

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
MANCHESTER COMMUNITY SCHOOLS
WABASH COUNTY, INDIANA
July 1, 2006 to June 30, 2008



FILED

05/05/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kendra J. Miller	07-01-06 to 06-30-09
Superintendent of Schools	Dr. Diana Showalter	07-01-06 to 06-30-09
President of the School Board	Sally S. Krouse	07-01-06 to 06-30-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manchester Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note I, the School Corporation prepares its financial statements on the pre-scribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 13, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 13, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manchester Community Schools (School Corporation), as of and for the years ended June 30, 2007 and 2008, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated April 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 13, 2009

MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 6,729,290	\$ -	\$ 49,079	\$ (6,680,211)
Support services	5,491,170	731,556	254,832	(4,504,782)
Community services	162,173	-	-	(162,173)
Nonprogrammed charges	679,936	-	-	(679,936)
Debt service	<u>2,666,995</u>	<u>-</u>	<u>-</u>	<u>(2,666,995)</u>
Total governmental activities	<u>\$ 15,729,564</u>	<u>\$ 731,556</u>	<u>\$ 303,911</u>	<u>(14,694,097)</u>
General receipts:				
Property taxes				5,976,355
Other local sources				1,232,090
State aid				6,283,504
Grants and contributions not restricted to specific programs				357,216
Sale of property, adjustments, and refunds				30,667
Investment earnings				<u>124,460</u>
Total general receipts				<u>14,004,292</u>
Change in net assets				(689,805)
Net assets - beginning				<u>4,366,509</u>
Net assets - ending				<u>\$ 3,676,704</u>
Assets				
Cash and investments				\$ 2,564,805
Restricted assets:				
Cash and investments				<u>1,111,899</u>
Total assets				<u>\$ 3,676,704</u>
Net Assets				
Restricted for:				
Debt service				\$ 1,111,899
Unrestricted				<u>2,564,805</u>
Total net assets				<u>\$ 3,676,704</u>

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

MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 6,517,367	\$ -	\$ 159,489	\$ (6,357,878)
Support services	6,081,488	777,481	324,912	(4,979,095)
Community services	178,088	-	-	(178,088)
Nonprogrammed charges	693,841	-	-	(693,841)
Debt service	<u>2,124,888</u>	<u>-</u>	<u>-</u>	<u>(2,124,888)</u>
Total governmental activities	<u>\$ 15,595,672</u>	<u>\$ 777,481</u>	<u>\$ 484,401</u>	<u>(14,333,790)</u>
General receipts:				
Property taxes				3,728,482
Other local sources				1,004,963
State aid				5,895,855
Bonds and loans				1,675,000
Grants and contributions not restricted to specific programs				381,162
Sale of property, adjustments, and refunds				47,934
Investment earnings				<u>65,111</u>
Total general receipts				<u>12,798,507</u>
Change in net assets				(1,535,283)
Net assets - beginning				<u>3,676,704</u>
Net assets - ending				<u>\$ 2,141,421</u>
<u>Assets</u>				
Cash and investments				\$ 1,600,193
Restricted assets:				
Cash and investments				<u>541,228</u>
Total assets				<u>\$ 2,141,421</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 541,228
Unrestricted				<u>1,600,193</u>
Total net assets				<u>\$ 2,141,421</u>

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

MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,513,170	\$ 527,687	\$ 1,911,650	\$ 1,053,635	\$ 116,285	\$ 940,601	\$ 8,063,028
Intermediate sources	327	-	-	-	-	1,106	1,433
State sources	6,319,267	-	-	-	-	130,627	6,449,894
Federal sources	82,521	-	-	-	-	412,216	494,737
Sale of property, adjustments and refunds	16,499	154	-	10,929	-	3,085	30,667
Total receipts	<u>9,931,784</u>	<u>527,841</u>	<u>1,911,650</u>	<u>1,064,564</u>	<u>116,285</u>	<u>1,487,635</u>	<u>15,039,759</u>
Disbursements:							
Current:							
Instruction	6,459,193	-	-	-	-	270,097	6,729,290
Support services	2,532,016	594,005	-	1,250,702	137,256	977,191	5,491,170
Community services	158,686	-	-	-	-	3,487	162,173
Nonprogrammed charges	630,279	-	-	-	-	49,657	679,936
Debt services	415,343	-	1,985,235	-	43,417	223,000	2,666,995
Total disbursements	<u>10,195,517</u>	<u>594,005</u>	<u>1,985,235</u>	<u>1,250,702</u>	<u>180,673</u>	<u>1,523,432</u>	<u>15,729,564</u>
Deficiency of receipts over disbursements	<u>(263,733)</u>	<u>(66,164)</u>	<u>(73,585)</u>	<u>(186,138)</u>	<u>(64,388)</u>	<u>(35,797)</u>	<u>(689,805)</u>
Other financing sources (uses):							
Transfers in	16,237	-	-	-	-	70,468	86,705
Transfers out	<u>(30,537)</u>	<u>(4,804)</u>	<u>(19,745)</u>	<u>(9,671)</u>	<u>(1,390)</u>	<u>(20,558)</u>	<u>(86,705)</u>
Total other financing sources (uses)	<u>(14,300)</u>	<u>(4,804)</u>	<u>(19,745)</u>	<u>(9,671)</u>	<u>(1,390)</u>	<u>49,910</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(278,033)	(70,968)	(93,330)	(195,809)	(65,778)	14,113	(689,805)
Cash and investments - beginning	<u>1,521,530</u>	<u>330,905</u>	<u>1,140,813</u>	<u>766,244</u>	<u>135,917</u>	<u>471,100</u>	<u>4,366,509</u>
Cash and investments - ending	<u>\$ 1,243,497</u>	<u>\$ 259,937</u>	<u>\$ 1,047,483</u>	<u>\$ 570,435</u>	<u>\$ 70,139</u>	<u>\$ 485,213</u>	<u>\$ 3,676,704</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,243,497	\$ 259,937	\$ -	\$ 570,435	\$ 70,139	\$ 420,797	\$ 2,564,805
Restricted assets:							
Cash and investments	-	-	1,047,483	-	-	64,416	1,111,899
Total cash and investment assets - ending	<u>\$ 1,243,497</u>	<u>\$ 259,937</u>	<u>\$ 1,047,483</u>	<u>\$ 570,435</u>	<u>\$ 70,139</u>	<u>\$ 485,213</u>	<u>\$ 3,676,704</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 1,047,483	\$ -	\$ -	\$ 64,416	\$ 1,111,899
Unrestricted	<u>1,243,497</u>	<u>259,937</u>	<u>-</u>	<u>570,435</u>	<u>70,139</u>	<u>420,797</u>	<u>2,564,805</u>
Total cash and investment fund balance - ending	<u>\$ 1,243,497</u>	<u>\$ 259,937</u>	<u>\$ 1,047,483</u>	<u>\$ 570,435</u>	<u>\$ 70,139</u>	<u>\$ 485,213</u>	<u>\$ 3,676,704</u>

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

MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 2,389,728	\$ 363,670	\$ 1,181,077	\$ 739,304	\$ 81,398	\$ 819,895	\$ 5,575,072
Intermediate sources	327	-	-	-	-	638	965
State sources	6,020,456	-	-	-	-	178,259	6,198,715
Federal sources	44,195	-	-	-	-	518,508	562,703
Bonds and loans	1,000,000	125,000	200,000	275,000	-	75,000	1,675,000
Sale of property, adjustments and refunds	12,069	1,598	-	2,769	15,073	16,425	47,934
Total receipts	9,466,775	490,268	1,381,077	1,017,073	96,471	1,608,725	14,060,389
Disbursements:							
Current:							
Instruction	6,252,608	-	-	-	-	264,759	6,517,367
Support services	2,959,930	636,653	-	1,257,356	154,236	1,073,313	6,081,488
Community services	176,000	-	-	-	-	2,088	178,088
Nonprogrammed charges	635,366	-	-	-	-	58,475	693,841
Debt services	-	-	1,906,392	-	-	218,496	2,124,888
Total disbursements	10,023,904	636,653	1,906,392	1,257,356	154,236	1,617,131	15,595,672
Deficiency of receipts over disbursements	(557,129)	(146,385)	(525,315)	(240,283)	(57,765)	(8,406)	(1,535,283)
Other financing sources (uses):							
Interfund loans received	-	40,000	-	-	40,000	-	80,000
Interfund loans repaid	-	(40,000)	-	-	(40,000)	-	(80,000)
Transfers in	30,537	4,804	19,745	9,671	1,390	4,909	71,056
Transfers out	-	-	-	-	-	(71,056)	(71,056)
Total other financing sources (uses)	30,537	4,804	19,745	9,671	1,390	(66,147)	-
Deficiency of receipts and other financing sources over disbursements and other financing uses	(526,592)	(141,581)	(505,570)	(230,612)	(56,375)	(74,553)	(1,535,283)
Cash and investments - beginning	1,243,497	259,937	1,047,483	570,435	70,139	485,213	3,676,704
Cash and investments - ending	<u>\$ 716,905</u>	<u>\$ 118,356</u>	<u>\$ 541,913</u>	<u>\$ 339,823</u>	<u>\$ 13,764</u>	<u>\$ 410,660</u>	<u>\$ 2,141,421</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 716,905	\$ 118,356	\$ -	\$ 339,823	\$ 13,764	\$ 411,345	\$ 1,600,193
Restricted assets:							
Cash and investments	-	-	541,913	-	-	(685)	541,228
Total cash and investment assets - ending	<u>\$ 716,905</u>	<u>\$ 118,356</u>	<u>\$ 541,913</u>	<u>\$ 339,823</u>	<u>\$ 13,764</u>	<u>\$ 410,660</u>	<u>\$ 2,141,421</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ 541,913	\$ -	\$ -	\$ (685)	\$ 541,228
Unrestricted	716,905	118,356	-	339,823	13,764	411,345	1,600,193
Total cash and investment fund balance - ending	<u>\$ 716,905</u>	<u>\$ 118,356</u>	<u>\$ 541,913</u>	<u>\$ 339,823</u>	<u>\$ 13,764</u>	<u>\$ 410,660</u>	<u>\$ 2,141,421</u>

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

MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 18,454
Deductions:		
Benefits	56,275	-
Administrative and general	<u>-</u>	<u>18,485</u>
Total deductions	<u>56,275</u>	<u>18,485</u>
Deficiency of total additions over total deductions	(56,275)	(31)
Cash and investment fund balance - beginning	<u>95,031</u>	<u>19,710</u>
Cash and investment fund balance - ending	<u>\$ 38,756</u>	<u>\$ 19,679</u>
Net assets:		
Cash and investments	<u>\$ 38,756</u>	<u>\$ 19,679</u>
Total net assets - cash and investment basis held in trust	<u>\$ 38,756</u>	<u>\$ 19,679</u>

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

MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 15,068
Deductions:		
Benefits	37,415	-
Administrative and general	<u>-</u>	<u>19,947</u>
Total deductions	<u>37,415</u>	<u>19,947</u>
Deficiency of total additions over total deductions	(37,415)	(4,879)
Cash and investment fund balance - beginning	<u>38,756</u>	<u>19,679</u>
Cash and investment fund balance - ending	<u>\$ 1,341</u>	<u>\$ 14,800</u>
Net assets:		
Cash and investments	<u>\$ 1,341</u>	<u>\$ 14,800</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,341</u>	<u>\$ 14,800</u>

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

These financial statements present the School Corporation (primary government). There are no significant component units which require inclusion.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with Metropolitan School District of Wabash County, Peru Community Schools, and Wabash City Schools in a joint venture to operate the Wabash-Miami Area Program for Exceptional Children which was created to provide for educational needs of handicapped children. The School Corporation is obligated by contract to remit a proportional share of operating costs of the program into the Joint Service and Supply Fund annually to supplement the program. The Wabash-Miami Area Program for Exceptional Children's continued existence depends on continued funding by the school corporations. Complete financial statements for the Wabash-Miami Area Program for Exceptional Children can be obtained from Metropolitan School District of Wabash County's administrative office at 204 North 300 West, Wabash, IN 46992.

The School Corporation is a participant with North Miami Community Schools, Metropolitan School District of Wabash County, Peru Community Schools, and Wabash City Schools in a joint venture to operate the Heartland Career Center which was created to establish an area vocational school. The School Corporation is obligated by contract to remit a proportional share of operation, control, and maintenance costs of the program as determined by each School Corporation's student participation annually to supplement the program. The Heartland Career Center's continued existence depends on continued funding by the school corporations. Complete financial statements for the Heartland Career Center can be obtained from the program's administrative office at 79 South 200 West, Wabash, IN 46992.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for the activities of the teachers' severance/early retirement pay fund, which accumulates resources for pension benefit payments.

The private-purpose trust fund reports trust arrangements under which principal and income benefit eligible students.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any proprietary funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

MANCHESTER COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	June 30, 2008
Title I 2007-2008	\$ 12,196
Retirement Severance	685

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>For Year Ended June 30, 2007</u>	<u>For Year Ended June 30, 2008</u>
General Fund	Other governmental funds	\$ 30,537	\$ -
Transportation Operating Fund	Other governmental funds	4,804	-
Debt Service Fund	Other governmental funds	19,745	-
Capital Projects Fund	Other governmental funds	9,671	-
School Bus Replacement Fund	Other governmental funds	1,390	-
Other governmental funds	General Fund	16,237	30,537
Other governmental funds	Transportation Operating Fund	-	4,804
Other governmental funds	Debt Service Fund	-	19,745
Other governmental funds	Capital Projects Fund	-	9,671
Other governmental funds	School Bus Replacement Fund	-	1,390
Other governmental funds	Other governmental funds	4,321	4,909
Totals		<u>\$ 86,705</u>	<u>\$ 71,056</u>

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended June 30, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported June 30, 2006	Fund Reclassification	Balance as Restated July 1, 2006
Governmental Funds	\$ 4,368,376	\$ (1,867)	\$ 4,366,509
Private-Purpose Trust Funds	17,843	1,867	19,710

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the General Fund and payroll clearing accounts where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into capital leases with Manchester Community Elementary School Building Corporation (the lessor), a not-for-profit corporation and the Manchester High School Building Corporation (the lessor), a for profit corporation. The lessors were organized pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the year ended June 30, 2008, totaled \$1,219,960.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 113,242
Interest on net pension obligation	(4,254)
Adjustment to annual required contribution	4,847
Annual pension cost	113,835
Contributions made	119,621
Decrease in net pension obligation	(5,786)
Net pension obligation, beginning of year	(58,669)
Net pension obligation, end of year	\$ (64,455)

	PERF
Contribution rates:	
School Corporation	6.75%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 98,626	114%	\$ (71,427)
	06-30-06	116,563	89%	(58,669)
	06-30-07	113,835	105%	(64,455)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7.25% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2008, 2007, and 2006, were \$157,508, \$133,015, and \$126,780, respectively. The School Corporation contributed 100% of the required contribution for each of the fiscal years.

MANCHESTER COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,865,247	\$ 2,108,327	\$ (243,080)	88%	\$ 1,798,641	(14%)
07-01-06	1,941,239	2,066,980	(125,741)	94%	1,632,036	(8%)
07-01-07	2,192,218	2,452,482	(260,264)	89%	1,805,865	(14%)

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education
Receipts:						
Local sources	\$ 8,315	\$ 640,530	\$ 73,258	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	1,106	-
State sources	47,782	8,617	22,831	-	-	-
Federal sources	-	223,384	-	-	-	-
Sale of property, adjustments and refunds	-	2,316	769	-	-	-
Total receipts	56,097	874,847	96,858	-	1,106	-
Disbursements:						
Current:						
Instruction	-	-	-	-	-	-
Support services	-	860,978	99,449	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	49,657	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	49,657	860,978	99,449	-	-	-
Excess (deficiency) of receipts over disbursements	6,440	13,869	(2,591)	-	1,106	-
Other financing sources (uses):						
Transfers in	-	-	-	69,768	-	-
Transfers out	(85)	-	-	(16,237)	-	-
Total other financing sources (uses)	(85)	-	-	53,531	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,355	13,869	(2,591)	53,531	1,106	-
Cash and investments - beginning	75,658	194,424	8,053	16,237	6,675	2,222
Cash and investments - ending	\$ 82,013	\$ 208,293	\$ 5,462	\$ 69,768	\$ 7,781	\$ 2,222
Cash and Investment Assets - Ending						
Cash and investments	\$ 82,013	\$ 208,293	\$ 5,462	\$ 69,768	\$ 7,781	\$ 2,222
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 82,013	\$ 208,293	\$ 5,462	\$ 69,768	\$ 7,781	\$ 2,222
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	82,013	208,293	5,462	69,768	7,781	2,222
Total cash and investment fund balance - ending	\$ 82,013	\$ 208,293	\$ 5,462	\$ 69,768	\$ 7,781	\$ 2,222

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Safe Haven	Early Intervention Grant	Gifted & Talented 2006-2007	Gifted & Talented 2005-2006	Non-English Speaking Program	School Technology
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	8,000	13,042	-	274	30,081
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	8,000	13,042	-	274	30,081
Disbursements:						
Current:						
Instruction	-	19,090	12,168	7,863	100	-
Support services	-	-	-	-	-	7,534
Community services	-	254	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	-	19,344	12,168	7,863	100	7,534
Excess (deficiency) of receipts over disbursements	-	(11,344)	874	(7,863)	174	22,547
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(11,344)	874	(7,863)	174	22,547
Cash and investments - beginning	100	11,344	-	7,863	1	14,364
Cash and investments - ending	\$ 100	\$ -	\$ 874	\$ -	\$ 175	\$ 36,911
Cash and Investment Assets - Ending						
Cash and investments	\$ 100	\$ -	\$ 874	\$ -	\$ 175	\$ 36,911
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 100	\$ -	\$ 874	\$ -	\$ 175	\$ 36,911
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	100	-	874	-	175	36,911
Total cash and investment fund balance - ending	\$ 100	\$ -	\$ 874	\$ -	\$ 175	\$ 36,911

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Title I 2005-2006	Title I 2006-2007	Title V, Part A 2005-2006	Title V, Part A 2006-2007	Title IV, Safe & Drug-Free 2006-2007
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	12,800	154,872	-	2,592	2,574
Sale of property, adjustments and refunds	-	-	-	-	-
Total receipts	<u>12,800</u>	<u>154,872</u>	<u>-</u>	<u>2,592</u>	<u>2,574</u>
Disbursements:					
Current:					
Instruction	4,648	148,733	-	2,592	-
Support services	-	4,020	1,204	-	2,000
Community services	-	1,239	-	-	-
Nonprogrammed charges	-	-	-	-	-
Debt services	-	-	-	-	-
Total disbursements	<u>4,648</u>	<u>153,992</u>	<u>1,204</u>	<u>2,592</u>	<u>2,000</u>
Excess (deficiency) of receipts over disbursements	<u>8,152</u>	<u>880</u>	<u>(1,204)</u>	<u>-</u>	<u>574</u>
Other financing sources (uses):					
Transfers in	-	700	-	-	-
Transfers out	(700)	-	-	-	-
Total other financing sources (uses)	<u>(700)</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>7,452</u>	<u>1,580</u>	<u>(1,204)</u>	<u>-</u>	<u>574</u>
Cash and investments - beginning	<u>(7,452)</u>	<u>-</u>	<u>1,204</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ -	\$ 1,580	\$ -	\$ -	\$ 574
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	1,580	-	-	574
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574</u>

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	DOE Drug Education	Title II, Part A 2007-2008	Title II, Part D Technology	Retirement Severance	Totals
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ 218,498	\$ 940,601
Intermediate sources	-	-	-	-	1,106
State sources	-	-	-	-	130,627
Federal sources	6,500	9,494	-	-	412,216
Sale of property, adjustments and refunds	-	-	-	-	3,085
Total receipts	<u>6,500</u>	<u>9,494</u>	<u>-</u>	<u>218,498</u>	<u>1,487,635</u>
Disbursements:					
Current:					
Instruction	1,956	70,086	2,861	-	270,097
Support services	2,006	-	-	-	977,191
Community services	1,994	-	-	-	3,487
Nonprogrammed charges	-	-	-	-	49,657
Debt services	-	-	-	223,000	223,000
Total disbursements	<u>5,956</u>	<u>70,086</u>	<u>2,861</u>	<u>223,000</u>	<u>1,523,432</u>
Excess (deficiency) of receipts over disbursements	<u>544</u>	<u>(60,592)</u>	<u>(2,861)</u>	<u>(4,502)</u>	<u>(35,797)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	70,468
Transfers out	-	-	-	(3,536)	(20,558)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,536)</u>	<u>49,910</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	544	(60,592)	(2,861)	(8,038)	14,113
Cash and investments - beginning	<u>4,500</u>	<u>60,592</u>	<u>2,861</u>	<u>72,454</u>	<u>471,100</u>
Cash and investments - ending	<u>\$ 5,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,416</u>	<u>\$ 485,213</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 5,044	\$ -	\$ -	\$ -	\$ 420,797
Restricted assets:					
Cash and investments	-	-	-	64,416	64,416
Total cash and investment assets - ending	<u>\$ 5,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,416</u>	<u>\$ 485,213</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 64,416	\$ 64,416
Unrestricted	<u>5,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,797</u>
Total cash and investment fund balance - ending	<u>\$ 5,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,416</u>	<u>\$ 485,213</u>

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Education Preschool	School Lunch	Textbook Rental	Levy Excess	Educational License Plates	Alternative Education	Safe Haven
Receipts:							
Local sources	\$ 5,146	\$ 678,648	\$ 61,242	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	638	-	-
State sources	52,274	7,947	47,586	-	-	-	-
Federal sources	-	269,379	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	2,297	14,128	-	-	-	-
Total receipts	57,420	958,271	122,956	-	638	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	-	980,634	54,951	-	-	-	100
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	58,475	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	58,475	980,634	54,951	-	-	-	100
Excess (deficiency) of receipts over disbursements	(1,055)	(22,363)	68,005	-	638	-	(100)
Other financing sources (uses):							
Transfers in	85	-	-	-	-	-	-
Transfers out	-	-	-	(69,768)	-	-	-
Total other financing sources (uses)	85	-	-	(69,768)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(970)	(22,363)	68,005	(69,768)	638	-	(100)
Cash and investments - beginning	82,013	208,293	5,462	69,768	7,781	2,222	100
Cash and investments - ending	<u>\$ 81,043</u>	<u>\$ 185,930</u>	<u>\$ 73,467</u>	<u>\$ -</u>	<u>\$ 8,419</u>	<u>\$ 2,222</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 81,043	\$ 185,930	\$ 73,467	\$ -	\$ 8,419	\$ 2,222	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 81,043</u>	<u>\$ 185,930</u>	<u>\$ 73,467</u>	<u>\$ -</u>	<u>\$ 8,419</u>	<u>\$ 2,222</u>	<u>\$ -</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	81,043	185,930	73,467	-	8,419	2,222	-
Total cash and investment fund balance - ending	<u>\$ 81,043</u>	<u>\$ 185,930</u>	<u>\$ 73,467</u>	<u>\$ -</u>	<u>\$ 8,419</u>	<u>\$ 2,222</u>	<u>\$ -</u>

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year ended June 30, 2008
 (Continued)

	Early Intervention Grant	Gifted & Talented 2007-2008	Gifted & Talented 2006-2007	Non-English Speaking Program	School Technology	Title I 2007-2008	Title I 2006-2007
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	15,985	31,968	-	2,920	19,579	-	-
Federal sources	-	-	-	-	-	162,486	9,652
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	15,985	31,968	-	2,920	19,579	162,486	9,652
Disbursements:							
Current:							
Instruction	15,985	9,997	874	1,254	-	167,270	9,944
Support services	-	-	-	-	20,021	7,000	-
Community services	-	-	-	-	-	1,700	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	15,985	9,997	874	1,254	20,021	175,970	9,944
Excess (deficiency) of receipts over disbursements	-	21,971	(874)	1,666	(442)	(13,484)	(292)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	1,288	-
Transfers out	-	-	-	-	-	-	(1,288)
Total other financing sources (uses)	-	-	-	-	-	1,288	(1,288)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	21,971	(874)	1,666	(442)	(12,196)	(1,580)
Cash and investments - beginning	-	-	874	175	36,911	-	1,580
Cash and investments - ending	\$ -	\$ 21,971	\$ -	\$ 1,841	\$ 36,469	\$ (12,196)	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 21,971	\$ -	\$ 1,841	\$ 36,469	\$ (12,196)	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 21,971	\$ -	\$ 1,841	\$ 36,469	\$ (12,196)	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	21,971	-	1,841	36,469	(12,196)	-
Total cash and investment fund balance - ending	\$ -	\$ 21,971	\$ -	\$ 1,841	\$ 36,469	\$ (12,196)	\$ -

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year ended June 30, 2008
 (Continued)

	Title IV, Safe & Drug-Free 2005-2006	Title IV, Safe & Drug-Free 2006-2007	DOE Drug Education	Title II, Part A 2007-2008	Retirement Severance	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 74,859	\$ 819,895
Intermediate sources	-	-	-	-	-	638
State sources	-	-	-	-	-	178,259
Federal sources	6,442	2,574	-	67,975	-	518,508
Bonds and loans	-	-	-	-	75,000	75,000
Sale of property, adjustments and refunds	-	-	-	-	-	16,425
Total receipts	6,442	2,574	-	67,975	149,859	1,608,725
Disbursements:						
Current:						
Instruction	-	-	389	59,046	-	264,759
Support services	6,442	-	4,165	-	-	1,073,313
Community services	-	-	388	-	-	2,088
Nonprogrammed charges	-	-	-	-	-	58,475
Debt services	-	-	-	-	218,496	218,496
Total disbursements	6,442	-	4,942	59,046	218,496	1,617,131
Excess (deficiency) of receipts over disbursements	-	2,574	(4,942)	8,929	(68,637)	(8,406)
Other financing sources (uses):						
Transfers in	-	-	-	-	3,536	4,909
Transfers out	-	-	-	-	-	(71,056)
Total other financing sources (uses)	-	-	-	-	3,536	(66,147)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	2,574	(4,942)	8,929	(65,101)	(74,553)
Cash and investments - beginning	-	574	5,044	-	64,416	485,213
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,148</u>	<u>\$ 102</u>	<u>\$ 8,929</u>	<u>\$ (685)</u>	<u>\$ 410,660</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ 3,148	\$ 102	\$ 8,929	\$ -	\$ 411,345
Restricted assets:						
Cash and investments	-	-	-	-	(685)	(685)
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 3,148</u>	<u>\$ 102</u>	<u>\$ 8,929</u>	<u>\$ (685)</u>	<u>\$ 410,660</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ (685)	\$ (685)
Unrestricted	-	3,148	102	8,929	-	411,345
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 3,148</u>	<u>\$ 102</u>	<u>\$ 8,929</u>	<u>\$ (685)</u>	<u>\$ 410,660</u>

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007

	<u>Pepsi Donations</u>	<u>Bob Melton Memorial</u>	<u>After Study Program</u>	<u>Reading Program</u>	<u>Auction 2006</u>	<u>Ford Meter Box Donations</u>	<u>Latch Key Donations</u>
Additions:							
Contributions:							
Other	\$ 326	\$ -	\$ -	\$ -	\$ 4,028	\$ 12,000	\$ -
Deductions:							
Administrative and general	<u>156</u>	<u>-</u>	<u>380</u>	<u>1,245</u>	<u>1,432</u>	<u>12,552</u>	<u>-</u>
Excess (deficiency) of total additions over total deductions	170	-	(380)	(1,245)	2,596	(552)	-
Cash and investment fund balance - beginning	<u>2</u>	<u>240</u>	<u>380</u>	<u>1,245</u>	<u>-</u>	<u>11,869</u>	<u>430</u>
Cash and investment fund balance - ending	<u>\$ 172</u>	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ 11,317</u>	<u>\$ 430</u>
Net assets:							
Cash and investments	<u>\$ 172</u>	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ 11,317</u>	<u>\$ 430</u>
Total net assets - cash and investment basis held in trust	<u>\$ 172</u>	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ 11,317</u>	<u>\$ 430</u>

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Tri-Kappa Children	Community Foundation Painting Easels	Lion's Club Endowment	Above & Beyond	Community Alliance to Promote Education	Totals
Additions:						
Contributions:						
Other	\$ 300	\$ 1,800	\$ -	\$ -	\$ -	\$ 18,454
Deductions:						
Administrative and general	314	1,800	-	-	606	18,485
Excess (deficiency) of total additions over total deductions	(14)	-	-	-	(606)	(31)
Cash and investment fund balance - beginning	760	-	1,652	994	2,138	19,710
Cash and investment fund balance - ending	<u>\$ 746</u>	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,532</u>	<u>\$ 19,679</u>
Net assets:						
Cash and investments	<u>\$ 746</u>	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,532</u>	<u>\$ 19,679</u>
Total net assets - cash and investment basis held in trust	<u>\$ 746</u>	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,532</u>	<u>\$ 19,679</u>

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008

	<u>Pepsi Donations</u>	<u>Bob Melton Memorial</u>	<u>Auction 2006</u>	<u>Ford Meter Box Donations</u>	<u>Latch Key Donations</u>	<u>Tri-Kappa Children</u>
Additions:						
Contributions:						
Other	\$ 357	\$ -	\$ -	\$ 12,000	\$ -	\$ 300
Deductions:						
Administrative and general	<u>318</u>	<u>240</u>	<u>-</u>	<u>15,954</u>	<u>-</u>	<u>1,024</u>
Excess (deficiency) of total additions over total deductions	39	(240)	-	(3,954)	-	(724)
Cash and investment fund balance - beginning	<u>172</u>	<u>240</u>	<u>2,596</u>	<u>11,317</u>	<u>430</u>	<u>746</u>
Cash and investment fund balance - ending	<u>\$ 211</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ 7,363</u>	<u>\$ 430</u>	<u>\$ 22</u>
Net assets:						
Cash and investments	<u>\$ 211</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ 7,363</u>	<u>\$ 430</u>	<u>\$ 22</u>
Total net assets - cash and investment basis held in trust	<u>\$ 211</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ 7,363</u>	<u>\$ 430</u>	<u>\$ 22</u>

MANCHESTER COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2008
 (Continued)

	<u>Lion's Club Donation</u>	<u>Lion's Club Endowment</u>	<u>Above & Beyond</u>	<u>Community Alliance to Promote Education</u>	<u>Totals</u>
Additions:					
Contributions:					
Other	\$ 2,411	\$ -	\$ -	\$ -	\$ 15,068
Deductions:					
Administrative and general	2,411	-	-	-	19,947
Excess (deficiency) of total additions over total deductions	-	-	-	-	(4,879)
Cash and investment fund balance - beginning	-	1,652	994	1,532	19,679
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,532</u>	<u>\$ 14,800</u>
Net assets:					
Cash and investments	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,532</u>	<u>\$ 14,800</u>
Total net assets - cash and investment basis held in trust	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,532</u>	<u>\$ 14,800</u>

MANCHESTER COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 29,879
Buildings	20,048,649
Improvements other than buildings	775,561
Machinery and equipment	<u>4,590,320</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 25,444,409</u>

MANCHESTER COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2008

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Elementary School Building Corporation	\$ 2,585,000	\$ 357,500
High School Building Corporation	2,970,000	502,765
Loans payable:		
Common School Fund Loan A0272	225,000	87,375
Common School Fund Loan A0415	5,106,900	565,501
2005 Energy Savings Loan	601,709	95,240
Bonds payable:		
General obligation bonds:		
2004 Pension Bonds	<u>1,875,000</u>	<u>107,441</u>
Total governmental activities debt	<u>\$ 13,363,609</u>	<u>\$ 1,715,822</u>

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

ACADEMIC HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates Honors Diploma figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year as follows:

<u>School Year</u>	<u>Honors Diplomas As Reported On Form 30A</u>	<u>Actual Honors Diplomas</u>	<u>Difference</u>
2007-2008	27	26	(1)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

COMPENSATION AND BENEFITS

The salary schedules presented for audit for noncertified employees contained only the minimum salary established for the positions. Actual salaries paid to noncertified employees could not be traced to a salary schedule approved by the School Board.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

LAWN MAINTENANCE EXPENDITURES (Applies to Manchester Elementary School)

The Extra-Curricular General Fund expended \$1,271 during the 2007-2008 school year for weed control and lawn fertilizer and an additional \$288 for lawn rolling.

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TRUSTS AND ENDOWMENTS (Applies to Manchester Intermediate School)

Manchester Intermediate School received a donation in December 2005 which was used to establish a Student Special Financial Needs Fund. The donation was given with specific direction that the fund was to be used for students with financial needs. \$465 was paid out of the fund during the 2007-2008 school year for students to attend a movie on a field trip. The field trip was based on academic eligibility and not financial need.

Each governmental unit is responsible for complying with any requirements of trust agreements or endowments received which are not contrary to state statute or constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

Compliance

We have audited the compliance of the Manchester Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2007 and 2008. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to its major federal program for the years ended June 30, 2007 and 2008.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the School Corporation's management, school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 13, 2009

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-07	Total Federal Awards Expended 06-30-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 32,729	\$ 41,183
National School Lunch Program	10.555		<u>248,296</u>	<u>262,845</u>
Total for federal grantor agency			<u>281,025</u>	<u>304,028</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies	84.010			
		06-8045	4,647	-
		07-8045	153,992	9,944
		08-8045	<u>-</u>	<u>175,971</u>
Total for program			<u>158,639</u>	<u>185,915</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186			
		06-8045	2,000	-
		05-305	<u>-</u>	<u>6,442</u>
Total for program			<u>2,000</u>	<u>6,442</u>
State Grants for Innovative Programs	84.298			
		05-259	1,204	-
		06-8045	<u>2,592</u>	<u>-</u>
Total for program			<u>3,796</u>	<u>-</u>
Education Technology State Grants	84.318			
		S318X050014	<u>2,861</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367			
		04-355	32,425	-
		05-146	37,661	-
		06-8045	-	54,631
		07-8045	<u>-</u>	<u>4,414</u>
Total for program			<u>70,086</u>	<u>59,045</u>
Total for federal grantor agency			<u>237,382</u>	<u>251,402</u>
Total federal awards expended			<u>\$ 518,407</u>	<u>\$ 555,430</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Manchester Community Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2007 and 2008. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2007	For the Year Ended June 30, 2008
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ <u>57,641</u>	\$ <u>31,649</u>

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

MANCHESTER COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

MANCHESTER COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2009, with Dr. Diana Showalter, Superintendent of Schools; Kendra J. Miller, Treasurer; Steve Shumaker, Business Manager; and Sally S. Krouse, President of the School Board. The officials concurred with our audit findings.