of \$2,427,702 due to no major repairs. The Construction Fund saw a decrease \$1,920,455 due to construction of Athletic Building.

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 \$394,211 more than the final budgeted amount for the General Fund. Actual revenues were \$17,435 less than final budgeted revenues. Final budgeted expenditures were \$295,178 more than actual expenditures. Original budgeted revenues were \$170,822 less than final budgeted revenues due primarily to increases in Tuition and Fees. Original budgeted appropriations were \$337,272 less than final budgeted expenditures due primarily to increases in Community Services. These differences represent cyclical changes that occur throughout the year and are not known at the time the original budgets are prepared.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

Capital Assets

At the end of fiscal year 2015 the School District had \$30,547,363 in net capital assets.

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

	Governmental Activities	
	2015	2014
Land	\$735,571	\$671,166
Construction in Process	0	1,037,882
Land Improvements	2,322,287	2,326,637
Buildings and Improvements	25,624,551	21,043,545
Furniture, Fixtures and Equipment	1,518,333	1,502,913
Vehicles	346,621	435,287
Totals	\$30,547,363	\$27,017,430

For more information on capital assets, see Note 10 to the basic financial statements.

Debt

At June 30, 2015, the School District had \$9,515,722 in bonds and notes outstanding, with \$1,228,724 due within one year. Table 5 summarizes bonds outstanding:

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

	2015	2014
General Obligation Bonds:		
1995 School Improvement Bonds	\$1,098,724	\$2,128,774
2012 Refunding Bonds	8,011,998	8,062,148
2011 Energy Conservation Notes	405,000	435,000
2011 Fifth Third Bank Lease	0	37,302
Totals	\$9,515,722	\$10,663,224

The School District's overall legal debt margin was \$17,138,450 with an unvoted debt margin of \$308,453 and an Energy Conservation debt margin of \$2,371,075 at June 30, 2015.

For more information on debts and leases, refer to notes 15 and 16 in the basic financial statements.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

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

Construction of Athletic Fields

The Board of Education selected McCarty and Associates as the architect to develop the plans for the athletic fields in August, 2015. The facility committee is presently working with the architect on the master plan.

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.

This page intentionally left blank.

Manchester Local School District
Statement of Net Position
June 30, 2015

	Primary Governmental Governmental Activities	Component Unit
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,703,809	\$19,625
Prepaid Items	8,226	0
Inventory Held for Resale	12,811	0
Materials and Supplies Inventory	38,503	0
Intergovernmental Receivable	329,333	0
Property Taxes Receivable	8,847,341	0
Interest Receivable	2,733	0
Accounts Receivable	26,212	0
Capital Assets:		
Land	735,571	0
Depreciable Capital Assets, Net	29,811,792	5,000
Total Assets	49,516,331	24,625
Deferred Outflows of Resources		
Pension	890,723	0
Liabilities		
Accounts Payable	116,727	0
Accrued Wages and Benefits Payable	838,132	0
Contracts Payable	169,913	0
Intergovernmental Payable	178,592	0
Due to Students	1,112	0
Accrued Interest Payable	28,112	0
Matured Compensated Absences Payable	3,626	0
Long-Term Liabilities:		
Due Within One Year	1,263,644	0
Due in More Than One Year:		
Net Pension Liability (See Note 12)	11,993,227	0
Other Amounts Due in More Than One Year	8,789,618	0
Total Liabilities	23,382,703	0
Deferred Inflows of Resources		
Property Taxes	8,296,835	0
Pension	2,171,542	0
Total Deferred Inflows of Resources	10,468,377	0
Net Position		
Net Investment in Capital Assets	21,279,232	0
Restricted for:		
Debt Service	1,709,448	0
Other Purposes	317,525	0
Unrestricted (Deficit)	(6,750,231)	24,625
Total Net Position	\$16,555,974	\$24,625

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$4,736,795	\$631,565	\$968,023	(\$3,137,207)	\$0
Special	1,957,724	74,716	810,949	(1,072,059)	0
Vocational	574,317	0	10,019	(564,298)	0
Student Intervention Services	132,635	0	168,082	35,447	0
Support Services:					
Pupils	553,395	0	4,919	(548,476)	0
Instructional Staff	665,666	0	222,898	(442,768)	0
Board of Education	43,532	3,567	0	(39,965)	0
Administration	645,355	0	0	(645,355)	0
Fiscal	538,606	4,060	1,361	(533,185)	0
Operation and Maintenance of Plant	536,883	13,329	0	(523,554)	0
Pupil Transportation	699,934	0	329,156	(370,778)	0
Central	37,126	0	0	(37,126)	0
Operation of Non-Instructional Services:					
Food Services	578,633	40,666	537,803	(164)	0
Community Services	465,070	25,977	188,940	(250,153)	0
Extracurricular Activities	449,523	154,162	15,712	(279,649)	0
Interest and Fiscal Charges	419,489	0	0	(419,489)	0
Total Governmental Activities	<u>\$13,034,683</u>	<u>\$948,042</u>	<u>\$3,257,862</u>	<u>(8,828,779)</u>	<u>0</u>
Component Unit:					
Manchester Educational Foundation	<u>\$42,138</u>	<u>\$0</u>	<u>\$44,307</u>	<u>0</u>	<u>2,169</u>

General Revenues:		
Property Taxes Levied for:		
General Purposes	7,534,869	0
Debt Service	1,216,621	0
Grants and Entitlements not		
Restricted to Specific Programs	3,450,558	0
Investment Earnings	30,053	0
Miscellaneous	28,302	0
Total General Revenues	<u>12,260,403</u>	<u>0</u>
Change in Net Position	3,431,624	2,169
Net Position Beginning of Year - Restated (See Note 21)	<u>13,124,350</u>	<u>22,456</u>
Net Position End of Year	<u>\$16,555,974</u>	<u>\$24,625</u>

See Accompanying Notes to the Basic Financial Statement:

Manchester Local School District

Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Permanent Improvement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$5,129,304	\$1,651,620	\$2,427,566	\$232,561	\$262,758	\$9,703,809
Receivables:						
Property Taxes	7,725,835	1,121,506	0	0	0	8,847,341
Intergovernmental	141,582	0	0	0	187,751	329,333
Interfund	10,000	0	0	0	0	10,000
Interest	1,841	0	558	295	39	2,733
Accounts	26,212	0	0	0	0	26,212
Inventory Held for Resale	0	0	0	0	12,811	12,811
Prepaid Items	8,226	0	0	0	0	8,226
Materials and Supplies Inventory	36,366	0	0	0	2,137	38,503
Total Assets	\$13,079,366	\$2,773,126	\$2,428,124	\$232,856	\$465,496	\$18,978,968
Liabilities						
Accounts Payable	\$104,998	\$0	\$0	\$0	\$11,729	\$116,727
Accrued Wages and Benefits Payable	720,617	0	0	0	117,515	838,132
Interfund Payable	0	0	0	0	10,000	10,000
Intergovernmental Payable	158,459	0	0	0	20,133	178,592
Matured Compensated Absences Payable	3,626	0	0	0	0	3,626
Contracts Payable	0	0	0	169,913	0	169,913
Due to Students	0	0	0	0	1,112	1,112
Total Liabilities	987,700	0	0	169,913	160,489	1,318,102
Deferred Inflows of Resources						
Property Taxes	7,261,269	1,035,566	0	0	0	8,296,835
Unavailable Revenue	227,226	41,506	422	223	87,676	357,053
Total Deferred Inflows of Resources	7,488,495	1,077,072	422	223	87,676	8,653,888
Fund Balances (Deficit)						
Nonspendable	44,592	0	0	0	2,137	46,729
Restricted	0	1,696,054	0	0	227,712	1,923,766
Assigned	0	0	2,427,702	62,720	18,459	2,508,881
Unassigned (Deficit)	4,558,579	0	0	0	(30,977)	4,527,602
Total Fund Balances	4,603,171	1,696,054	2,427,702	62,720	217,331	9,006,978
Total Liabilities and Fund Balances	\$13,079,366	\$2,773,126	\$2,428,124	\$232,856	\$465,496	\$18,978,968

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balances \$9,006,978

Amounts reported for governmental activities in the statement of net position 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	735,571	
Capital assets	39,596,952	
Accumulated depreciation	(9,785,160)	
Total capital assets	30,547,363	30,547,363

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	267,341	
Intergovernmental	87,646	
Interest	2,066	
	357,053	357,053

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (28,112)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds

Deferred Outflows - Pension	890,723	
Deferred Inflows - Pension	(2,171,542)	
Net Pension Liability	(11,993,227)	
	(13,274,046)	(13,274,046)

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	(9,110,722)	
Notes payable	(405,000)	
Compensated absences payable	(537,540)	
	(10,053,262)	(10,053,262)

Net Position of Governmental Activities \$16,555,974

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, 2015

	General	Debt Service	Permanent Improvement	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$7,520,968	\$1,214,322	\$0	\$0	\$0	\$8,735,290
Intergovernmental	4,487,265	442,876	0	0	1,659,823	6,589,964
Interest	20,906	0	6,369	2,979	448	30,702
Tuition and Fees	706,281	0	0	0	0	706,281
Extracurricular Activities	0	0	0	0	138,575	138,575
Customer Services	6,024	0	0	0	66,298	72,322
Rent	302	0	0	0	345	647
Gifts and Donations	0	0	0	0	16,747	16,747
Miscellaneous	62,382	0	0	0	16,157	78,539
Total Revenues	12,804,128	1,657,198	6,369	2,979	1,898,393	16,369,067
Expenditures:						
Current:						
Instruction:						
Regular	4,349,718	0	0	0	199,253	4,548,971
Special	1,371,033	0	0	0	558,931	1,929,964
Vocational	554,139	0	0	0	0	554,139
Student Intervention Services	21,160	0	0	0	2,067	23,227
Support Services:						
Pupils	525,589	0	0	0	3,441	529,030
Instructional Staff	454,285	0	0	0	186,427	640,712
Board of Education	43,727	0	0	0	0	43,727
Administration	646,357	0	0	0	0	646,357
Fiscal	498,668	38,221	0	0	6,615	543,504
Operation and Maintenance of Plant	1,082,593	0	0	0	0	1,082,593
Pupil Transportation	624,708	0	0	0	7,540	632,248
Central	40,353	0	0	0	0	40,353
Operation of Non-Instructional Services:						
Food Services	14	0	0	0	562,234	562,248
Community Services	300,251	0	0	0	164,141	464,392
Extracurricular Activities	224,923	0	0	0	177,018	401,941
Capital Outlay	170,784	0	0	3,623,434	0	3,794,218
Debt Service:						
Principal	37,302	1,160,050	0	0	0	1,197,352
Interest and Fiscal Charges	1,171	375,053	0	0	0	376,224
Total Expenditures	10,946,775	1,573,324	0	3,623,434	1,867,667	18,011,200
Excess of Revenue Over (Under) Expenditures	1,857,353	83,874	6,369	(3,620,455)	30,726	(1,642,133)
Other Financing Sources (Uses):						
Transfers In	0	0	134,492	1,700,000	0	1,834,492
Transfers Out	(1,834,492)	0	0	0	0	(1,834,492)
Proceeds from Sale of Capital Assets	23,900	0	0	0	0	23,900
Total Other Financing Sources (Uses)	(1,810,592)	0	134,492	1,700,000	0	23,900
Net Change in Fund Balances	46,761	83,874	140,861	(1,920,455)	30,726	(1,618,233)
Fund Balances Beginning of Year	4,556,410	1,612,180	2,286,841	1,983,175	186,605	10,625,211
Fund Balances End of Year	\$4,603,171	\$1,696,054	\$2,427,702	\$62,720	\$217,331	\$9,006,978

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, 2015

Net Change in Fund Balances - Total Governmental Funds (\$1,618,233)

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	4,443,142	
Depreciation expense	(867,421)	
Excess of capital outlay under depreciation expense	3,575,721	3,575,721

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 position 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.

Proceeds from Sale of Capital Assets	(23,900)	
Loss on Disposal of Capital Assets	(21,888)	
	(45,788)	(45,788)

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	16,200	
Intergovernmental	81,236	
Interest	(196)	
	97,240	97,240

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

Amortization of bond premium	30,745	
Accretion on capital appreciation bonds	(80,595)	
Decrease in accrued interest	6,585	
	(43,265)	(43,265)

Contractually required contributions are reported as expenditures in governmental funds however, the statement of activities reports these amounts as deferred outflows 777,585

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities (524,731)

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 position. In the current year, this amount consisted of:

Bond principal retirement	1,130,050	
Note principal retirement	30,000	
Capital lease payments	37,302	
	1,197,352	1,197,352

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	15,743	
	15,743	

Change in Net Position of Governmental Activities \$3,431,624

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$7,500,000	\$7,475,301	\$7,475,301	\$0
Intergovernmental	4,325,826	4,423,092	4,409,001	(14,091)
Interest	31,928	29,928	21,458	(8,470)
Tuition and Fees	569,537	706,549	706,375	(174)
Customer Services	0	4,208	6,024	1,816
Rent	1,267	302	302	0
Miscellaneous	80,189	40,189	43,673	3,484
Total Revenues	12,508,747	12,679,569	12,662,134	(17,435)
Expenditures:				
Current:				
Instruction:				
Regular	4,461,446	4,536,168	4,398,670	137,498
Special	1,414,740	1,387,546	1,369,857	17,689
Vocational	600,307	615,899	615,454	445
Student Intervention Services	6,333	5,816	4,982	834
Other	42,671	23,617	21,817	1,800
Support Services:				
Pupils	536,076	557,241	549,925	7,316
Instructional Staff	475,895	450,267	438,313	11,954
Board of Education	35,148	46,601	43,772	2,829
Administration	704,610	685,440	673,129	12,311
Fiscal	494,772	504,358	498,123	6,235
Operation and Maintenance of Plant	1,013,914	1,145,146	1,118,848	26,298
Pupil Transportation	695,744	684,232	641,517	42,715
Central	60,787	44,204	42,287	1,917
Operation of Non-Instructional Services:				
Food Service Operations	1,704	2,686	2,686	0
Community Services	74,099	304,429	291,389	13,040
Extracurricular Activities:				
Academic Oriented Activities	26,039	25,733	24,783	950
Sport Oriented Activities	191,767	207,160	196,413	10,747
Capital Outlay:				
Site Acquisition Services	0	64,405	64,405	0
Site Improvement Services	84,040	81,040	81,040	0
Building Improvement Services	164,158	50,705	50,105	600
Debt Service:				
Principal	38,473	37,302	37,302	0
Interest	1,171	1,171	1,171	0
Total Expenditures	11,123,894	11,461,166	11,165,988	295,178
Excess of Revenues Over Expenditures	1,384,853	1,218,403	1,496,146	277,743
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,336	23,500	23,900	(400)
Transfers In	88,840	88,840	0	88,840
Transfers Out	(1,923,332)	(2,039,400)	(1,834,492)	(204,908)
Insurance Recoveries	0	2,178	2,178	0
Advance Out	0	(10,000)	(10,000)	0
Total Other Financing Sources (Uses)	(1,832,156)	(1,934,882)	(1,818,414)	(116,468)
Net Change in Fund Balances	(447,303)	(716,479)	(322,268)	394,211
Fund Balance at Beginning of Year	5,164,425	5,164,425	5,164,425	0
Prior Year Encumbrances Appropriated	172,137	172,137	172,137	0
Fund Balance at End of Year	\$4,889,259	\$4,620,083	\$5,014,294	\$394,211

Manchester Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$113,901	\$32,196
Liabilities		
Undistributed Monies	0	\$32,196
Net Position		
Held in Trust for Scholarships	\$113,901	

See Accompanying Notes to the Basic Financial Statements

Manchester Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and Contributions	\$3,375
Interest	3,088
Total Additions	6,463
Deductions:	
Payments in Accordance with Trust Agreements	6,025
Change in Net Position	438
Net Position Beginning of Year	113,463
Net Position End of Year	\$113,901

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Manchester Local School District was established in 2004 through the deconsolidation of existing land areas in the Adams County/Ohio Valley School District. The School District serves an area of approximately 115 square miles. It is located in Adams County, and includes the Villages of Manchester and Rome, all of Manchester and Sprigg Townships and portions of Green and Monroe Townships. The School District is staffed by 36 non-certificated employees, 64 certificated teaching personnel and eight administrative employees who provide services to 909 students and other community members. The School District currently operates two instructional buildings, bus garage and athletic fields.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District.

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 Regional Council of Governments
- The Schools of Ohio Risk Sharing Authority, Inc.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Ohio SchoolComp Workers' Compensation Group Rating Plan

These organizations are presented in Notes 19 and 20 of the basic financial statements.

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 more significant of the School District's accounting policies are described below.

Basis of Presentation

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

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

Fund Financial Statements

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and report 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.

Permanent Improvement Fund - The Permanent Improvement Capital Projects Fund is used to account for and report monies which have been assigned by the Board of Education to be used for acquiring, constructing, or improving School District facilities.

Construction Fund - The Construction Capital Projects Fund is used to account for and report all debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of the new and remodeled classroom facilities.

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Government-wide Financial Statements:

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

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 inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants and 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 7). 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, accounts receivable, and interest.

Deferred Outflows / Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statement of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, interest and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

Expenses/Expenditures:

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

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

During fiscal year 2015, the School District's investments were limited to certificates of deposits, 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, 2015.

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 2015 amounted to \$20,906, which includes \$9,874 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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.

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.

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 position but are not reported in the fund financial statements.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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 the 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.

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 governmental 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 that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions

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

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:

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.

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.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

Internal Activity

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. 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.

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 without resolution by the Board of Education.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in the budgetary statements 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.

Bond Premiums and Accretion on Capital Appreciation Bonds

For governmental activities, bond premiums are deferred and amortized over the term of the bonds/capital lease using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, 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.

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.

3. ACCOUNTABILITY

At June 30, 2015, the IDEA Part B, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$14,200, \$10,696 and \$6,081, respectively. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

4. 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 and actual (budget basis) is presented for the General Fund 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:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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. The change of fair value of investments is not included on the budget basis operating statement. This amount is included on the GAAP basis operating statement.

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

Net Change in Fund Balance	
GAAP Basis	\$46,761
Adjustments:	
Revenue Accruals	(140,818)
Expenditure Accruals	(105,502)
Encumbrances	(113,711)
Advances	(10,000)
Change in Fair Value of Investments FY 2014	2,301
Change in Fair Value of Investments FY 2015	(1,299)
Budget Basis	(\$322,268)

5. 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:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. FUND BALANCES (Continued)

Fund Balances	General	Debt Service	Permanent Improvement	Construction Funds	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>						
Prepays	\$8,226	\$0	\$0	\$0	\$0	\$8,226
Inventory	36,366	0	0	0	2,137	38,503
<i>Total Nonspendable</i>	<u>44,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,137</u>	<u>46,729</u>
<i>Restricted for</i>						
Debt Payment	0	1,696,054	0	0	0	1,696,054
Food Service Operations	0	0	0	0	181,908	181,908
Recreation	0	0	0	0	24,771	24,771
Miscellaneous Grants	0	0	0	0	19,163	19,163
District Managed Activity	0	0	0	0	1,870	1,870
<i>Total Restricted</i>	<u>0</u>	<u>1,696,054</u>	<u>0</u>	<u>0</u>	<u>227,712</u>	<u>1,923,766</u>
<i>Assigned to</i>						
Capital Improvements	0	0	2,427,702	62,720	0	2,490,422
Other Purposes	0	0	0	0	18,459	18,459
<i>Total Assigned</i>	<u>0</u>	<u>0</u>	<u>2,427,702</u>	<u>62,720</u>	<u>18,459</u>	<u>2,508,881</u>
<i>Unassigned (Deficit)</i>	<u>4,558,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(30,977)</u>	<u>4,527,602</u>
<i>Total Fund Balances</i>	<u><u>\$4,603,171</u></u>	<u><u>\$1,696,054</u></u>	<u><u>\$2,427,702</u></u>	<u><u>\$62,720</u></u>	<u><u>\$217,331</u></u>	<u><u>\$9,006,978</u></u>

6. 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:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

Investments

As of June 30, 2015, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investments</u>
STAROhio	\$805,129	Average 53.4 days	N/A
Federal Home Loan Mortgage Corporation	200,032	8/25/17	16.59%
Ohio State Veterans Compensation Bonds	200,420	10/1/2015	16.62%
	<u>\$1,205,581</u>		

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

The Ohio State Veterans Compensation Bonds carry a rating of Aa1 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.

7. 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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected 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.

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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

7. PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2015, 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 inflows of resources – property taxes.

The amount available as an advance at June 30, 2015 was \$238,731 in the General Fund and \$44,434 in the Debt Service Fund. The amount available as an advance at June 30, 2014 was \$193,064 in the General Fund and \$35,966 in the Debt Service Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The School District's assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second - Half Collections		2015 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$109,393,410	35.02%	\$109,244,850	35.42%
Public Utility Personal	202,993,110	64.98%	199,207,980	64.58%
Total Assessed Value	<u>\$312,386,520</u>	<u>100.00%</u>	<u>\$308,452,830</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$30.80	

8. 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 was taken out of the March 2012 deregulation payment. In fiscal years 2012 and 2013, the payments decreased \$250,401 each year by HB 153. The current biannual budget bill has kept the deregulation funding at 2013 funding level for fiscal year 2014.

9. RECEIVABLES

Receivables at June 30, 2015, consisted of taxes, intergovernmental grants, interest, interfund and accounts. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables will be received within one year except for delinquent property taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of intergovernmental receivables follows:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. RECEIVABLES (Continued)

	Amounts
Governmental Activities	
Food Service Reimbursement	\$11,611
IDEA Part B Grant	15,661
Title I Grant	45,061
Improving Teacher Quality	7,418
ODJFS Medicaid	63,768
South Central Ohio Computer Association	14,496
Ohio Valley Career and Technical Center	63,318
Miscellaneous Federal Grants	108,000
Total Intergovernmental Receivables	\$329,333

10. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	7/1/2014	Additions	Deductions	6/30/2015
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$671,166	\$64,405	\$0	\$735,571
Construction in Progress	1,037,882	4,025,860	(5,063,742)	0
Total Capital Assets Not Being Depreciated	1,709,048	4,090,265	(5,063,742)	735,571
Capital Assets Being Depreciated:				
Land Improvements	3,277,327	83,951	0	3,361,278
Buildings and Improvements	26,482,194	5,111,714	0	31,593,908
Furniture, Fixtures and Equipment	3,449,027	220,954	(47,336)	3,622,645
Vehicles	1,059,728	0	(40,607)	1,019,121
Totals Capital Assets Being Depreciated	34,268,276	5,416,619	(87,943)	39,596,952
Less Accumulated Depreciation:				
Land Improvements	(950,690)	(88,301)	0	(1,038,991)
Building and Improvements	(5,438,649)	(530,708)	0	(5,969,357)
Furniture, Fixtures and Equipment	(1,946,114)	(185,555)	27,357	(2,104,312)
Vehicles	(624,441)	(62,857)	14,798	(672,500)
Total Accumulated Depreciation	(8,959,894)	(867,421) *	42,155	(9,785,160)
Total Capital Assets Being Depreciated, Net	25,308,382	4,549,198	(45,788)	29,811,792
Governmental Activities Capital Assets, Net	\$27,017,430	\$8,639,463	(\$5,109,530)	\$30,547,363

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$443,902
Special	81,882
Vocational	6,087
Support Services:	
Pupils	47,469
Instructional Staff	35,273
Administration	36,379
Fiscal	3,039
Operation and Maintenance of Plant	51,700
Pupil Transportation	76,446
Operation of Non-Instructional Services - Food Services	29,419
Operation of Non-Instructional Services - Community Services	2,866
Extracurricular Activities	52,959
Total Depreciation Expense	<u><u>\$867,421</u></u>

11. RISK MANAGEMENT

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 20).

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

11. RISK MANAGEMENT (Continued)

Insurance coverage provided includes the following:

Buildings and contents (\$0 Deductible)	\$36,164,774
Crime Coverage (\$0 Deductible)	\$100,000
Fleet Insurance Coverages	
Combined single Limit Liability	\$15,000,000
Auto Medical Payments	\$10,000/\$25,000
Uninsured Motorist	\$1,000,000
Comprehensive and Collision (\$0 Deductible)	ACV
Garagekeepers Physical Damage (\$0 Deductible)	ACV/\$250,000 limit
General Liability	
Each Occurrence Limit	\$15,000,000
General Aggregate Limit	\$17,000,000
Errors or Omissions Limit	\$1,000,000
Fire Damage Limit (any one fire)	\$500,000
Medical Expense (per person/accident)	\$10,000/\$25,000
Medical Expense (each accident)	\$25,000
Vehicle Liability Limit	\$15,000,000

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.

Workers' Compensation

For fiscal year 2015, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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 participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund. The School District's contractually required contribution to SERS was \$180,188 for fiscal year 2015. Of this amount \$14,966 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's contractually required contribution to STRS was \$597,397 for fiscal year 2015. Of this amount \$81,798 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,081,414	\$9,911,813	\$11,993,227
Proportion of the Net Pension Liability	0.041127%	0.0407500%	
Pension Expense	\$127,280	\$397,451	\$524,731

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$17,715	\$95,423	\$113,138
School District contributions subsequent to the measurement date	<u>180,188</u>	<u>597,397</u>	<u>777,585</u>
Total Deferred Outflows of Resources	<u>\$197,903</u>	<u>\$692,820</u>	<u>\$890,723</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$337,819</u>	<u>\$1,833,723</u>	<u>\$2,171,542</u>

\$777,585 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	(\$79,981)	(\$434,575)	(\$514,556)
2017	(79,981)	(434,575)	(514,556)
2018	(79,981)	(434,575)	(514,556)
2019	(80,160)	(434,575)	(514,735)
Total	(\$320,103)	(\$1,738,300)	(\$2,058,403)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,969,559	\$2,081,414	\$1,334,407

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,189,841	\$9,911,813	\$6,294,041

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, 2015, one member of the Governing Board has elected Social Security and three student workers. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$22,286.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$33,584, \$25,855, and \$28,036, respectively. For fiscal year 2015, 92.24 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$45,539, and \$41,916, respectively. The full amount has been contributed for all three fiscal years.

14. EMPLOYEE BENEFITS

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.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. EMPLOYEE BENEFITS (Continued)

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.

Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through ReliaStar Life Insurance Company (ING) at the expense of the Board of Education. The School District has elected to provide employee medical/surgical/dental/vision benefits through United Healthcare. The cost of health, dental and vision premiums to administrative, certificated and classified employees is \$103.45, \$62.08 and \$49.62, for single coverage, respectively, and \$182.69, \$109.60 and \$85.25, respectively, for family coverage.

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.

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.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 7/1/14	Additions	Deductions	Amount Outstanding 6/30/15	Amounts Due in One Year
<i>Governmental Activities:</i>					
1995 School Improvement Bonds \$16,801,260 - 4.55% - 5.25%	\$2,128,774	\$0	\$1,030,050	\$1,098,724	\$1,098,724
2012 G.O. Refunding Bonds \$7,919,936 - 1.15% - 4.00%	7,679,936	0	100,000	7,579,936	100,000
Premium	215,216	0	30,745	184,471	0
Accretion on Capital Appreciation Bonds	166,996	80,595	0	247,591	0
Total Bonds Payable	<u>10,190,922</u>	<u>80,595</u>	<u>1,160,795</u>	<u>9,110,722</u>	<u>1,198,724</u>
2011 Energy Conservation Notes \$500,000 - 4.25%	<u>435,000</u>	<u>0</u>	<u>30,000</u>	<u>405,000</u>	<u>30,000</u>
Net Pension Liability					
STRS	11,806,886	0	1,895,073	9,911,813	0
SERS	2,445,691	0	364,277	2,081,414	0
Total Net Pension Liability	<u>14,252,577</u>	<u>0</u>	<u>2,259,350</u>	<u>11,993,227</u>	<u>0</u>
2011 Fifth Third Bank Lease \$175,610 - 4.17%	<u>37,302</u>	<u>0</u>	<u>37,302</u>	<u>0</u>	<u>0</u>
Compensated Absences	<u>553,283</u>	<u>50,582</u>	<u>66,325</u>	<u>537,540</u>	<u>34,920</u>
Total Governmental Activities Long-Term Obligations	<u>\$25,469,084</u>	<u>\$131,177</u>	<u>\$3,553,772</u>	<u>\$22,046,489</u>	<u>\$1,263,644</u>

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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.

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, Sinclair & 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
2016	<u>1,098,724</u>	<u>38,455</u>	<u>1,137,179</u>

School Improvement Bonds 2012

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$100,000	\$242,230	\$342,230
2017	819,936	621,294	1,441,230
2018	1,220,000	221,405	1,441,405
2019	1,265,000	177,861	1,442,861
2020	1,325,000	132,611	1,457,611
2021-2022	<u>2,850,000</u>	<u>111,020</u>	<u>2,961,020</u>
Total	<u>\$7,579,936</u>	<u>\$1,506,421</u>	<u>\$9,086,357</u>

Energy Conservation Notes 2011

On June 30, 2011, 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 notes will be retired from the Debt Service Fund from inside property tax millage funds.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Notes 2011

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$30,000	\$16,575	\$46,575
2017	30,000	15,300	45,300
2018	30,000	14,025	44,025
2019	35,000	12,644	47,644
2020	35,000	11,156	46,156
2021-2025	200,000	31,663	231,663
2026	45,000	956	45,956
Total	<u>\$405,000</u>	<u>\$102,319</u>	<u>\$507,319</u>

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$17,138,450 with an unvoted debt margin of \$308,453 and an Energy Conservation debt margin of \$2,371,075 at June 30, 2015.

16. CAPITALIZED LEASES – LESSEE DISCLOSURE

In fiscal year 2012, 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 expired during fiscal year 2015.

17. INTERFUND ACTIVITY

During fiscal year 2015, the School District advanced \$10,000 from the General Fund to the Miscellaneous Federal Grants fund. General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Transfers of \$134,492 and \$1,700,000 were made from the General Fund to the Permanent Improvement and Construction Capital Project Funds to reallocate monies for future repair projects and construction of the Manchester Educational and Athletic Center.

18. SET-ASIDE CALCULATIONS

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.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

18. SET-ASIDE CALCULATIONS (Continued)

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 Balance as of June 30, 2014	\$0
Current Fiscal Year Set-aside Requirement	134,492
Qualifying Disbursements	(2,030,042)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

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

19. JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association Regional Council of Governments (SCOCA)

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA), which is organized under ORC Code Chapter 167 as a regional council of governments. 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 and two representatives of the school treasurers. The School District paid SCOCA \$56,817 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments, Sandra Benson, Fiscal Officer, at P.O. Box 596, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

20. INSURANCE PURCHASING POOLS

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.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

20. INSURANCE PURCHASING POOLS (Continued)

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 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Ohio SchoolComp Workers' Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the Group Rating Plan. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

21. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$26,651,250
Adjustments:	
Net Pension Liability	(14,252,577)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>725,677</u>
Restated Net Position June 30, 2014	<u>\$13,124,350</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

22. CONTINGENCIES

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, 2015.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

22. CONTINGENCIES (Continued)

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

Manchester Local School District Board of Education has one current litigation filed on September 8, 2014 in the United State District Court Southern District of Ohio Western Division (case no. 1:14-CV-00713). The plaintiff is Scott Kirk, a former employee. The defendants are Craig Hockenberry, Superintendent, Board of Education, ABC Corporations or Companies Current Identifies and Address Unknown, and John Does and Jane Does Current Identities and Addresses Unknown.

23. DISCRETELY PRESENTED COMPONENT UNIT

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.

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 position and in the following category:

Unrestricted

Net position is 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.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

23. DISCRETELY PRESENTED COMPONENT UNIT

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 \$19,626 in a checking account with 1st State Bank. The entire balance was covered by FDIC (Federal Deposit Insurance Corporation).

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, 2015:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015	Amount Due in One Year
<u>Notes Payable</u>					
2012 - 5.00% \$6,612	\$2,197	\$0	\$2,197	\$0	\$0

This page intentionally left blank.

Manchester Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.041127%	0.041127%
School District's Proportionate Share of the Net Pension Liability	\$2,081,414	\$2,445,691
School District's Covered-Employee Payroll	\$1,205,962	\$1,064,282
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.59%	229.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Manchester Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.0407500%	0.0407500%
School District's Proportionate Share of the Net Pension Liability	\$9,911,813	\$11,806,886
School District's Covered-Employee Payroll	\$4,263,271	\$4,191,569
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	232.49%	281.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Manchester Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Eight Fiscal Years (1)

	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$180,188	\$167,146	\$147,297	\$130,207	\$173,171	\$167,080	\$123,136	\$111,722
Contributions in Relation to the Contractually Required Contribution	<u>(180,188)</u>	<u>(167,146)</u>	<u>(147,297)</u>	<u>(130,207)</u>	<u>(173,171)</u>	<u>(167,080)</u>	<u>(123,136)</u>	<u>(111,722)</u>
Contribution Deficiency (Excess)	<u>\$0</u>							
School District Covered-Employee Payroll	\$1,367,129	\$1,205,962	\$1,064,282	\$968,079	\$1,377,655	\$1,233,975	\$1,251,386	\$1,137,697
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

(1) Information prior to 2008 is not available.

Manchester Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$597,397	\$554,225	\$544,904	\$489,681
Contributions in Relation to the Contractually Required Contribution	<u>(597,397)</u>	<u>(554,225)</u>	<u>(544,904)</u>	<u>(489,681)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$4,267,121	\$4,263,271	\$4,191,569	\$3,766,777
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$605,153	\$573,656	\$511,577	\$507,406	\$503,114	\$693,194
(605,153)	(573,656)	(511,577)	(507,406)	(503,114)	(693,194)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,655,023	\$4,412,738	\$3,935,208	\$3,903,123	\$3,870,108	\$5,332,262
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

This page intentionally left blank.

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	3L60	10.555	\$0	\$23,820	\$0	\$23,820
Cash Assistance:						
National School Breakfast Program	3L70	10.553	120,529		120,529	
National School Lunch Program	3L60	10.555	314,729		314,729	
Summer Food Service Program for Children	3L60	10.559	14,447		14,447	
Total Nutrition Cluster			449,705	23,820	449,705	23,820
Fresh Fruit and Vegetable Grant	3G60	10.582	36,206		36,206	
Equipment Assistance Grant	3L60	10.579	5,809		5,809	
Total Department of Agriculture			491,720	23,820	491,720	23,820
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States - (IDEA Part B)	3M20 - 2014 2015	84.027 84.027	14,643 175,804 190,447	0	15,096 175,534 190,630	0
Title I Grants to Local Educational Agencies Title I Grants to Local Educational Agencies	3M00 - 2014 2015	84.010 84.010	75,425 423,629 499,054	0	75,886 423,629 499,515	0
Twenty First Century Grant	3Y20-2015	84.287	200,000	0	185,281	0
ARRA - Race to the Top	3FD0 - 2014 2015	84.395 84.395	10,718 7,988 18,706	0	11,142 7,988 19,130	0
Title IIA - Improving Teacher Quality	3Y60 - 2014 2015	84.367 84.367	3,153 60,818 63,971	0	3,153 60,628 63,781	0
Rural Education (Title VI-B)	3Y80-2014 2015	84.358 84.358	3 14,567 14,570	0	3 14,567 14,570	0
Total Department of Education			986,748	0	972,907	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Health</i>						
Creating Healthy Communities	00150014CC0115	93.991	32,000	0	36,354	0
Total Department of Health and Human Services			32,000		36,354	
			\$1,510,468	\$23,820	\$1,500,981	\$23,820

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

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the 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 the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Manchester Local School District, Adams County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2015. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement numbers 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 21, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

December 21, 2015

**MANCHESTER LOCAL SCHOOL DISTRICT
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

MANCHESTER LOCAL SCHOOL DISTRICT

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 5, 2016**