

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, 2008 to June 30, 2010



FILED
03/16/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kendra J. Miller	07-01-08 to 06-30-11
Superintendent of Schools	Dr. Diana Showalter Dr. William C. Reichhart (Interim)	07-01-08 to 11-18-10 11-19-10 to 06-30-11
President of the School Board	Sally S. Krouse	07-01-08 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2009 and 2010, 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, 2009 and 2010, 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 February 7, 2011, 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 integral part of 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

February 7, 2011



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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, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 7, 2011. 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

February 7, 2011

MANCHESTER COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<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	\$ 6,503,524	\$ -	\$ 194,661	\$ (6,308,863)
Support services	4,705,750	805,527	385,894	(3,514,329)
Noninstructional services	1,294,173	-	-	(1,294,173)
Facilities acquisition and construction	1,219,334	-	-	(1,219,334)
Debt service	3,622,950	-	-	(3,622,950)
Nonprogrammed charges	<u>815,092</u>	<u>-</u>	<u>-</u>	<u>(815,092)</u>
Total governmental activities	<u>\$ 18,160,823</u>	<u>\$ 805,527</u>	<u>\$ 580,555</u>	<u>(16,774,741)</u>
General receipts:				
Property taxes				6,148,517
Other local sources				1,095,267
State aid				6,927,795
Bonds and loans				1,200,000
Grants and contributions not restricted to specific programs				1,265,625
Sale of property				24
Investment earnings				9,535
Other				<u>5,330</u>
Total general receipts				<u>16,652,093</u>
Change in net assets				(122,648)
Net assets - beginning				<u>2,141,421</u>
Net assets - ending				<u>\$ 2,018,773</u>
<u>Assets</u>				
Cash and investments				\$ 1,235,364
Restricted assets:				
Cash and investments				<u>783,409</u>
Total assets				<u>\$ 2,018,773</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 783,409
Unrestricted				<u>1,235,364</u>
Total net assets				<u>\$ 2,018,773</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, 2010

<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	\$ 6,388,418	\$ -	\$ 177,574	\$ (6,210,844)
Support services	4,681,467	791,573	436,752	(3,453,142)
Noninstructional services	1,272,555	-	-	(1,272,555)
Facilities acquisition and construction	556,131	-	-	(556,131)
Debt service	3,348,818	-	-	(3,348,818)
Nonprogrammed charges	711,298	-	-	(711,298)
<u>Total governmental activities</u>	<u>\$ 16,958,687</u>	<u>\$ 791,573</u>	<u>\$ 614,326</u>	<u>(15,552,788)</u>
General receipts:				
Property taxes				4,840,897
Other local sources				893,696
State aid				9,015,513
Bonds and loans				1,100,000
Grants and contributions not restricted to specific programs				762,641
Investment earnings				4,089
Other				8,567
<u>Total general receipts</u>				<u>16,625,403</u>
Change in net assets				1,072,615
Net assets - beginning				<u>2,018,773</u>
Net assets - ending				<u>\$ 3,091,388</u>
<u>Assets</u>				
Cash and investments				\$ 1,952,208
Restricted assets:				
Cash and investments				<u>1,139,180</u>
<u>Total assets</u>				<u>\$ 3,091,388</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 1,139,180
Unrestricted				<u>1,952,208</u>
<u>Total net assets</u>				<u>\$ 3,091,388</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, 2009

	General	Debt Service	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ 3,062,451	\$ 1,890,620	\$ 1,296,263	\$ 1,808,529	\$ 8,057,863
Intermediate sources	327	-	-	656	983
State sources	7,086,760	-	-	250,368	7,337,128
Federal sources	69,349	-	-	1,367,498	1,436,847
Temporary loans	-	250,000	500,000	450,000	1,200,000
Other	2,898	-	1,259	1,173	5,330
Total receipts	10,221,785	2,140,620	1,797,522	3,878,224	18,038,151
Disbursements:					
Current:					
Instruction	5,741,802	-	-	761,722	6,503,524
Support services	3,197,533	-	359,062	1,149,155	4,705,750
Noninstructional services	207,487	-	-	1,086,686	1,294,173
Facilities acquisition and construction	7,975	-	1,137,521	73,838	1,219,334
Debt services	1,000,000	2,040,509	275,000	307,441	3,622,950
Nonprogrammed charges	614,079	-	-	201,013	815,092
Total disbursements	10,768,876	2,040,509	1,771,583	3,579,855	18,160,823
Excess (deficiency) of receipts over disbursements	(547,091)	100,111	25,939	298,369	(122,672)
Other financing sources (uses):					
Sale of capital assets	-	-	24	-	24
Transfers in	764	-	-	1,804	2,568
Transfers out	-	-	-	(2,568)	(2,568)
Total other financing sources (uses)	764	-	24	(764)	24
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(546,327)	100,111	25,963	297,605	(122,648)
Cash and investments - beginning	716,905	541,913	339,823	542,780	2,141,421
Cash and investments - ending	\$ 170,578	\$ 642,024	\$ 365,786	\$ 840,385	\$ 2,018,773
Cash and Investment Assets - Ending					
Cash and investments	\$ 170,578	\$ -	\$ 365,786	\$ 699,000	\$ 1,235,364
Restricted assets:					
Cash and investments	-	642,024	-	141,385	783,409
Total cash and investment assets - ending	\$ 170,578	\$ 642,024	\$ 365,786	\$ 840,385	\$ 2,018,773
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ 642,024	\$ -	\$ 141,385	\$ 783,409
Unrestricted	170,578	-	365,786	699,000	1,235,364
Total cash and investment fund balance - ending	\$ 170,578	\$ 642,024	\$ 365,786	\$ 840,385	\$ 2,018,773

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, 2010

	General	Debt Service	Capital Projects	Other	Totals
Receipts:					
Local sources	\$ 114,075	\$ 2,549,695	\$ 1,682,737	\$ 2,171,489	\$ 6,517,996
Intermediate sources	12,033	-	-	225	12,258
State sources	9,156,358	-	-	168,288	9,324,646
Federal sources	52,964	-	-	1,014,871	1,067,835
Temporary loans	500,000	-	300,000	300,000	1,100,000
Other	6,197	-	773	1,597	8,567
Total receipts	9,841,627	2,549,695	1,983,510	3,656,470	18,031,302
Disbursements:					
Current:					
Instruction	5,730,967	-	-	657,451	6,388,418
Support services	2,999,593	-	743,693	938,181	4,681,467
Noninstructional services	183,495	-	-	1,089,060	1,272,555
Facilities acquisition and construction	5,760	-	550,371	-	556,131
Debt services	-	2,177,810	500,000	671,008	3,348,818
Nonprogrammed charges	669,628	-	-	41,670	711,298
Total disbursements	9,589,443	2,177,810	1,794,064	3,397,370	16,958,687
Excess (deficiency) of receipts over disbursements	252,184	371,885	189,446	259,100	1,072,615
Other financing sources (uses):					
Transfers in	60,163	-	-	1,245	61,408
Transfers out	-	-	-	(61,408)	(61,408)
Total other financing sources (uses)	60,163	-	-	(60,163)	-
Excess of receipts and other financing sources over disbursements and other financing uses	312,347	371,885	189,446	198,937	1,072,615
Cash and investments - beginning	170,578	642,024	365,786	840,385	2,018,773
Cash and investments - ending	<u>\$ 482,925</u>	<u>\$ 1,013,909</u>	<u>\$ 555,232</u>	<u>\$ 1,039,322</u>	<u>\$ 3,091,388</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 482,925	\$ -	\$ 555,232	\$ 914,051	\$ 1,952,208
Restricted assets:					
Cash and investments	-	1,013,909	-	125,271	1,139,180
Total cash and investment assets - ending	<u>\$ 482,925</u>	<u>\$ 1,013,909</u>	<u>\$ 555,232</u>	<u>\$ 1,039,322</u>	<u>\$ 3,091,388</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Debt service	\$ -	\$ 1,013,909	\$ -	\$ 125,271	\$ 1,139,180
Unrestricted	482,925	-	555,232	914,051	1,952,208
Total cash and investment fund balance - ending	<u>\$ 482,925</u>	<u>\$ 1,013,909</u>	<u>\$ 555,232</u>	<u>\$ 1,039,322</u>	<u>\$ 3,091,388</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, 2009

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 19,413
Deductions:		
Administrative and general	-	17,008
Excess of total additions over total deductions	-	2,405
Cash and investment fund balance - beginning	<u>1,341</u>	<u>14,800</u>
Cash and investment fund balance - ending	<u>\$ 1,341</u>	<u>\$ 17,205</u>
Net assets:		
Cash and investments	<u>\$ 1,341</u>	<u>\$ 17,205</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,341</u>	<u>\$ 17,205</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, 2010

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Additions:		
Contributions:		
Other	\$ -	\$ 13,927
Deductions:		
Administrative and general	-	17,544
Deficiency of total additions over total deductions	-	(3,617)
Cash and investment fund balance - beginning	<u>1,341</u>	<u>17,205</u>
Cash and investment fund balance - ending	<u>\$ 1,341</u>	<u>\$ 13,588</u>
Net assets:		
Cash and investments	<u>\$ 1,341</u>	<u>\$ 13,588</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,341</u>	<u>\$ 13,588</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.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Manchester Community Schools

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 in a joint venture to operate Wabash-Miami Area Program 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 annually to supplement the Wabash-Miami Area Program. Complete financial statements for the Wabash-Miami Area Program 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 in a joint venture to operate 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 annually to supplement the Heartland Career Center. 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 other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation does not have any business type activities.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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 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 of buildings; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

Additionally, the School Corporation reports the following fund types:

The pension trust fund accounts for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the school cooperation in a trustee capacity.

The private-purpose trust funds report 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. Receipts are recorded when received and disbursements are recorded when paid.

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.

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.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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. 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 may 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.

4. 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.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability 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)

6. 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."

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 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 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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity, if any, is 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 loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

MANCHESTER COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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 January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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 Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Title I 2008-2009	\$ 14,175	\$ -
Title I 2009-2010	-	15,099
Title II, Part A 2009-2010	-	2,468

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. IC 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 School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2010, the School Corporation had deposit balances in the amount of \$3,106,317.

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

IC 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 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. The School Corporation does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School Corporation does not have a formal investment policy for credit risk for investments.

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, 2009 and 2010, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>	<u>2010</u>
Other Governmental Funds	General Fund	\$ 764	\$ 60,163
	Other Governmental Funds	<u>1,804</u>	<u>1,245</u>
Totals		<u>\$ 2,568</u>	<u>\$ 61,408</u>

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

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 risks covered by commercial insurance 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 a capital lease with Manchester Community Elementary School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2009 and 2010, totaled \$715,000 and \$715,000, respectively.

The School Corporation has entered into a capital lease with Manchester High School Building Corporation (the lessor). The lessor was organized as a for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the years ended June 30, 2009 and 2010, totaled \$502,765 and \$505,790, respectively.

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the School Corporation during the period were \$287,626.

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.

MANCHESTER COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

The School Corporation's contributions to the plan during the period were \$322,060.

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)
07-01-07	\$ 2,192,218	\$ 2,452,482	\$ (260,264)	89%	\$ 1,805,865	(14%)
07-01-08	2,368,177	2,580,590	(212,413)	92%	1,850,744	(11%)
07-01-09	2,482,889	2,939,191	(456,302)	84%	2,096,251	(22%)

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, 2009

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plates	Alternative Education	Safe Haven
Receipts:							
Local sources	\$ 579,109	\$ 6,655	\$ 715,835	\$ 56,849	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	656	-	-
State sources	-	58,874	8,226	49,562	-	-	1,000
Federal sources	-	-	328,106	-	-	-	-
Temporary loans	250,000	-	-	-	-	-	-
Other	182	-	471	520	-	-	-
Total receipts	829,291	65,529	1,052,638	106,931	656	-	1,000
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	636,313	-	-	168,618	-	-	1,000
Noninstructional services	-	-	1,062,427	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	125,000	-	-	-	-	-	-
Nonprogrammed charges	-	72,239	-	-	-	-	-
Total disbursements	761,313	72,239	1,062,427	168,618	-	-	1,000
Excess (deficiency) of receipts over disbursements	67,978	(6,710)	(9,789)	(61,687)	656	-	-
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	67,978	(6,710)	(9,789)	(61,687)	656	-	-
Cash and investments - beginning	118,356	81,043	185,930	73,467	8,419	2,222	-
Cash and investments - ending	\$ 186,334	\$ 74,333	\$ 176,141	\$ 11,780	\$ 9,075	\$ 2,222	\$ -
Cash and Investment Assets - Ending							
Cash and investments	\$ 186,334	\$ 74,333	\$ 176,141	\$ 11,780	\$ 9,075	\$ 2,222	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 186,334	\$ 74,333	\$ 176,141	\$ 11,780	\$ 9,075	\$ 2,222	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	186,334	74,333	176,141	11,780	9,075	2,222	-
Total cash and investment fund balance - ending	\$ 186,334	\$ 74,333	\$ 176,141	\$ 11,780	\$ 9,075	\$ 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, 2009

	Early Intervention Grant	Gifted & Talented 2007-2008	Gifted & Talented 2008-09	Non-English Speaking Program	School Technology	Technology Grants	Title I 2007-2008
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	1,000	-	31,968	3,728	22,172	73,838	-
Federal sources	-	-	-	-	-	-	14,000
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	1,000	-	31,968	3,728	22,172	73,838	14,000
Disbursements:							
Current:							
Instruction	-	20,721	31,962	-	-	-	-
Support services	-	1,250	-	-	17,244	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	73,838	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	-	21,971	31,962	-	17,244	73,838	-
Excess (deficiency) of receipts over disbursements	1,000	(21,971)	6	3,728	4,928	-	14,000
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(1,804)
Total other financing sources (uses)	-	-	-	-	-	-	(1,804)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,000	(21,971)	6	3,728	4,928	-	12,196
Cash and investments - beginning	-	21,971	-	1,841	36,469	-	(12,196)
Cash and investments - ending	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 5,569</u>	<u>\$ 41,397</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,000	\$ -	\$ 6	\$ 5,569	\$ 41,397	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 5,569</u>	<u>\$ 41,397</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,000	-	6	5,569	41,397	-	-
Total cash and investment fund balance - ending	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 5,569</u>	<u>\$ 41,397</u>	<u>\$ -</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, 2009

	Title I 2008-2009	Title V 2007-2008	Title IV, Safe & Drug-Free 2007-2008	Title IV, Safe & Drug-Free 2006-2007	Title IV, Safe & Drug-Free 2008-2009	DOE Drug Education
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	159,230	3,346	4,959	-	3,802	-
Temporary loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>159,230</u>	<u>3,346</u>	<u>4,959</u>	<u>-</u>	<u>3,802</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	171,789	-	-	-	-	-
Support services	2,656	-	4,959	3,148	28	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	<u>174,445</u>	<u>-</u>	<u>4,959</u>	<u>3,148</u>	<u>28</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(15,215)</u>	<u>3,346</u>	<u>-</u>	<u>(3,148)</u>	<u>3,774</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	1,804	-	-	-	-	-
Transfers out	(764)	-	-	-	-	-
Total other financing sources (uses)	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(14,175)</u>	<u>3,346</u>	<u>-</u>	<u>(3,148)</u>	<u>3,774</u>	<u>-</u>
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,148</u>	<u>-</u>	<u>102</u>
Cash and investments - ending	<u>\$ (14,175)</u>	<u>\$ 3,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,774</u>	<u>\$ 102</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ (14,175)	\$ 3,346	\$ -	\$ -	\$ 3,774	\$ 102
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (14,175)</u>	<u>\$ 3,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,774</u>	<u>\$ 102</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(14,175)	3,346	-	-	3,774	102
Total cash and investment fund balance - ending	<u>\$ (14,175)</u>	<u>\$ 3,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,774</u>	<u>\$ 102</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, 2009

	Title II, Part A 2007-2008	Title II, Part A Improving Teacher Quality	Fiscal Stabilization Grant	Retirement Severance	School Bus Replacement	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 224,511	\$ 225,570	\$ 1,808,529
Intermediate sources	-	-	-	-	-	656
State sources	-	-	-	-	-	250,368
Federal sources	45,600	28,812	779,643	-	-	1,367,498
Temporary loans	-	-	-	100,000	100,000	450,000
Other	-	-	-	-	-	1,173
Total receipts	45,600	28,812	779,643	324,511	325,570	3,878,224
Disbursements:						
Current:						
Instruction	54,529	11,522	471,199	-	-	761,722
Support services	-	-	155,411	-	158,528	1,149,155
Noninstructional services	-	-	24,259	-	-	1,086,686
Facilities acquisition and construction	-	-	-	-	-	73,838
Debt services	-	-	-	182,441	-	307,441
Nonprogrammed charges	-	-	128,774	-	-	201,013
Total disbursements	54,529	11,522	779,643	182,441	158,528	3,579,855
Excess (deficiency) of receipts over disbursements	(8,929)	17,290	-	142,070	167,042	298,369
Other financing sources (uses):						
Transfers in	-	-	-	-	-	1,804
Transfers out	-	-	-	-	-	(2,568)
Total other financing sources (uses)	-	-	-	-	-	(764)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,929)	17,290	-	142,070	167,042	297,605
Cash and investments - beginning	8,929	-	-	(685)	13,764	542,780
Cash and investments - ending	\$ -	\$ 17,290	\$ -	\$ 141,385	\$ 180,806	\$ 840,385
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 17,290	\$ -	\$ -	\$ 180,806	\$ 699,000
Restricted assets:						
Cash and investments	-	-	-	141,385	-	141,385
Total cash and investment assets - ending	\$ -	\$ 17,290	\$ -	\$ 141,385	\$ 180,806	\$ 840,385
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 141,385	\$ -	\$ 141,385
Unrestricted	-	17,290	-	-	180,806	699,000
Total cash and investment fund balance - ending	\$ -	\$ 17,290	\$ -	\$ 141,385	\$ 180,806	\$ 840,385

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, 2010

	Transportation Operating	Special Education Preschool	School Lunch	Textbook Rental	Educational License Plates	Alternative Education	Early Intervention Grant
Receipts:							
Local sources	\$ 794,751	\$ -	\$ 692,923	\$ 58,123	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	225	-	-
State sources	-	27,500	8,032	46,067	-	-	-
Federal sources	-	-	382,653	-	-	-	-
Temporary loans	200,000	-	-	-	-	-	-
Other	138	-	1,459	-	-	-	-
Total receipts	994,889	27,500	1,085,067	104,190	225	-	-
Disbursements:							
Current:							
Instruction	-	-	-	-	-	-	1,000
Support services	641,134	-	-	92,778	-	-	-
Noninstructional services	-	-	1,088,537	-	-	-	-
Debt services	250,000	-	-	-	-	-	-
Nonprogrammed charges	-	41,670	-	-	-	-	-
Total disbursements	891,134	41,670	1,088,537	92,778	-	-	1,000
Excess (deficiency) of receipts over disbursements	103,755	(14,170)	(3,470)	11,412	225	-	(1,000)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(60,163)	-	-	-	-	-
Total other financing sources (uses)	-	(60,163)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	103,755	(74,333)	(3,470)	11,412	225	-	(1,000)
Cash and investments - beginning	186,334	74,333	176,141	11,780	9,075	2,222	1,000
Cash and investments - ending	\$ 290,089	\$ -	\$ 172,671	\$ 23,192	\$ 9,300	\$ 2,222	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 290,089	\$ -	\$ 172,671	\$ 23,192	\$ 9,300	\$ 2,222	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 290,089	\$ -	\$ 172,671	\$ 23,192	\$ 9,300	\$ 2,222	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	290,089	-	172,671	23,192	9,300	2,222	-
Total cash and investment fund balance - ending	\$ 290,089	\$ -	\$ 172,671	\$ 23,192	\$ 9,300	\$ 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, 2010
 (Continued)

	Gifted & Talented 2008-09	Gifted & Talented 2009-2010	Non-English Speaking Program	Non-English Speaking Program 2009-2010	School Technology	Excess Property Tax Replacement Credit Distribution	Title I 2008-2009
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	31,654	1,550	3,526	24,385	25,574	-
Federal sources	-	-	-	-	-	-	17,000
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	31,654	1,550	3,526	24,385	25,574	17,000
Disbursements:							
Current:							
Instruction	6	28,438	7,119	-	-	-	80
Support services	-	-	-	-	33,273	-	1,500
Noninstructional services	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	6	28,438	7,119	-	33,273	-	1,580
Excess (deficiency) of receipts over disbursements	(6)	3,216	(5,569)	3,526	(8,888)	25,574	15,420
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(1,245)
Total other financing sources (uses)	-	-	-	-	-	-	(1,245)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6)	3,216	(5,569)	3,526	(8,888)	25,574	14,175
Cash and investments - beginning	6	-	5,569	-	41,397	-	(14,175)
Cash and investments - ending	\$ -	\$ 3,216	\$ -	\$ 3,526	\$ 32,509	\$ 25,574	\$ -
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 3,216	\$ -	\$ 3,526	\$ 32,509	\$ 25,574	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ -	\$ 3,216	\$ -	\$ 3,526	\$ 32,509	\$ 25,574	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	3,216	-	3,526	32,509	25,574	-
Total cash and investment fund balance - ending	\$ -	\$ 3,216	\$ -	\$ 3,526	\$ 32,509	\$ 25,574	\$ -

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, 2010
 (Continued)

	Title I 2009-2010	Title V 2007-2008	Title IV, Safe & Drug-Free 2008-2009	Title IV, Safe & Drug-Free 2009-2010	Property Tax Replacement Credit Holding	DOE Drug Education	Title II, Part A Improving Teacher Quality
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 98,145	\$ -	\$ -
Intermediate sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	158,594	-	-	4,712	-	-	28,812
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	158,594	-	-	4,712	98,145	-	28,812
Disbursements:							
Current:							
Instruction	171,379	3,346	-	-	-	102	46,102
Support services	3,036	-	3,774	142	-	-	-
Noninstructional services	523	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	174,938	3,346	3,774	142	-	102	46,102
Excess (deficiency) of receipts over disbursements	(16,344)	(3,346)	(3,774)	4,570	98,145	(102)	(17,290)
Other financing sources (uses):							
Transfers in	1,245	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	1,245	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,099)	(3,346)	(3,774)	4,570	98,145	(102)	(17,290)
Cash and investments - beginning	-	3,346	3,774	-	-	102	17,290
Cash and investments - ending	<u>\$ (15,099)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,570</u>	<u>\$ 98,145</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ (15,099)	\$ -	\$ -	\$ 4,570	\$ 98,145	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ (15,099)	\$ -	\$ -	\$ 4,570	\$ 98,145	\$ -	\$ -
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(15,099)	-	-	4,570	98,145	-	-
Total cash and investment fund balance - ending	\$ (15,099)	\$ -	\$ -	\$ 4,570	\$ 98,145	\$ -	\$ -

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, 2010
 (Continued)

	Title II, Part A 2009-2010	Fiscal Stabilization Grant	Title I - Grants to LEA's Stimulus	Special Education - Part B Stimulus	Retirement Severance	School Bus Replacement	Totals
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ 304,894	\$ 222,653	\$ 2,171,489
Intermediate sources	-	-	-	-	-	-	225
State sources	-	-	-	-	-	-	168,288
Federal sources	19,301	300,918	52,268	50,613	-	-	1,014,871
Temporary loans	-	-	-	-	-	100,000	300,000
Other	-	-	-	-	-	-	1,597
Total receipts	19,301	300,918	52,268	50,613	304,894	322,653	3,656,470
Disbursements:							
Current:							
Instruction	21,769	300,918	39,937	37,255	-	-	657,451
Support services	-	-	3,463	-	-	159,081	938,181
Noninstructional services	-	-	-	-	-	-	1,089,060
Debt services	-	-	-	-	321,008	100,000	671,008
Nonprogrammed charges	-	-	-	-	-	-	41,670
Total disbursements	21,769	300,918	43,400	37,255	321,008	259,081	3,397,370
Excess (deficiency) of receipts over disbursements	(2,468)	-	8,868	13,358	(16,114)	63,572	259,100
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,245
Transfers out	-	-	-	-	-	-	(61,408)
Total other financing sources (uses)	-	-	-	-	-	-	(60,163)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,468)	-	8,868	13,358	(16,114)	63,572	198,937
Cash and investments - beginning	-	-	-	-	141,385	180,806	840,385
Cash and investments - ending	<u>\$ (2,468)</u>	<u>\$ -</u>	<u>\$ 8,868</u>	<u>\$ 13,358</u>	<u>\$ 125,271</u>	<u>\$ 244,378</u>	<u>\$ 1,039,322</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ (2,468)	\$ -	\$ 8,868	\$ 13,358	\$ -	\$ 244,378	\$ 914,051
Restricted assets:							
Cash and investments	-	-	-	-	125,271	-	125,271
Total cash and investment assets - ending	<u>\$ (2,468)</u>	<u>\$ -</u>	<u>\$ 8,868</u>	<u>\$ 13,358</u>	<u>\$ 125,271</u>	<u>\$ 244,378</u>	<u>\$ 1,039,322</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 125,271	\$ -	\$ 125,271
Unrestricted	(2,468)	-	8,868	13,358	-	244,378	914,051
Total cash and investment fund balance - ending	<u>\$ (2,468)</u>	<u>\$ -</u>	<u>\$ 8,868</u>	<u>\$ 13,358</u>	<u>\$ 125,271</u>	<u>\$ 244,378</u>	<u>\$ 1,039,322</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, 2009

	<u>Pepsi Donations</u>	<u>Auction 2006</u>	<u>Ford Meter Box Donations</u>	<u>Latch Key Donations</u>	<u>Tri-Kappa Children</u>	<u>Manchester Elementary School Playground Equipment</u>
Additions:						
Contributions:						
Other	\$ 275	\$ -	\$ 12,000	\$ -	\$ 300	\$ 5,420
Deductions:						
Administrative and general	<u>373</u>	<u>-</u>	<u>16,423</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of total additions over total deductions	(98)	-	(4,423)	-	300	5,420
Cash and investment fund balance - beginning	<u>211</u>	<u>2,596</u>	<u>7,363</u>	<u>430</u>	<u>22</u>	<u>-</u>
Cash and investments - ending	<u>\$ 113</u>	<u>\$ 2,596</u>	<u>\$ 2,940</u>	<u>\$ 430</u>	<u>\$ 322</u>	<u>\$ 5,420</u>
Net assets:						
Cash and investments	<u>\$ 113</u>	<u>\$ 2,596</u>	<u>\$ 2,940</u>	<u>\$ 430</u>	<u>\$ 322</u>	<u>\$ 5,420</u>
Total net assets - cash and investment basis held in trust	<u>\$ 113</u>	<u>\$ 2,596</u>	<u>\$ 2,940</u>	<u>\$ 430</u>	<u>\$ 322</u>	<u>\$ 5,420</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, 2009

	Manchester Intermediate School Financial Needs	Lion's Club Endowment	Above & Beyond	Community Alliance to Promote Education-MHS	Totals
Additions:					
Contributions:					
Other	\$ 1,418	\$ -	\$ -	\$ -	\$ 19,413
Deductions:					
Administrative and general	165	-	-	47	17,008
Excess (deficiency) of total additions over total deductions	1,253	-	-	(47)	2,405
Cash and investment fund balance - beginning	-	1,652	994	1,532	14,800
Cash and investments - ending	<u>\$ 1,253</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,485</u>	<u>\$ 17,205</u>
Net assets:					
Cash and investments	<u>\$ 1,253</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,485</u>	<u>\$ 17,205</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,253</u>	<u>\$ 1,652</u>	<u>\$ 994</u>	<u>\$ 1,485</u>	<u>\$ 17,205</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, 2010

	<u>Pepsi Donations</u>	<u>Auction 2006</u>	<u>Ford Meter Box Donations</u>	<u>Latch Key Donations</u>	<u>Tri-Kappa Children</u>	<u>Manchester Elementary School Playground Equipment</u>
Additions:						
Contributions:						
Other	\$ 277	\$ -	\$ 12,000	\$ -	\$ 300	\$ -
Deductions:						
Administrative and general	377	-	14,253	-	328	-
Excess (deficiency) of total additions over total deductions	(100)	-	(2,253)	-	(28)	-
Cash and investment fund balance - beginning	113	2,596	2,940	430	322	5,420
Cash and investments - ending	<u>\$ 13</u>	<u>\$ 2,596</u>	<u>\$ 687</u>	<u>\$ 430</u>	<u>\$ 294</u>	<u>\$ 5,420</u>
Net assets:						
Cash and investments	<u>\$ 13</u>	<u>\$ 2,596</u>	<u>\$ 687</u>	<u>\$ 430</u>	<u>\$ 294</u>	<u>\$ 5,420</u>
Total net assets - cash and investment basis held in trust	<u>\$ 13</u>	<u>\$ 2,596</u>	<u>\$ 687</u>	<u>\$ 430</u>	<u>\$ 294</u>	<u>\$ 5,420</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, 2010
 (Continued)

	Manchester Intermediate School Financial Needs	Community Foundation Inclusion	Lion's Club Endowment	Above & Beyond	Community Alliance to Promote Education-MHS	Totals
Additions:						
Contributions:						
Other	\$ -	\$ 1,350	\$ -	\$ -	\$ -	\$ 13,927
Deductions:						
Administrative and general	179	755	1,652	-	-	17,544
Excess (deficiency) of total additions over total deductions	(179)	595	(1,652)	-	-	(3,617)
Cash and investment fund balance - beginning	1,253	-	1,652	994	1,485	17,205
Cash and investments - ending	<u>\$ 1,074</u>	<u>\$ 595</u>	<u>\$ -</u>	<u>\$ 994</u>	<u>\$ 1,485</u>	<u>\$ 13,588</u>
Net assets:						
Cash and investments	\$ 1,074	\$ 595	\$ -	\$ 994	\$ 1,485	\$ 13,588
Total net assets - cash and investment basis held in trust	<u>\$ 1,074</u>	<u>\$ 595</u>	<u>\$ -</u>	<u>\$ 994</u>	<u>\$ 1,485</u>	<u>\$ 13,588</u>

MANCHESTER COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 June 30, 2010

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	1,094,902
Machinery and equipment	<u>5,022,395</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 26,195,825</u>

MANCHESTER COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2010

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	\$ 1,345,000	\$ 357,500
High School Building Corporation	2,220,000	507,702
Loans payable:		
Common School Fund Loan A0272	75,000	78,375
Common School Fund Loan A0415	4,402,500	535,564
Energy Savings Loan	460,143	95,240
Bonds payable:		
General obligation bonds:		
2004 Pension Bonds	<u>1,685,000</u>	<u>220,372</u>
Total governmental activities debt	<u>\$ 10,187,643</u>	<u>\$ 1,794,753</u>

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

CERTIFIED REPORT NOT FILED

A Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) was not filed with the State Board of Accounts for the years 2008, 2009, or 2010.

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

PUBLIC WORKS PROJECT

Manchester Community Schools contracted for the reconstruction of an athletic track. The total amount paid was \$266,034. There were no sealed bids requested or received. Quotes were solicited for portions of the project.

IC 36-1-12-4(a) states:

"This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

IC 36-1-12-4(b) states in part:

"The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed . . ."

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 current noncertified employees could not be traced to School Board approval. A similar comment appeared in prior Report B34278.

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)

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION (Applies to Manchester Elementary School)

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS (Applies to Manchester High School)

Bank reconcilements presented for audit were incorrect. A Total Monies on Deposit money market account was erroneously considered by the Extra-Curricular Treasurer to be unrecorded funds of the High School. A portion of the money market account was spent.

Receipt and disbursement transactions of the money market account were not posted to the records. Receipt transactions included the closing of a savings account into the money market account. As a result of these transactions not being posted, the record balance at June 30, 2010, exceeded the bank balance by \$17,364. As of December 31, 2010, the record balance exceeded the bank balance by \$22,123.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ECA PURCHASE OF EQUIPMENT (Applies to Manchester High School)

Auditorium equipment in the amount of \$12,532 was purchased from the Total Monies on Deposit money market account discussed in the "Condition of Records" comment. The purchase of \$12,532 equipment was not approved by the School Board.

IC 20-26-5-4 states in part: "In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the . . . specific powers . . . to acquire personal property or an interest in personal property as the governing body considers necessary for

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

school purposes . . ." Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

FUNDRAISERS - Applies to Manchester High School

Various fundraisers were held throughout the audit period. There are no procedures in place to monitor items purchased and funds collected for each fundraiser.

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PERSONAL EXPENSES - Applies to Manchester High School

Shirts for Manchester Community Schools' employees in the amount of \$3,754 were purchased from the Total Monies on Deposit money market account discussed in the "Condition of Records" comment.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (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
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
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 each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are 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 each of its major federal programs 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 each of its major federal programs for the years ended June 30, 2009 and 2010.

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

February 7, 2011

MANCHESTER COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

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 06-30-09	Total Federal Awards Expended 06-30-10
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2009 FY 2010	\$ 55,757 -	\$ - 61,361
Total for program			<u>55,757</u>	<u>61,361</u>
National School Lunch Program				
	10.555	FY 2009 FY 2010	307,488 -	- 397,417
Total for program			<u>307,488</u>	<u>397,417</u>
Total for federal grantor agency			<u>363,245</u>	<u>458,778</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	09-8045 10-8045	175,209 -	1,580 174,938
Total for program			<u>175,209</u>	<u>176,518</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act				
	84.389	FY 2010	-	43,400
Total for cluster			<u>175,209</u>	<u>219,918</u>
Pass-Through Metropolitan School District of Wabash County				
Special Education Cluster				
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-58-SN01	-	37,256
Pass-Through Indiana Department of Education				
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 2010	779,643	300,918
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	06-8045 07-8045 08-8045 09-8045	3,148 4,959 28 -	- - 3,774 142
			<u>8,135</u>	<u>3,916</u>
State Grants for Innovative Programs	84.298	07-8045	-	3,346
Improving Teacher Quality State Grants				
	84.367	07-8045 08-8045 09-8045	54,530 11,522 -	- 46,102 21,769
Total for program			<u>66,052</u>	<u>67,871</u>
Total for federal grantor agency			<u>1,029,039</u>	<u>633,225</u>
Total federal awards expended			<u>\$ 1,392,284</u>	<u>\$ 1,092,003</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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, 2009 and 2010. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
Child Nutrition Cluster:			
Food Commodities:			
National School Lunch Program	10.555	\$ 38,139	\$ 76,126

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

Title I, Part A Cluster
State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? yes

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 February 7, 2011, with Dr. William C. Reichhart, Interim Superintendent of Schools; Kendra J. Miller, Treasurer; Steve Shumaker, Business Manager; and Phil Enyeart, School Board member.