

**MANHEIM TOWNSHIP  
SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2014**

# CONTENTS

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## FINANCIAL SECTION

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Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20 - 21
Statement of Net Position - Proprietary Fund - Food Service	22
Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund - Food Service	23
Statement of Cash Flows - Proprietary Fund - Food Service	24 - 25
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position - Private-Purpose Trust Fund	27
Notes to Financial Statements	28 - 55

## CONTENTS (Continued)

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### REQUIRED SUPPLEMENTARY INFORMATION

---

Post-Employment Benefits Plan	56
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### SUPPLEMENTARY INFORMATION

---

Combining Balance Sheet - Capital Projects Funds	57
--	----

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds	58
--	----

Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund	59 - 60
--	---------

Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund	61 - 66
---	---------

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67 - 68
---	---------

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance as Required by OMB Circular A-133	69 - 70
---	---------

Schedule of Findings and Questioned Costs	71 - 72
---	---------

Schedule of Expenditures of Federal Awards	73 - 76
--	---------

Notes to Schedule of Expenditures of Federal Awards	77
---	----

Summary Schedule of Prior Year's Audit Findings	78
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## **INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Manheim Township School District  
Lancaster, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manheim Township School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manheim Township School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manheim Township School District's basic financial statements. The Combining Balance Sheet - Capital Projects Funds, Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds, Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund, and Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund, as listed in the table of contents as Supplementary Information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of the Manheim Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manheim Township School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
November 17, 2014

**MANHEIM TOWNSHIP SCHOOL DISTRICT  
LANCASTER COUNTY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2014**

The discussion and analysis of the Manheim Township School District (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Financial highlights for the year ended June 30, 2014, are as follows:

With earned income tax, current real estate and real estate transfer tax collections exceeding amounts budgeted by \$1.7 million, various expenditures under budget, and a fund transfer to the Capital Reserve Fund to cover future unanticipated and proposed capital projects, the District ended the fiscal year with an increase in the general fund balances of \$2.7 million. Some of the variances in budgeted revenues were as follows:

- ❖ Current Earned Income Tax collections exceeded budget approximately \$1,300,000
- ❖ Current Real Estate Taxes exceeded budget approximately \$250,000
- ❖ Real Estate Transfer Taxes exceeded budget approximately \$129,000

Various expenditure categories were under budget while other areas exceeded budgeted amounts. With budgeted positions not filled or replaced during the fiscal year, salaries and corresponding benefits were under budget for the fiscal year. Other areas under budget included transportation services, contracted special education services, and utilities. Expenditures in other categories over original budgets included plant services snow removal, debt services with a self-directed advance refunding, and contracted substitute and temporary purchased services.

More detail related to line item revenue and expenditure variances can be found in the Schedule of Revenues and Other Financing Sources - Budget and Actual and Schedule of Expenditures and Other Financing Uses - Budget and Actual in the Supplementary Information to the Financial Statements.

The food service program, operated as a business-type activity, reflected a decrease in net position of \$36,716 for the year ended June 30, 2014

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, notes to financial statements and supplementary information. These statements are organized so the reader can understand the District as a financial whole and to provide a detailed look at specific financial activities.

The Statement of Net Position and the Statement of Activities provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The governmental-fund statements indicate how general District services were financed in the short-term as well as what remains for future spending.

Proprietary-fund statements offer short and long-term financial information about the activities that the District operates like a business, such as food services. Fiduciary-fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain information contained within, as well as provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the District's budget to actual results for the year.

Figure A-1 shows how the various parts of the Financial Section are arranged and relate to one another:

Figure A-1  
Components of  
Manheim Township School District's  
Financial Report

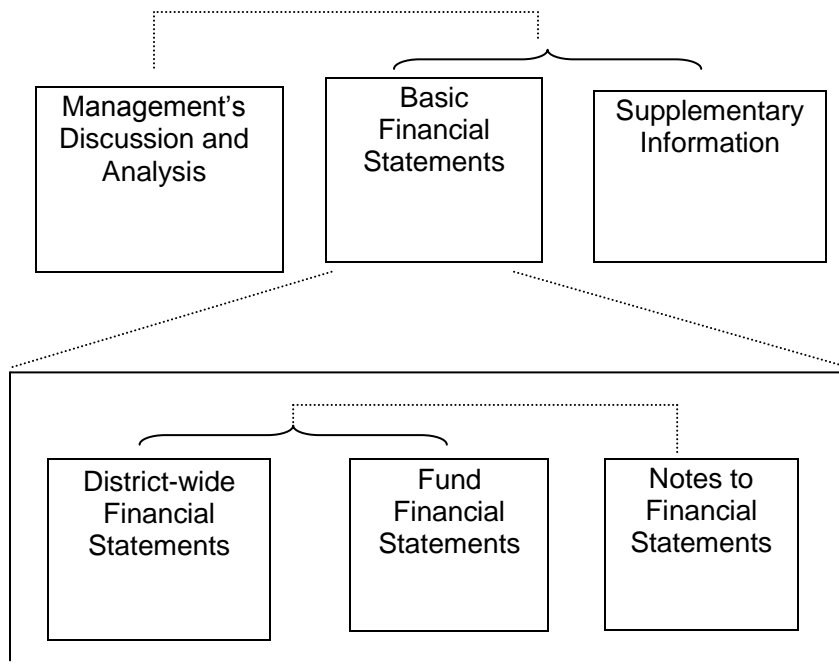




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2  
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities funds
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## OVERVIEW OF THE FINANCIAL STATEMENTS

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows and inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position, the difference between the District's assets, deferred outflows of resources and liabilities, is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indication of whether its financial position is improving or deteriorating. To assess the District's overall health, consideration needs to be given to additional non-financial factors, such as changes in the District's property tax base, the performance of the students and the condition or need for improvements or expansion to existing school facilities.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and Federal subsidies and grants finance most of these activities.
- Business-type activities - The District operates a food-service operation and charges fees to staff, students and visitors to help it cover the costs of the food-service operation.

### *Fund Financial Statements*

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on expendable financial resources and related liabilities and changes therein, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the services it provides. Governmental-fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the focus is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides, these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements.

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship and agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was \$64,911,070 at June 30, 2014, and \$58,037,463 at June 30, 2013.

Table A-1  
Statements of Net Position  
June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 32,914,394	\$ 28,702,686	\$ 1,609,676	\$ 1,619,162	\$ 34,524,070	\$ 30,321,848
Noncurrent assets						
Capital assets	167,800,179	171,860,144	1,023,343	1,074,221	168,823,522	172,934,365
<b>Total assets</b>	<b>\$ 200,714,573</b>	<b>\$ 200,562,830</b>	<b>\$ 2,633,019</b>	<b>\$ 2,693,383</b>	<b>\$ 203,347,592</b>	<b>\$ 203,256,213</b>
Deferred Outflows of Resources	\$ 9,699,184	\$ 10,513,924	\$ -	\$ -	\$ 9,699,184	\$ 10,513,924
Current liabilities	\$ 10,518,038	\$ 9,896,429	\$ 81,643	\$ 105,291	\$ 10,599,681	\$ 10,001,720
Noncurrent liabilities	137,536,025	145,730,954	-	-	137,536,025	145,730,954
<b>Total liabilities</b>	<b>\$ 148,054,063</b>	<b>\$ 155,627,383</b>	<b>\$ 81,643</b>	<b>\$ 105,291</b>	<b>\$ 148,135,706</b>	<b>\$ 155,732,674</b>
Net Position						
Net investment in capital assets	\$ 40,740,966	\$ 37,868,176	\$ 1,023,343	\$ 1,074,221	\$ 41,764,309	\$ 38,942,397
Restricted	7,012,443	6,016,016	-	-	7,012,443	6,016,016
Unrestricted	14,606,285	11,565,179	1,528,033	1,513,871	16,134,318	13,079,050
<b>Total net position</b>	<b>\$ 62,359,694</b>	<b>\$ 55,449,371</b>	<b>\$ 2,551,376</b>	<b>\$ 2,588,092</b>	<b>\$ 64,911,070</b>	<b>\$ 58,037,463</b>

Most of the District's assets are invested in capital assets (land and land improvements, site improvements, building and building improvements, furniture and equipment and construction-in-progress) which are offset by accumulated depreciation and related debt to reflect the amount invested in capital assets under net position. The remaining restricted and unrestricted net position is a combination of designated and undesignated amounts as well as reserves for capital projects. Total net capital assets decreased with the annual depreciation expense exceeding asset additions.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

Table A-2 takes the information from the Statement of Activities and rearranges it slightly, so you can see our total revenues for the year.

Table A-2  
Statements of Changes in Net Position  
Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 640,451	\$ 711,936	\$ 1,316,498	\$ 1,439,618	\$ 1,956,949	\$ 2,151,554
Operating grants and contributions	9,169,417	8,732,736	1,117,522	997,609	10,286,939	9,730,345
Capital grants and contributions	677,305	641,459	-	-	677,305	641,459
General revenues						
Property taxes	55,918,725	53,894,071	-	-	55,918,725	53,894,071
Other taxes	7,693,209	7,824,566	-	-	7,693,209	7,824,566
Grants, subsidies and contributions not restricted	5,831,256	5,591,461	20	317	5,831,276	5,591,778
Other	302,206	117,384	2,853	183,386	305,059	300,770
<b>Total revenues</b>	<b>80,232,569</b>	<b>77,513,613</b>	<b>2,436,893</b>	<b>2,620,930</b>	<b>82,669,462</b>	<b>80,134,543</b>
<b>Expenses</b>						
Instruction	39,139,328	37,783,759	-	-	39,139,328	37,783,759
Instructional student support	6,022,719	5,590,701	-	-	6,022,719	5,590,701
Administrative and financial support	5,613,004	4,931,785	-	-	5,613,004	4,931,785
Operation and maintenance of plant	7,423,794	6,563,210	-	-	7,423,794	6,563,210
Pupil transportation	3,069,076	3,133,643	-	-	3,069,076	3,133,643
Student activities	1,093,822	1,130,502	-	-	1,093,822	1,130,502
Community services	1,138	970	-	-	1,138	970
Interest on long-term debt	5,390,020	5,631,450	-	-	5,390,020	5,631,450
Unallocated depreciation	5,569,345	5,393,262	-	-	5,569,345	5,393,262
Food service	-	-	2,473,609	2,454,146	2,473,609	2,454,146
<b>Total expenses</b>	<b>73,322,246</b>	<b>70,159,282</b>	<b>2,473,609</b>	<b>2,454,146</b>	<b>75,795,855</b>	<b>72,613,428</b>
<b>Changes in net position</b>	<b>6,910,323</b>	<b>7,354,331</b>	<b>(36,716)</b>	<b>166,784</b>	<b>6,873,607</b>	<b>7,521,115</b>
Net position - beginning	55,449,371	49,072,079	2,588,092	2,421,308	58,037,463	51,493,387
Prior period adjustment	-	(977,039)	-	-	-	(977,039)
Net position - beginning as restated	55,449,371	48,095,040	2,588,092	2,421,308	58,037,463	50,516,348
Net position - ending	\$ 62,359,694	\$ 55,449,371	\$ 2,551,376	\$ 2,588,092	\$ 64,911,070	\$ 58,037,463

Table A-3 shows the District's seven largest functions - instruction, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, and community services, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3  
 Statements of Total and Net Cost of Services  
 Governmental Activities  
 Years Ended June 30, 2014 and 2013

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 39,139,328	\$ 37,783,759	\$ 32,451,040	\$ 31,255,402
Instructional student support	6,022,719	5,590,701	5,374,133	4,985,969
Administrative and financial support	5,613,004	4,931,785	5,192,652	4,579,429
Operation and maintenance of plant	7,423,794	6,563,210	6,879,600	6,115,292
Pupil transportation	3,069,076	3,133,643	1,889,761	1,933,838
Student activities	1,093,822	1,130,502	767,676	788,210
Community services	1,138	970	(1,849)	(4,332)
Interest on long-term debt	5,390,020	5,631,450	4,712,715	5,026,081
Unallocated depreciation	5,569,345	5,393,262	5,569,345	5,393,262
<b>Total governmental activities</b>	<b>\$ 73,322,246</b>	<b>\$ 70,159,282</b>	<b>62,835,073</b>	<b>60,073,151</b>
Less: Grants, subsidies and contributions not restricted			5,831,256	5,595,967
<b>Total needs from local taxes and other revenues</b>			<b>\$ 57,003,817</b>	<b>\$ 54,477,184</b>

## THE DISTRICT'S FUNDS

At June 30, 2014, the District's governmental funds reported a combined fund balance of \$21,751,711 which is an increase of \$3,305,467 from the prior year. The primary reasons for this increase are contained in two specific funds:

### General Fund:

The District experienced a \$2.7 million increase in the General Fund's fund balances. This was a result of earned income and real estate transfer tax collections exceeding amounts budgeted as well as expenditures coming in under budget in various areas as described previously under Financial Highlights. Of the \$2.7 million increase, \$1,750,000 was assigned for future PSERS/medical benefits, and the unassigned fund balance increased by approximately \$1 million. The unassigned fund balance at June 30, 2014, increased to 7.5% of total 2013-2014 budgeted expenditures and other financing uses. More detail regarding the fund balances can be found in the notes to the financial statements.

### Capital Projects Fund:

The District's Capital Projects Funds are comprised of construction funds used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities as well as the District's Capital Reserve Fund. Construction fund balances decreased approximately \$500,000. With continued planning for unanticipated and proposed capital projects each year, additional funds were transferred to the Capital Reserve Fund. This fund was established to finance capital projects without the need for additional borrowing. The Capital Reserve Fund's fund balance reflected a net increase of approximately \$1 million. More detail on these funds can be found in the Combining Capital Projects Funds' statements.

### *General Fund Budget*

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again approved at the time the annual audit is accepted, which is after the end of the fiscal year. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budgetary reserve and grant contingencies to specific expenditure areas as unplanned grants/contributions are received.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2014, the District had \$167,800,179 invested in a broad range of capital assets, including land and land improvements, site improvements, building and building improvements, furniture and equipment and construction-in-progress. While there were additional capital assets purchased during the year, there was a net decrease in Capital Assets as the annual depreciation expense exceeded asset additions. The increase in construction-in-progress is a result of site improvements at what is now called Neff II (formerly Neff 6) in preparation for the lease of space to the Lancaster-Lebanon Intermediate Unit No. 13.

Table A-4  
Governmental Activities  
Capital Assets - net of depreciation

More detailed information about capital assets is included in the notes to financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and land improvements	\$ 11,748,569	\$ 11,659,826	\$ -	\$ -	\$ 11,748,569	\$ 11,659,826
Site improvements	11,361,858	12,089,092	-	-	11,361,858	12,089,092
Building and building improvements	139,155,089	142,412,200	-	-	139,155,089	142,412,200
Furniture and equipment	5,103,880	5,535,501	1,023,343	1,074,221	6,127,223	6,609,722
Construction-in-progress	430,783	163,525	-	-	430,783	163,525
Total capital assets	\$ 167,800,179	\$ 171,860,144	\$ 1,023,343	\$ 1,074,221	\$ 168,823,522	\$ 172,934,365

### DEBT ADMINISTRATION

As of July 1, 2013, the District had total outstanding bond principal of \$134,300,000. During the year, the District issued General Obligation Bonds, Series of 2014, in the amount of \$10,000,000 which were used to advance refund a portion of the General Obligation Bonds, Series of 2009. The District paid the principal balance remaining in the Series of 2009, in addition to scheduled principal payments, for a total of \$7,630,000 resulting in outstanding debt as of June 30, 2014, of \$127,050,000.

Table A-5  
Outstanding Debt

	2013	2014
General Obligation Bonds/Notes:		
General Obligation Bonds, Series of 2008	\$7,800,000	\$6,640,000
General Obligation Bonds, Series of 2009	9,890,000	-
General Obligation Bonds, Series A of 2009	9,410,000	6,365,000
General Obligation Bonds, Series B of 2009	5,135,000	4,470,000
General Obligation Bonds, Series of 2010	29,855,000	29,700,000
General Obligation Notes, Series of 2011	58,630,000	57,165,000
General Obligation Bonds, Series of 2012	7,800,000	7,600,000
General Obligation Bonds, Series of 2013	5,780,000	5,115,000
General Obligation Bonds, Series of 2014	-	9,995,000

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2014-15 budgeted revenue is approximately \$2.4 million more than the 2013-14 budgeted revenue. The District passed a resolution limiting the millage tax increase for 2014-15 to the Act 1 index of 2.1%. This tax increase along with additional taxable assessments resulted in an increase in budgeted real estate taxes of \$1.5 million. The remaining increase in budgeted revenue is a result of an increase in budgeted earned income tax collections of \$800,000. The 2014-15 budgeted expenditures and other financing uses is approximately \$4.5 million more than the 2013-14 budgeted expenditures and other financing uses. While there were increases and decreases in various categories, this increase is mainly a result of an increase in budgeted salaries of \$1.5 million and an increase in retirement contributions of \$1.8 million due to the increase in the PSERS contribution rate from 16.93% to 21.40%. The comparisons of revenue and expenditure categories follow:

Table A-6  
BUDGETED REVENUES

	2013-2014 (actual)	2015-2015
Local	81.93%	80.34%
State	17.36%	18.84%
Federal/Other	.71%	.82%

### BUDGETED EXPENDITURES AND OTHER FINANCING USES

	2013-2014 (actual))	2014-2015
Instruction	50.55%	54.57%
Support Services	28.22%	28.06%
Non-Instruction/Community	1.37%	1.41%
Facilities Acquisition/Fund Transfers/Other	19.86%	15.96%

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board of School Directors' accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Laura Heikkinen, Director of Business Operations at Manheim Township School District, P.O. Box 5134, Lancaster, PA 17606-5134 or at phone number (717) 569-8231.



**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 27,118,884	\$ 1,398,250	\$ 28,517,134
Receivables	4,281,374	168,149	4,449,523
Internal balances	24,196	(24,196)	-
Inventories	-	67,473	67,473
Prepaid expenses	1,489,940	-	1,489,940
Capital assets			
Land, improvements and construction-in-progress	12,179,352	-	12,179,352
Other capital assets, net of depreciation	155,620,827	1,023,343	156,644,170
Total capital assets	<u>167,800,179</u>	<u>1,023,343</u>	<u>168,823,522</u>
<b>Total assets</b>	<u><u>\$ 200,714,573</u></u>	<u><u>\$ 2,633,019</u></u>	<u><u>\$ 203,347,592</u></u>
<b>Deferred Outflows of Resources</b>	<u>\$ 9,699,184</u>	<u>\$ -</u>	<u>\$ 9,699,184</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 10,319,909	\$ 40,017	\$ 10,359,926
Unearned revenues	198,129	41,626	239,755
Long-term liabilities			
Due within one year	7,779,960	-	7,779,960
Due in more than 1 year	129,756,065	-	129,756,065
Total long-term liabilities	<u>137,536,025</u>	<u>-</u>	<u>137,536,025</u>
<b>Total liabilities</b>	<u><u>\$ 148,054,063</u></u>	<u><u>\$ 81,643</u></u>	<u><u>\$ 148,135,706</u></u>
<b>Net Position</b>			
Net investment in capital assets	\$ 40,740,966	\$ 1,023,343	\$ 41,764,309
Restricted	7,012,443	-	7,012,443
Unrestricted	14,606,285	1,528,033	16,134,318
<b>Total net position</b>	<u><u>\$ 62,359,694</u></u>	<u><u>\$ 2,551,376</u></u>	<u><u>\$ 64,911,070</u></u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 39,139,328	\$ 55,161	\$ 6,633,127	\$ -	\$ (32,451,040)	\$ -	\$ (32,451,040)
Instructional student support	6,022,719	9,064	639,522	-	(5,374,133)	-	(5,374,133)
Administration and financial support	5,613,004	32,816	387,536	-	(5,192,652)	-	(5,192,652)
Operation and maintenance of plant	7,423,794	258,535	285,659	-	(6,879,600)	-	(6,879,600)
Pupil transportation	3,069,076	42,327	1,136,988	-	(1,889,761)	-	(1,889,761)
Student activities	1,093,822	242,548	83,598	-	(767,676)	-	(767,676)
Community services	1,138	-	2,987	-	1,849	-	1,849
Interest on long-term debt	5,390,020	-	-	677,305	(4,712,715)	-	(4,712,715)
Unallocated depreciation	5,569,345	-	-	-	(5,569,345)	-	(5,569,345)
<b>Total governmental activities</b>	<b>73,322,246</b>	<b>640,451</b>	<b>9,169,417</b>	<b>677,305</b>	<b>(62,835,073)</b>	<b>-</b>	<b>(62,835,073)</b>
<b>Business-type activities:</b>							
Food Service	2,473,609	1,316,498	1,117,522	-	-	(39,589)	(39,589)
<b>Total primary government</b>	<b>\$ 75,795,855</b>	<b>\$ 1,956,949</b>	<b>\$ 10,286,939</b>	<b>\$ 677,305</b>	<b>(62,835,073)</b>	<b>(39,589)</b>	<b>(62,874,662)</b>
<b>General Revenues:</b>							
Property taxes, levied for general purposes, net					\$ 55,918,725	\$ -	\$ 55,918,725
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					7,693,209	-	7,693,209
Grants, subsidies and contributions not restricted					5,831,256	20	5,831,276
Investment earnings					92,441	2,853	95,294
Gain on disposition of capital ssets					350	-	350
Miscellaneous income					209,415	-	209,415
<b>Total general revenues</b>					<b>69,745,396</b>	<b>2,873</b>	<b>69,748,269</b>
<b>Changes in net position</b>					<b>6,910,323</b>	<b>(36,716)</b>	<b>6,873,607</b>
<b>Net Position - July 1, 2013</b>					<b>55,449,371</b>	<b>2,588,092</b>	<b>58,037,463</b>
<b>Net Position - June 30, 2014</b>					<b>\$ 62,359,694</b>	<b>\$ 2,551,376</b>	<b>\$ 64,911,070</b>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2014**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 21,670,196	\$ 5,448,688	\$ -	\$ 27,118,884
Taxes receivable	594,354	-	-	594,354
Due from other funds	35,049	2,250,000	-	2,285,049
Due from other governments	3,578,022	-	-	3,578,022
Other receivables	98,145	-	-	98,145
Prepaid expenses	95,067	-	-	95,067
<b>Total assets</b>	<b>\$ 26,070,833</b>	<b>\$ 7,698,688</b>	<b>\$ -</b>	<b>\$ 33,769,521</b>
<b>Liabilities</b>				
Due to other funds	\$ 2,250,000	\$ -	\$ -	\$ 2,250,000
Due to other governments	181,319	-	-	181,319
Accounts payable	2,218,969	460,529	-	2,679,498
Accrued salaries and benefits	5,902,162	-	-	5,902,162
Payroll deductions and withholdings	313,484	-	-	313,484
Unearned revenues	198,129	-	-	198,129
Other current liabilities	112,734	-	-	112,734
<b>Total liabilities</b>	<b>11,176,797</b>	<b>460,529</b>	<b>-</b>	<b>11,637,326</b>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	380,484	-	-	380,484
<b>Fund Balances</b>				
Nonspendable	95,067	-	-	95,067
Restricted	-	7,238,159	-	7,238,159
Committed	6,839,068	-	-	6,839,068
Assigned	1,758,844	-	-	1,758,844
Unassigned	5,820,573	-	-	5,820,573
<b>Total fund balances</b>	<b>14,513,552</b>	<b>7,238,159</b>	<b>-</b>	<b>21,751,711</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 26,070,833</b>	<b>\$ 7,698,688</b>	<b>\$ -</b>	<b>\$ 33,769,521</b>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2014**

<b>Total fund balances - governmental funds</b>		\$ 21,751,711
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$234,266,513 and the accumulated depreciation is \$66,466,334.</p>		167,800,179
<p>Derivative instruments are recorded at fair value. When the instruments are determined to be effective, changes in fair values are shown as deferred outflows on the Statement of Net Position.</p>		9,435,285
<p>Property taxes receivable will be collected this year, but they are not available soon enough to pay for the current period's expenditures, and therefore, they are deferred inflows of resources in the funds.</p>		380,484
<p>The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred outflow of resources, which is not reported in the funds.</p>		263,899
<p>Long-term liabilities and related items are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities and related items at year-end consist of:</p>		
Bonds payable	(127,050,000)	
Lease payable	(34,960)	
Derivative instruments - interest-rate swaps	(9,435,285)	
Accrued interest	(1,130,712)	
Unamortized:		
Bond premiums	(651,332)	
Bond discounts	109,531	
Compensated absences	(473,979)	(138,666,737)
		133,641
<p>Bond-insurance premiums that are paid at bond settlement are expensed in the funds. The amounts attributable to future periods are reflected as prepaid premiums.</p>		133,641
<p>Prepaid other post-employment benefits are not expensed in the current period, and therefore, are not reported as an asset in the funds.</p>		1,261,232
<b>Total net position - governmental activities</b>		\$ 62,359,694

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2014**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>				
Current and interim real estate taxes	\$ 55,413,012	\$ -	\$ -	\$ 55,413,012
Other taxes	8,309,141	-	-	8,309,141
Investment earnings	83,404	9,037	-	92,441
Other local sources	2,008,618	-	-	2,008,618
State sources	13,950,036	-	-	13,950,036
Federal sources	568,331	-	-	568,331
<b>Total revenues</b>	<b>80,332,542</b>	<b>9,037</b>	<b>-</b>	<b>80,341,579</b>
<b>Expenditures</b>				
Instructional	39,233,774	-	-	39,233,774
Support services	21,900,891	2	153,878	22,054,771
Operation of noninstructional services	1,061,403	-	-	1,061,403
Capital outlay	167,762	1,677,611	-	1,845,373
Debt service	-	-	12,935,903	12,935,903
Refund of prior years' receipts	59,391	-	-	59,391
<b>Total expenditures</b>	<b>62,423,221</b>	<b>1,677,613</b>	<b>13,089,781</b>	<b>77,190,615</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>17,909,321</b>	<b>(1,668,576)</b>	<b>(13,089,781)</b>	<b>3,150,964</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	-	2,250,000	12,936,486	15,186,486
Interfund transfers out	(15,186,486)	-	-	(15,186,486)
Refunding bond	-	-	10,000,000	10,000,000
Payment to refunded-bond escrow agent	-	-	(9,806,334)	(9,806,334)
Bond discount	-	-	(40,371)	(40,371)
Sale of capital assets	350	-	-	350
Insurance recoveries	858	-	-	858
<b>Total other financing sources (uses)</b>	<b>(15,185,278)</b>	<b>2,250,000</b>	<b>13,089,781</b>	<b>154,503</b>
<b>Net changes in fund balances</b>	<b>2,724,043</b>	<b>581,424</b>	<b>-</b>	<b>3,305,467</b>
Fund Balances - July 1, 2013	11,789,509	6,656,735	-	18,446,244
Fund Balances - June 30, 2014	\$ 14,513,552	\$ 7,238,159	\$ -	\$ 21,751,711

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2014**

<b>Net changes in fund balances - all governmental funds</b>	\$	3,305,467
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	2,579,472	
Less depreciation expense	(6,639,437)	(4,059,965)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" in the governmental funds. Deferred inflows of resources decreased by this amount this year. (50,828)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest costs in the Statement of Activities over the amount due is shown here. 45,571

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(41,553)	
Other post-employment benefits	346,973	305,420

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(9,959,629)	
Repayment of long-term debt	17,250,000	
Amortization of bond-issuance premiums	(57,084)	
Amortization of charges for bond refunding	(33,117)	
Amortization of bond premiums and discounts - net	89,763	
Payment of capital lease obligation	74,725	7,364,658

<b>Change in net position of governmental activities</b>	\$	<u>6,910,323</u>
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See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Current and interim real estate taxes	\$ 55,177,623	\$ 55,177,623	\$ 55,413,012	\$ 235,389
Other taxes	6,681,000	6,681,000	8,309,141	1,628,141
Investment earnings	70,000	70,000	83,404	13,404
Other local sources	1,908,800	1,908,800	2,008,618	99,818
State sources	14,079,607	14,079,607	13,950,036	(129,571)
Federal sources	681,000	681,000	568,331	(112,669)
<b>Total revenues</b>	<b>78,598,030</b>	<b>78,598,030</b>	<b>80,332,542</b>	<b>1,734,512</b>
<b>Expenditures</b>				
<b>Instructional</b>				
Regular programs	32,877,199	32,552,454	31,302,605	1,249,849
Special programs	8,332,371	8,421,202	7,012,246	1,408,956
Vocational programs	655,311	636,339	636,339	-
Other instructional programs	806,727	331,784	278,037	53,747
Nonpublic school programs	15,000	15,000	4,547	10,453
<b>Total instructional</b>	<b>42,686,608</b>	<b>41,956,779</b>	<b>39,233,774</b>	<b>2,723,005</b>
<b>Support services</b>				
Pupil personnel services	2,600,032	2,647,675	2,414,843	232,832
Instructional staff services	3,151,350	3,198,685	2,666,504	532,181
Administrative services	4,104,228	4,166,457	3,960,365	206,092
Pupil health	903,377	1,000,729	854,480	146,249
Business services	718,077	908,000	901,649	6,351
Operation and maintenance of plant services	7,717,031	7,726,442	7,424,471	301,971
Student transportation services	3,385,410	3,389,575	3,053,956	335,619
Central support services	600,207	616,311	568,073	48,238
Other support services	52,000	58,000	56,550	1,450
<b>Total support services</b>	<b>23,231,712</b>	<b>23,711,874</b>	<b>21,900,891</b>	<b>1,810,983</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued)</b>				
Operation of noninstructional services				
Student activities	1,110,181	1,192,206	1,060,265	131,941
Community services	9,714	9,714	1,138	8,576
<b>Total operation of noninstructional services</b>	<b>1,119,895</b>	<b>1,201,920</b>	<b>1,061,403</b>	<b>140,517</b>
Capital outlay	-	167,762	167,762	-
Refund of prior years' receipts	25,000	59,391	59,391	-
<b>Total expenditures</b>	<b>67,063,215</b>	<b>67,097,726</b>	<b>62,423,221</b>	<b>4,674,505</b>
<b>Excess of revenues over expenditures</b>	<b>11,534,815</b>	<b>11,500,304</b>	<b>17,909,321</b>	<b>6,409,017</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	5,000	5,000	-	(5,000)
Interfund transfers out	(12,370,997)	(12,936,486)	(15,186,486)	(2,250,000)
Sale of capital assets	5,000	5,000	350	(4,650)
Insurance recoveries	-	-	858	858
Budgetary reserve	(600,000)	-	-	-
<b>Total other financing uses</b>	<b>(12,960,997)</b>	<b>(12,926,486)</b>	<b>(15,185,278)</b>	<b>(2,258,792)</b>
<b>Net changes in fund balance</b>	<b>\$ (1,426,182)</b>	<b>\$ (1,426,182)</b>	<b>2,724,043</b>	<b>\$ 4,150,225</b>
Fund Balance - July 1, 2013			11,789,509	
Fund Balance - June 30, 2014			<u>\$ 14,513,552</u>	

See Notes to Financial Statements.



**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE**  
**Year Ended June 30, 2014**

<b>Assets</b>	
Cash and cash equivalents	\$ 1,398,250
Due from other governments	145,989
Other receivables	22,160
Inventories	67,473
Capital assets - net of depreciation	1,023,343
<b>Total assets</b>	<u><u>\$ 2,657,215</u></u>
<b>Liabilities</b>	
Internal balances	\$ 24,196
Accounts payable	18,696
Accrued salaries and benefits	20,850
Unearned revenues	41,626
Other current liabilities	471
<b>Total liabilities</b>	<u><u>\$ 105,839</u></u>
<b>Net Position</b>	
Net investment in capital assets	\$ 1,023,343
Unrestricted	1,528,033
<b>Total net position</b>	<u><u>\$ 2,551,376</u></u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -  
PROPRIETARY FUND - FOOD SERVICE  
Year Ended June 30, 2014**

<hr/>	
Operating Revenues	
Food service revenues	\$ 1,251,234
Charges for services	65,264
<b>Total operating revenues</b>	<u>1,316,498</u>
Operating Expenses	
Salaries	735,702
Employee benefits	392,507
Purchased professional and technical services	58,952
Purchased property services	59,343
Other purchased services	3,301
Supplies	1,065,606
Depreciation	155,764
Dues and fees	2,434
<b>Total operating expenses</b>	<u>2,473,609</u>
<b>Operating loss</b>	(1,157,111)
Nonoperating Revenues (Expenses)	
Investment earnings	2,853
Contributions and donations - private sources	20
State sources	154,629
Federal sources	962,893
<b>Total nonoperating revenues</b>	<u>1,120,395</u>
<b>Change in net position</b>	(36,716)
Net Position - July 1, 2013	2,588,092
Net Position - June 30, 2014	<u>\$ 2,551,376</u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND - FOOD SERVICE  
 Year Ended June 30, 2014**

<hr/>	
Cash Flows From Operating Activities	
Cash received from users	\$ 1,278,245
Cash received from other operating revenue	61,676
Cash payments to employees for services	(1,140,932)
Cash payments for goods and services	(1,099,391)
Cash payments for other operating expenses	(2,969)
<b>Net cash used in operating activities</b>	<u>(903,371)</u>
Cash Flows From Noncapital Financing Activities	
Contributions and donations - private sources	20
State sources	165,597
Federal sources	945,538
<b>Cash provided by noncapital financing activities</b>	<u>1,111,155</u>
Cash Flows From Capital and Related Financing Activities	
<b>Capital outlay</b>	<u>(104,886)</u>
Cash Flows From Investing Activities	
<b>Investment earnings</b>	<u>2,853</u>
<b>Net increase in cash and cash equivalents</b>	105,751
Cash and Cash Equivalents:	
July 1, 2013	1,292,499
June 30, 2014	<u>\$ 1,398,250</u>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND - FOOD SERVICE (Continued)  
Year Ended June 30, 2014

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Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities:	
Operating loss	\$ (1,157,111)
Adjustments to reconcile operating loss to net	
cash used in operating activities:	
Depreciation	155,764
Value of donated commodities	119,182
Changes in assets:	
Decrease in receivables	17,806
Increase in inventories	(18,221)
Changes in liabilities:	
Decrease in payables	(14,099)
Decrease in accrued salaries and benefits	(12,706)
Increase in unearned revenues	6,014
<b>Net cash used in operating activities</b>	<u><u>\$ (903,371)</u></u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
Year Ended June 30, 2014**

	Private-Purpose Trust Fund	Agency Student Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 15,332	\$ 113,747	\$ 129,079
Investments	161,841	-	161,841
Other receivables	415	1,130	1,545
Inventory	-	7,540	7,540
<b>Total assets</b>	<b>\$ 177,588</b>	<b>\$ 122,417</b>	<b>\$ 300,005</b>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 10,853	\$ 10,853
Accounts payable	-	28,824	28,824
Other liabilities	500	-	500
Due to student groups	-	82,740	82,740
<b>Total liabilities</b>	<b>\$ 500</b>	<b>\$ 122,417</b>	<b>\$ 122,917</b>
<b>Net Position</b>			
Held in trust for scholarships	\$ 177,088	\$ -	\$ 177,088
<b>Total net position</b>	<b>\$ 177,088</b>	<b>\$ -</b>	<b>\$ 177,088</b>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUND**

**Year Ended June 30, 2014**

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 1,702
Contributions	8,800
<b>Total additions</b>	<u>10,502</u>
Deductions	
Scholarships awarded	<u>7,991</u>
<b>Changes in net position</b>	2,511
Net Position - July 1, 2013	<u>174,577</u>
Net Position - June 30, 2014	<u>\$ 177,088</u>

See Notes to Financial Statements.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

Manheim Township School District (the District), located in Lancaster County, Pennsylvania, provides a full range of educational services, appropriate to grades kindergarten through 12<sup>th</sup>, to students living in Manheim Township. These include regular and advanced academic programs and special education programs. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. During this past year, the District was comprised of six elementary schools, one intermediate school, one middle school and one high school, serving approximately 5,800 students.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial-reporting principles. The more significant of these accounting policies are as follows:

#### A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units, which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The significant effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) Pronouncements.

The government-wide financial statements are reported using the economic-resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary-fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities less deferred inflows) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and accumulated depreciation is reported on the Statement of Net Position.

Governmental fund financial statements are reported using the current financial-resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted (including committed, assigned, and unassigned) resources are available for use, it is the School District's policy to use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.



# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds). This fund includes the District's Capital Reserve Fund which accounts for monies transferred during any fiscal year for capital outlays not accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food-service program. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal on-going operations. The principal operating revenues of the District's proprietary fund are food-service charges. Operating expenses for the District's proprietary fund include food-production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District maintains the following fiduciary-fund types:

Private-Purpose Trust Fund - The Private-Purpose Trust Fund accounts for assets held by the District in a trustee capacity. It accounts for activities in various scholarship accounts, the sole purpose of which is to provide annual scholarships to students as prescribed by donor stipulations.

Agency Fund - Student Activities - The student activities fund accounts for assets held by the District as an agent for various student groups.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Budget and Budgetary Accounting

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 31, management submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. At public board meetings, information is presented and debated. The public is welcome to comment on the budget.
3. Prior to June 30, procedures require a budget to be legally enacted.
4. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board.
5. Budgetary data is included in the District's management-information system and is employed as a management-control device during the year.
6. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of fund balance in a like amount.
7. The budget for the General Fund is adopted on the modified-accrual basis of accounting, which is consistent with generally accepted accounting principles.
8. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effects of approved budget amendments.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: The District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value.

Inventories: On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the proprietary fund's food and supplies was taken as of June 30, 2014. The inventory consisted of government-donated commodities which were valued at their estimated fair market values, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. The District has adopted a single inventory-recordkeeping system which does not distinguish between donated and purchased commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized in accordance with board policy at the discretion of management, unless the assets are acquired by debt proceeds, in which case the asset is required to be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs, and the extent to which the assets are part of larger capital projects. Donated capital assets are recorded at their estimated fair market values at the dates of donation.

The costs of normal maintenance and repairs that do not add to the values of capital assets or materially extend capital assets' useful lives are not capitalized.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

#### Capital Assets and Depreciation (Continued):

Depreciation is provided for capital assets on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	40
Building improvements	20
Site improvements	20
Outdoor equipment	20
Furniture	20
Food-service equipment	12
Vehicles	10
Administrative equipment	10
Classroom equipment	10
Maintenance equipment	10
Musical instruments	10
Audiovisual equipment	7
Computers and computer equipment	5
Administrative software	5

Deferred Outflows of Resources - Deferred Amounts on Refunding Debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Long-Term Obligations: In the government-wide financial statements, and proprietary-fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds. Bond insurance costs are deferred as prepaid expenses and amortized over the lives of the bonds. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond-issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Derivative Instruments: Derivatives instruments used by the District are swap contracts that have a variable or fixed payment based on the price of an underlying interest rate or index. Hedging-derivative instruments are used to reduce financial risks, such as offsetting increases in interest costs by offsetting changes in cash flows of the debt, the hedged item. These derivative instruments are evaluated to determine if the derivative instruments are effective in significantly reducing the identified financial risk at year end. If the derivative instrument is determined to be an effective hedge, its fair value is a deferred outflow of resources or deferred inflow of resources with a corresponding debit or credit to deferred outflows or inflows on the Statement of Net Position. Deferred outflows or inflows constitute changes in fair values of effectively-hedged derivative instruments. This account is neither an asset nor a liability. If the derivative instrument is determined to be an ineffective hedge or when there is no item to be hedged, the derivative instrument is considered to be an investment derivative; its fair value is an asset or liability on the Statement of Net Position and the change in fair value is recognized against investment revenue in the Statement of Activities.

Compensated Absences: Upon retirement, some employees, depending on length of service and job classification, are paid unused vacation and sick days subject to various maximums.

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees' Retirement System, a governmental cost-sharing, multiple-employer, defined-benefit pension plan. The District provides access to retiree health and dental care benefits to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year-end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Fund Balance:

The School District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through Board Policy, the Board has delegated the authority to express intent to the District's Director of Business Operations.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an unassigned general fund balance of not less than 5 percent and not more than 8 percent of the budgeted expenditures for that year.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. GASB Statement 54 provides additional guidance on the classification within the net-position section of amounts that have been encumbered. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements.

### Restricted Net Position

Restricted designates certain assets which were donated by third-parties who indicated that those assets were to be used for specific purposes.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Other

Pension Plan: Substantially all full-time and part-time employees of the District participate in a cost-sharing, multiple-employer, defined-benefit pension plan. The District recognizes annual pension expenditures or expenses equal to its contractually-required contributions. The District made all required contributions for the year ended June 30, 2014, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 17, 2014, the date the financial statements were available to be issued.

Pending Change in Accounting Principles: In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for the District's 2015 financial statements. The effects of implementation of this Standard have not yet been determined.

### Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U. S. Treasury Bills
- Short-term obligations of the U. S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
  3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of the political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the District's policies.

#### Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. As of June 30, 2014, \$27,982,595 of the District's total bank balances of \$28,237,595 was exposed to custodial-credit risk as follows:

	Amount
Uninsured and collateralized by assets maintained in conformity with Act 72 of 1971	\$ 27,982,595

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as pledgors of the assets.

#### Investments

As of June 30, 2014, the District had the following investments:

<u>Investment</u>	Weighted-Avg <u>Maturity</u>	<u>Fair Value</u>
Pennsylvania School District Liquid Asset Fund - Max Series	41 days	\$ 474,862

#### Portfolio Assets

PSDLAF - This fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. The District's position in the investment pool is presented at fair value. PSDLAF is not subject to any regulatory oversight.



## MANHEIM TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 2. Deposits and Investments (Continued)**

##### Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

##### Interest-Rate Risk

The District has a formal investment policy in accordance with the Pennsylvania School Code; however, the policy does not limit investment maturities as a means of managing the District's exposure to fair-value losses arising from increasing interest rates.

##### Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices. As of June 30, 2014, the District's investments in PSDLAF were rated AAAM by Standard & Poor's.

##### Concentrations-of-Credit Risk

The District places no limits on the amounts invested in any one issuer. The District's investments in PSDLAF represent 100% of the District's total investments.

#### **Note 3. Property Taxes**

Property taxes are levied on July 1. Taxes are collected at a discount until August 31, at their face amount from September 1 until October 31, and include a penalty thereafter. The District's tax rate for all purposes in 2013-2014 was 18.2575 mills (\$18.2575 per \$1,000 assessed valuation). Lancaster County Tax Claim Bureau collects delinquent taxes for the District.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Taxes Receivable and Unearned Tax Revenues**

A summary of the taxes receivable and related accounts at June 30, 2014, follows:

	Real Estate		
	Annual	Interim	Total
Gross taxes receivable			
2013	\$ 386,556	\$ 57,511	\$ 444,067
2012 and prior	150,287	-	150,287
Total taxes receivable	536,843	57,511	594,354
Collections received within 60 days recognized as revenue	185,577	28,293	213,870
Unearned tax revenues	\$ 351,266	\$ 29,218	\$ 380,484

**Note 5. Interfund Accounts**

Individual fund receivable and payable balances at June 30, 2014, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 35,049	\$ 2,250,000
Capital Projects Fund	2,250,000	-
Business-Type Activities - Food Service Fund	-	24,196
Fiduciary Activities - Student Activities Fund	-	10,853
	\$ 2,285,049	\$ 2,285,049

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Individual fund transfers during the fiscal year ended June 30, 2014, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ -	\$ 15,186,486
Capital Projects Fund	2,250,000	-
Debt Service Fund	12,936,486	-
	\$ 15,186,486	\$ 15,186,486

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	July 1, 2013	Increases	Decreases	June 30, 2014
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 2,449,170	\$ -	\$ -	\$ 2,449,170
Land improvements	9,210,656	88,743	-	9,299,399
Construction-in-progress	163,525	1,907,671	(1,640,413)	430,783
Total capital assets not being depreciated	11,823,351	1,996,414	(1,640,413)	12,179,352
Capital assets being depreciated				
Site improvements	18,321,123	101,324	-	18,422,447
Buildings and building improvements	184,921,095	1,449,531	-	186,370,626
Furniture and equipment	16,702,054	672,616	(80,582)	17,294,088
Total capital assets being depreciated	219,944,272	2,223,471	(80,582)	222,087,161
Less accumulated depreciation				
Site improvements	6,232,031	828,558	-	7,060,589
Buildings and building improvements	42,508,895	4,706,642	-	47,215,537
Furniture and equipment	11,166,553	1,104,237	(80,582)	12,190,208
Total accumulated depreciation	59,907,479	6,639,437	(80,582)	66,466,334
Total capital assets being depreciated, net	160,036,793	(4,415,966)	-	155,620,827
Total Governmental Activities, Capital Assets - Net	\$ 171,860,144	\$ (2,419,552)	\$ (1,640,413)	\$ 167,800,179
<b>Business-Type Activities:</b>				
Capital assets being depreciated, equipment				
	\$ 2,547,994	\$ 104,886	\$ -	\$ 2,652,880
Less accumulated depreciation, equipment				
	1,473,773	155,764	-	1,629,537
Total Business-Type Activities, Capital Assets - Net	\$ 1,074,221	\$ (50,878)	\$ -	\$ 1,023,343

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Capital Assets (Continued)**

Depreciation expense was charged to the functions/programs of the District as follows:

	Amount
<hr/>	
Governmental Activities:	
Instruction	\$ 526,980
Instructional student support	223,419
Administration and financial support	67,277
Operation and maintenance of plant	175,833
Pupil transportation	16,405
Student activities	60,178
Unallocated depreciation	5,569,345
Total Governmental Activities	<hr/> 6,639,437
Business-Type Activities:	
Food Service	155,764
Total Primary Government	<hr/> <hr/> \$ 6,795,201

**Note 7. Deferred Outflows of Resources**

During the fiscal year ended June 30, 2014, deferred outflows of resources are as follows:

Deferred Outflow of Resources	Amount
Deferred Amounts on Swap Refunding	\$ 9,786,604
Swap Fair Value-At-the-Market	<hr/> (351,319)
Deferred outflows related to cash-flow hedge	9,435,285
Deferred Amounts on Refunding Debt	263,899
Total Deferred Outflows of Resources	<hr/> <hr/> \$ 9,699,184

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Obligations

During the fiscal year ended June 30, 2014, general long-term obligations changed as follows:

	Balances			Balances	
	July 1, 2013	Increases	Decreases	June 30, 2014	Due within One Year
<b>General Obligation Bonds</b>					
Series of 2008	\$ 7,800,000	\$ -	\$ (1,160,000)	\$ 6,640,000	\$ 1,210,000
Series of 2009	9,890,000	-	(9,890,000)	-	-
Series A of 2009	9,410,000	-	(3,045,000)	6,365,000	3,135,000
Series B of 2009	5,135,000	-	(665,000)	4,470,000	695,000
Series of 2010	29,855,000	-	(155,000)	29,700,000	175,000
Series of 2012	7,800,000	-	(200,000)	7,600,000	340,000
Series of 2013	5,780,000	-	(665,000)	5,115,000	670,000
Series of 2014	-	10,000,000	(5,000)	9,995,000	5,000
<b>Floating Rate Notes</b>					
Series of 2011	58,630,000	-	(1,465,000)	57,165,000	1,515,000
<b>Bond premiums (discounts), net of amortization</b>					
	563,685	18,487	(40,371)	541,801	-
<b>Total General Obligation Debt</b>	<b>134,863,685</b>	<b>10,018,487</b>	<b>(17,290,371)</b>	<b>127,591,801</b>	<b>7,745,000</b>
<b>Derivative instrument - interest-rate swap</b>					
	10,325,158	-	(889,873)	9,435,285	-
<b>Lease-purchase obligation</b>	<b>109,685</b>	<b>-</b>	<b>(74,725)</b>	<b>34,960</b>	<b>34,960</b>
<b>Compensated absences</b>	<b>432,426</b>	<b>467,353</b>	<b>(425,800)</b>	<b>473,979</b>	<b>-</b>
<b>Total General Long-Term Obligations</b>	<b>\$ 145,730,954</b>	<b>\$ 10,485,840</b>	<b>\$ (18,680,769)</b>	<b>\$ 137,536,025</b>	<b>\$ 7,779,960</b>

General Obligation Bonds - Series of 2008 - On December 15, 2008, the District issued General Obligation Bonds - Series of 2008, in the principal amount of \$12,550,000. The proceeds of the Bonds were used to currently finance various capital projects and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 3.00% to 5.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$465,000 to \$1,440,000 through 2019.

General Obligation Bonds - Series of 2009 - On February 1, 2009, the District issued General Obligation Bonds - Series of 2009, in the principal amount of \$9,910,000. The proceeds of the Bonds were used to finance various capital projects and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 3.00% to 4.35%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$1,275,000 through 2028. \$9,620,000 of these bonds were refunded with the General Obligation Bonds - Series of 2014. The balance of \$270,000 was paid June 1, 2014.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Note 8. Long-Term Obligations (Continued)**

General Obligation Bonds - Series A of 2009 - On February 1, 2009, the District issued General Obligation Bonds - Series A of 2009, in the principal amount of \$15,140,000. The proceeds of the Bonds were used to refund the General Obligation Bonds - Series of 2002 and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 2.00% to 3.125%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$100,000 to \$3,230,000 through 2016.

General Obligation Bonds - Series B of 2009 - On October 21, 2009, the District issued General Obligation Bonds - Series B of 2009, in the principal amount of \$6,865,000. The proceeds of the Bonds were used to refund the General Obligation Bonds - Series A of 2003 and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$184,094. The bonds bear annual interest rates ranging from 1.00% to 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$425,000 to \$805,000 through 2019.

General Obligation Bonds - Series of 2010 - On August 19, 2010, the District issued General Obligation Bonds - Series of 2010, in the principal amount of \$30,000,000. The proceeds of the Bonds were used to provide funds to finance a new grade 5/6 building and various capital projects of the District and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 1.25% to 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$10,560,000 through 2027.

General Obligation Notes - Series of 2011 - On December 14, 2011, the District issued General Obligation Notes - Series of 2011, in the principal amount of \$61,350,000. The proceeds of the Notes were used to refund four issues of outstanding General Obligation Bonds - the Series of 2004, Series of 2005, Series of 2006 and Series of 2007 and to pay the costs of issuance. In combination with refunding these four bond issues, the District also terminated the four swap agreements associated with these bonds and replaced them with a single floating-to-fixed rate swap agreement. The termination of the four swap agreements required the fair value of the deferred outflows at the termination date to be recorded as part of the deferred charges of refunding. This amount will be amortized over the life of the new note. The notes bear interest at a variable rate which is re-determined weekly by the remarketing agent. Interest is payable semi-annually, and the notes mature serially in amounts ranging from \$1,310,000 to \$8,215,000 through 2025.

General Obligation Bonds - Series of 2012 - On March 15, 2012, the District issued General Obligation Bonds - Series of 2012, in the principal amount of \$7,800,000. The proceeds of the Bonds are being used to provide funds to finance various capital projects of the District, including the completion of the new grade 5/6 building, and to pay for the costs of issuance. The bonds bear annual interest rates ranging from .55% to 3.30%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$200,000 to \$500,000 through 2033.

General Obligation Bonds - Series of 2013 - On January 3, 2013, the District issued General Obligation Bonds - Series of 2013, in the principal amount of \$5,930,000. The proceeds of the Bonds were used to advance refund the General Obligation Bonds - Series A of 2004, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$518,212. The bonds bear annual interest rates ranging from 1.00% to 3.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$150,000 to \$795,000 through 2021.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2014 - On January 2, 2014, the District issued General Obligation Bonds - Series of 2014, in the principal amount of \$10,000,000. The proceeds of the Bonds were used to advance refund a portion of the General Obligation Bonds - Series of 2009, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$322,470. The bonds bear annual interest rates ranging from .35% to 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$1,280,000 through 2028.

### Derivative Instruments

On December 14, 2011, the District terminated four swap agreements and replaced them with an interest-rate swap agreement, which was outstanding as of June 30, 2014. The agreement is a floating-to-fixed rate swap requiring the District pay a fixed interest rate of 4.02650 percent and Royal Bank of Canada (RBC) to pay to the District a floating rate equal to 68 percent of the one-month London Interbank Offered Rate (LIBOR). RBC's credit rating is Aa3 as determined by Moody's and AA - as determined by Standard & Poor's. The 2011 bonds and the related swap agreement will mature May 1, 2025.

The floating-to-fixed rate swap is designed to take advantage of synthetic, fixed-interest rates to hedge against possible future increases in interest rates. As required by the Commonwealth, the District implemented an Interest Rate Management Plan, recommended by its independent swap advisor, to establish guidelines for the use and management of interest-rate swaps.

The fair value balances and notional amounts of the derivative instrument outstanding at June 30, 2014, classification, and the change in the fair value of such derivative instrument for the fiscal year ended as reported in the 2013 financials are as follows:

	Change in Fair Value		Fair Value at June 30, 2014		Notional at June 30, 2014
	Classification	Amount	Classification	Amount	
<b>Governmental Activities</b>					
<b>Cash-flow hedge:</b>					
Pay-fixed, interest-rate swap	Deferred Outflows of Resources	\$ (889,873)	Noncurrent Assets	\$ 9,435,285	\$ 56,875,000

### Risks

**Credit Risk:** As of June 30, 2014, the District was not exposed to credit risk on its outstanding swap since the swap had a negative value. Had the fair value of the swap been positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

**Basis Risk:** Basis risk is the risk that the interest rate paid to bondholders by the District on underlying variable-rate bonds temporarily differs from the variable-swap rate received from the applicable counterparty. The District bears basis risk on its swap. The swap has basis risk since the District receives a percentage of LIBOR to offset the actual variable-bond rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis-risk shortfall, the expected cost of the basis risk may vary.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Long-Term Obligations (Continued)

Tax Risk: Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the District's underlying variable-rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds (e.g., a tax cut that results in an increase in the ratio of tax-exempt to taxable yields). The District is receiving 68% of LIBOR (a taxable index) on the swap and would experience a shortfall relative to the rate paid on its bonds if marginal income-tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic, fixed-rate debt.

Termination Risk: The District or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

The District is in compliance with all debt covenants of the outstanding issues. Those covenants include the following: the District shall include the annual debt service in its budget for the fiscal year; shall appropriate those amounts from its general revenues; and shall punctually cause the payment of the principal and interest on all obligations.

The maturities of the general obligation debt principal, interest and swap obligation are as follows:

Years	Principal	Interest/ Swap Obligation	Total
2014-2015	\$ 7,745,000	\$ 5,036,552	\$ 12,781,552
2015-2016	8,000,000	4,775,328	12,775,328
2016-2017	8,275,000	4,487,202	12,762,202
2017-2018	8,605,000	4,146,516	12,751,516
2018-2019	8,975,000	3,786,629	12,761,629
2019-2024	50,115,000	13,132,692	63,247,692
2024-2029	33,430,000	2,822,311	36,252,311
2029-2033	1,905,000	156,765	2,061,765
	<u>\$ 127,050,000</u>	<u>\$ 38,343,995</u>	<u>\$ 165,393,995</u>



# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Long-Term Obligations (Continued)

Lease-Purchase Obligation: The District leases copiers which are located throughout the District. The related lease agreements qualify as capital leases, and accordingly, these transactions are recorded at the present values of related future, minimum lease payments as of the inception date. All lease-purchase obligations are funded by the General Fund.

The assets acquired through capital leases are as follows:

Assets	Amount
Copiers	\$ 268,870
Less: accumulated depreciation	(161,322)
Total copier - net book value	<u>\$ 107,548</u>

The following is a schedule of the future, minimum-lease payments due under the lease-purchase obligations at June 30, 2014:

Years	Amount
2014-2015	\$ 35,340
Total minimum lease payments	35,340
Less: amount representing interest	(380)
Total present value of net minimum lease payments	<u>\$ 34,960</u>

Compensated Absences: Upon retirement, some employees, depending on length of service and job classification, are paid unused vacation and sick days subject to various maximums.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Operating Leases

On September 22, 2011, the Lancaster County Career and Technology Center Authority (the “Authority”) authorized the issuance of “Guaranteed Lease Revenue Bonds, Series of 2011 in the maximum aggregate principal amount of \$43,000,000 to be repaid over a period not to exceed 30 years. The purpose of the bond issues is to provide funds for improvements, renovations and upgrading of facilities to all the campuses of the Lancaster County Career and Technology Center. It was estimated the aggregate amount to be borrowed will be between \$21,000,000 and \$30,000,000. The bonds are to be issued in one or more series over a three year period. The amount of each series shall not exceed \$10,000,000 without member school district approval. When issued, the Bonds will be repaid over a period not to exceed 30 years with gross annual debt service not to exceed \$1,985,000 and net annual debt service (after reimbursement by the Commonwealth of Pennsylvania) of \$1,330,000. Each district agreed to make payments of their pro-rated share of the Authority’s debt service. Each district’s prorated shares are calculated annually based on assessed market value.

On June 29, 2012, the Authority issued the first of the series, Guaranteed Lease Revenue Bonds, Series of 2012, in the amount of \$9,995,000.

On September 30, 2013, the Authority issued the second series, Guaranteed Lease Revenue Bonds, Series of 2013, in the amount of \$9,995,000.

On July 9, 2014, the Authority issued the third series, Guaranteed Lease Revenue Bonds, Series of 2014, in the amount of \$3,900,000.

The future annual lease payments for the District’s pro-rated share for the years ended June 30 are as follows:

Year	Amount
2015	\$ 130,235
2016	130,205
2017	130,088
2018	144,551
2019	144,385
2020-2024	722,296
2025-2029	722,162
2030-2034	722,420
2035-2037	433,096
	<u>\$ 3,279,438</u>

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Fund Balance Designations

#### Nonspendable

The District recorded various prepayments of expenditures as prepaid expense. Accordingly, they have been classified as nonspendable fund balance.

#### Restricted

The District has third-party restrictions on amounts reported in the Capital Projects Fund, including those amounts under bond-agreement and capital-reserve statutory restrictions.

#### Committed

The District, through formal Board action, has committed portions of the General Fund balance to be used only for specific purposes. At June 30, 2014, the committed funds are as follows:

<u>Description of committed</u>	<u>Amount</u>
General Obligation Bonds debt service reserve	\$ 3,461,135
PSERS/Medical benefits cost reserve	3,300,000
High school signage and other projects	49,203
Dental service fund	18,939
Social service fund	4,712
Bucher Garden	2,247
Schaeffer Garden	2,832
	<u>\$ 6,839,068</u>

#### Assigned

The District, through the authority delegated to its management team, has assigned certain portions of the General Fund balance to be used only for specific purposes. At June 30, 2014, the assigned funds are as follows:

<u>Description of assigned</u>	<u>Amount</u>
PSERS/Medical benefits cost reserve	\$ 1,750,000
Other assigned revenue	8,844
	<u>\$ 1,758,844</u>

#### Unassigned

Fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund are classified as unassigned.

## MANHEIM TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 11. Termination Benefits**

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health-care benefits to eligible former employees and their dependents. Requirements are outlined by the Federal government for this coverage. The premium plus a 2% administrative fee is paid in full by the eligible participant. This program is offered for durations of up to 18 to 36 months after an employee's termination date, or for dependents, the date that they are no longer eligible to be covered as such. At June 30, 2014, there were four participants covered under COBRA.

The District provides a retirement stipend for administrators retiring with at least 5 years of administrative service in the District and having reached 55 years of age. The maximum retirement stipend available was \$32,000. No administrators retired during the current year.

The District provides a retirement stipend for full-time teachers retiring with at least 20 years of PSERS-credited service. During the current year, seven full-time teachers retired and were paid stipends which totaled \$35,000.

The District provides a retirement stipend for specialists retiring with at least 10 years of specialist service in the District and having reached 55 years of age. The maximum retirement stipend available was \$15,000. No specialists retired during the current year that met the qualifying criteria.

The District provides a retirement stipend, based on a specified formula, for support staff retiring with at least 10 years of full-time service with the District and having reached 55 years of age. No support staff retired during the current year.

#### **Note 12. Self-Insurance, Medical and Dental Coverage**

The District has third-party administrators for both medical and dental coverage. The medical program is a point-of-service, managed-care plan with an opt-out feature. Under the medical and dental plans, the District reimburses the third-party administrators for actual claims paid, and additionally, incurs expenses for administrative, reinsurance and capitation fees and other fees associated with the administration of the program.

The District is reimbursed for medical claims in excess of \$150,000 per individual and for claims in the aggregate, the amount of which is determined on a yearly basis. The estimated maximum for 2013-2014 was \$10.6 million. The total paid during 2013-2014 before reinsurance reimbursements of \$1,140,871 was \$9,148,881.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Note 13. Participation in Risk-Sharing Pools**

The District is a member of a self-insurance pool for workers' compensation insurance. There were 18 members in 2013-2014. Each member is assessed an amount based on its covered payroll and prior experience of workers' compensation claims. All claims are then paid from the pool with reinsurance being purchased by the pool for claims in excess of \$400,000 per occurrence. Claims are paid on an aggregate basis, and separate accounts for each member are not maintained. Upon withdrawal by a member from the pool, the terminating member has either a right to a pro-rata share of any surplus funds for any fiscal year in which the member participated (withdrawal may occur only at the end of any year) or an obligation to pay for the member's share of a deficiency in the fund for the year of withdrawal. The District's expense for this coverage was \$224,268 for the 2013-2014 year.

### **Note 14. Defined-Benefit Pension Plan**

#### Plan Description

Name of plan: Public School Employees' Retirement System (the System)

Type of plan: Governmental cost-sharing, multiple-employer, 401(a) defined benefit plan

Benefits: Retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance-premium assistance to qualifying annuitants

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535)

Annual Financial Report: The System issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N 5<sup>th</sup> Street, Harrisburg, PA 17101-1905 or by emailing Beth at [bgirman@pa.gov](mailto:bgirman@pa.gov). The *CAFR* is also available on the Publications page of the PSERS website, [www.psers.state.pa.us](http://www.psers.state.pa.us).

#### Funding Policy

Authority: The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by the active members, the District, and the Commonwealth.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Note 14. Defined-Benefit Pension Plan (Continued)**

#### Contribution Rates

Member Contributions: Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the members' qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the members' qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the members' qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership contribute at 10.30% (base rate) of the members' qualifying compensation. Membership Classes T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and the Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions: The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the District's rate of contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% for healthcare insurance-premium assistance

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, were \$5,289,650, \$3,789,069, and \$2,862,078, respectively, and are equal to the required contributions for said years.

### **Note 15. Other Post-Employment Benefits (OPEB)**

#### Plan Description

The District provides retiree-health, dental-care and life-insurance benefits to eligible retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all administrators and teachers who meet the following requirements. Teachers must be of age 55 and have 15 years of service with the District. Support staff must be of age 55 and have 10 years of service with the District. Administrators must be of age 55 and have 5 years of administrative service with the District. Currently, the plan has approximately 570 members. The plan does not issue a separate, stand-alone financial statement.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 15. Other Post-Employment Benefits (OPEB) (Continued)

#### Funding Policy

The District's medical plans are self-funded, and each plan's premiums are updated annually based on actual claims. The cost of medical and dental coverage for administrative employees and their spouses is paid 100% by the District. For eligible administrators, the district also pays for the continuance of the employees' life insurance policies until age 65. At age 65, the policies are reduced to \$25,000 until the employees reach age 70, at which point, the policies are terminated. Eligible teachers are responsible for paying the greater of the increase in the cost of coverage or the PSERS premium-assistance rate. Teachers who are not eligible (part-time teachers), and who choose to participate in the medical plan must pay 100% of the cost of such coverage for themselves and any dependents. Eligible teachers who retired prior to the 2001-2002 fiscal year must pay for an increase in the cost of coverage. Eligible teachers who retired after June 30, 2009 must pay the cost above \$400 for selected premium coverage at the dates of their retirements, plus any future annual cost increases. The District offered an Early Retirement Incentive (ERI) for teachers who retired at the end of the 2011-2012 fiscal year. Under the ERI, teachers were responsible for paying their monthly respective 2012 employee-contribution rate in effect at retirement for single, two-party or family coverage; said rate increased \$5 per month for the next two years and remained at that level for the following two years. The District funds OPEB on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

#### Funding Progress

For the year ended June 30, 2014, the District has estimated the cost (annual expense) of providing retiree-health, dental-care and life-insurance benefits through an actuarial valuation as of July 1, 2012. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of twenty-five years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 1,094,827
Plus adjustment to the annual required contribution	14,655
Annual OPEB cost	<u>1,109,482</u>
Amounts contributed:	
Payments of current premiums and claims	(1,456,455)
Advance funding	-
Decrease in net OPEB obligation	<u>(346,973)</u>
OPEB obligation (prepayment) - beginning of year	(914,259)
OPEB obligation (prepayment) - end of year	<u><u>\$ (1,261,232)</u></u>

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 15. Other Post-Employment Benefits (OPEB) (Continued)

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the current year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 1,150,194	132.5%	\$ (680,046)
June 30, 2013	\$ 1,098,386	121.3%	\$ (914,259)
June 30, 2014	\$ 1,109,482	131.3%	\$ (1,261,232)

### Actuarial Methods and Assumptions

Actuarial valuations of an on-going plan involve estimates of the values of reported amounts and assumptions about the probabilities of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare-cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs by the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial-accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the Entry-Age Normal Cost Method was used. The actuarial assumptions include an annual healthcare cost-trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after eight years. Both rates included a 4% inflation assumption. The UAAL is being amortized over twenty-five years as a level percentage of projected payroll on an open basis, with 24 years remaining.



# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 16. Joint Ventures

The District participates with 16 other school districts in Lancaster County, and the municipalities represented by those school districts, in the collection of earned income taxes performed by the Lancaster County Tax Collection Bureau (the Bureau). Each public school district appoints one member to serve on the joint operating committee, in addition to the 16 members appointed by the participating municipalities. The Bureau's operating expenses are deducted from members' distributions at a budget rate of 2.25%. Members' distributions, which had been made quarterly, are now distributed monthly with the implementation of ACT 32 and are based on actual collections. Act 32 became effective on January 1, 2012.

The Lancaster County Career and Technical Center (LCCTC) is a separate legal entity providing vocational-technical education to students within the participating districts. The District pays a pro-rata portion of the annual operating expenses based on an average of student enrollment for the prior three years. The District also pays a pro-rata portion of the LCCTC's capital expenses based on districts' comparative market values. During the year ended June 30, 2014, the District paid \$636,339 to the LCCTC.

The District participated with the Lancaster-Lebanon Intermediate Unit No. 13, the Lancaster Employment and Training Agency and ten other districts in Lancaster County to provide an opportunity for individuals, who have either dropped out of participating members' schools or are not successful in their current local school environment, to earn a high school diploma through the Lancaster County Academy (the Academy). Each participant is obligated for a pro-rata share of the Academy's expenses. During the year ended June 30, 2014, the District paid \$34,500 for its allotted ten slots and purchased an additional slot for \$3,562.

Complete financial statements for each of the entities described above can be obtained from their respective administrative offices.

### Note 17. Real Estate Annexation

The District has an agreement with the School District of Lancaster (SDL) regarding the petition of 11 SDL residents for annexation of contiguous property assessed at approximately \$100,000,000 in 2000. The agreement transferred the property in question to the SDL effective July 1, 2000, in return for regular payments by the SDL to the District beginning on September 30, 2000, and continuing annually thereafter for 17 additional years. The Pennsylvania State Board of Education and the Pennsylvania Secretary of Education have approved this agreement.

Payments to be received by the District are as follows:

Years	Amount
2014-2015	\$ 532,797
2015-2016	499,993
2016-2017	467,188
2017-2018	434,384
	<u>\$ 1,934,362</u>

## MANHEIM TOWNSHIP SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 18. Commitments**

##### Brightbill Transportation, Inc.

Effective July 1, 2009, the District entered into a new agreement with Brightbill Transportation, Inc. (Brightbill) for the transportation of students residing within the District. The new agreement expires on June 30, 2019. Current-year expenditures for basic transportation amounted to approximately \$2.6 million with pricing for subsequent years to increase by the Pennsylvania Department of Education transportation-cost index, but not less than 2.5%.

##### Capital Projects

As of June 30, 2014, the District has entered into numerous contracts related to school repairs approximating \$1 million.

#### **Note 19. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Most significant losses are covered by commercial insurance for major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years. During the year ended June 30, 2014, the District did not incur any significant losses that were not covered by insurance.

#### **Note 20. Subsequent Event**

On October 1, 2014, the District issued General Obligation Bonds - Series A of 2014, in the amount of \$57,500,000 for the purpose of currently refunding the General Obligation Notes - Series of 2011 and to pay the cost of issuance of the bonds. The District also approved a resolution to adopt an Interest Rate Management Plan and authorize the transfer of obligations under the existing swap agreements related to General Obligation Notes - Series of 2011 to the new Series A of 2014 Bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
 POST-EMPLOYMENT BENEFITS PLAN  
 Year Ended June 30, 2014**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2008	\$ -	\$ 11,037,705	\$ 11,037,705	0.00%	\$ 29,319,336	37.65%
7/1/2010	\$ -	\$ 11,583,054	\$ 11,583,054	0.00%	\$ 28,969,547	39.98%
7/1/2012	\$ -	\$ 10,562,847	\$ 10,562,847	0.00%	\$ 28,609,494	36.92%

**SUPPLEMENTARY INFORMATION**

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS  
Year Ended June 30, 2014**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 480,106	\$ 4,968,582	\$ 5,448,688
Due from other funds	-	2,250,000	2,250,000
<b>Total assets</b>	<b>\$ 480,106</b>	<b>\$ 7,218,582</b>	<b>\$ 7,698,688</b>
<b>Liabilities</b>			
Accounts payable	\$ 176,457	\$ 284,072	\$ 460,529
<b>Total liabilities</b>	<b>176,457</b>	<b>284,072</b>	<b>460,529</b>
<b>Fund Balances</b>			
Restricted	303,649	6,934,510	7,238,159
<b>Total fund balances</b>	<b>303,649</b>	<b>6,934,510</b>	<b>7,238,159</b>
<b>Total liabilities and fund balances</b>	<b>\$ 480,106</b>	<b>\$ 7,218,582</b>	<b>\$ 7,698,688</b>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CAPITAL PROJECTS FUNDS  
Year Ended June 30, 2014**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<b>Revenues</b>			
Investment earnings	\$ 546	\$ 8,491	\$ 9,037
<b>Total revenues</b>	<b>546</b>	<b>8,491</b>	<b>9,037</b>
<b>Expenditures</b>			
Support services	-	2	2
Capital outlay	489,533	1,188,078	1,677,611
<b>Total expenditures</b>	<b>489,533</b>	<b>1,188,080</b>	<b>1,677,613</b>
<b>Other Financing Sources</b>			
Interfund transfers in	-	2,250,000	2,250,000
<b>Total other financing sources</b>	<b>-</b>	<b>2,250,000</b>	<b>2,250,000</b>
<b>Net changes in fund balances</b>	<b>(488,987)</b>	<b>1,070,411</b>	<b>581,424</b>
Fund Balances - July 1, 2013	792,636	5,864,099	6,656,735
Fund Balances - June 30, 2014	\$ 303,649	\$ 6,934,510	\$ 7,238,159

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -  
 BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local Sources				
Current real estate taxes	\$ 54,777,623	\$ 54,777,623	\$ 55,028,181	\$ 250,558
Interim real estate taxes	400,000	400,000	384,831	(15,169)
Public utility realty tax	15,000	15,000	74,837	59,837
Payment in lieu of taxes	180,000	180,000	181,235	1,235
Current Act 511 taxes				
Local services tax	200,000	200,000	220,082	20,082
Earned income	5,100,000	5,100,000	6,433,154	1,333,154
Real estate transfer	836,000	836,000	965,136	129,136
Delinquent taxes	350,000	350,000	434,697	84,697
Investment earnings	70,000	70,000	83,404	13,404
Revenue from student activities	257,500	257,500	245,798	(11,702)
Revenue from intermediate sources				
Federal funds	765,000	765,000	811,124	46,124
Rentals	175,000	175,000	196,996	21,996
Contributions, donations and grants				
from private sources	-	-	202,074	202,074
Tuition from patrons	95,000	95,000	49,170	(45,830)
Receipts from other LEAs	15,000	15,000	4,361	(10,639)
Services provided other LEAs	29,000	29,000	42,327	13,327
Miscellaneous revenues	572,300	572,300	456,768	(115,532)
<b>Total revenues from local sources</b>	<b>63,837,423</b>	<b>63,837,423</b>	<b>65,814,175</b>	<b>1,976,752</b>

(Continued)



MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues (Continued)</b>				
<b>State Sources</b>				
Basic instructional subsidy	4,710,231	4,710,231	4,733,359	23,128
Tuition for orphans and children placed in private homes (Sec 1305 and 1306)	60,000	60,000	48,560	(11,440)
Migratory children	120	120	40	(80)
Special education of exceptional pupils	2,180,668	2,180,668	2,191,626	10,958
Transportation	1,130,000	1,130,000	1,112,846	(17,154)
Rental and sinking fund payments	643,253	643,253	677,305	34,052
Health services	123,000	123,000	119,519	(3,481)
State property tax reduction allocation	1,097,857	1,097,857	1,097,857	-
Accountability block grant	125,849	125,849	125,849	-
Revenue for social security payments	1,247,600	1,247,600	1,180,151	(67,449)
Revenue for retirement payments	2,761,029	2,761,029	2,662,924	(98,105)
<b>Total revenues from state sources</b>	<b>14,079,607</b>	<b>14,079,607</b>	<b>13,950,036</b>	<b>(129,571)</b>
<b>Federal Sources</b>				
Title I improving academic achievement	400,000	400,000	312,333	(87,667)
Title II improving teacher quality	90,000	90,000	113,536	23,536
Title III language instruction for limited English proficient	66,000	66,000	68,517	2,517
Medical assistance	125,000	125,000	73,945	(51,055)
<b>Total revenues from Federal sources</b>	<b>681,000</b>	<b>681,000</b>	<b>568,331</b>	<b>(112,669)</b>
<b>Total revenues</b>	<b>78,598,030</b>	<b>78,598,030</b>	<b>80,332,542</b>	<b>1,734,512</b>
<b>Other Financing Sources</b>				
Interfund transfers in	5,000	5,000	-	(5,000)
Sale of capital assets	5,000	5,000	350	(4,650)
Insurance recoveries	-	-	858	858
<b>Total revenues from other financing sources</b>	<b>10,000</b>	<b>10,000</b>	<b>1,208</b>	<b>(8,792)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 78,608,030</b>	<b>\$ 78,608,030</b>	<b>\$ 80,333,750</b>	<b>\$ 1,725,720</b>

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
Instructional				
Regular programs				
Salaries	\$ 19,811,895	\$ 19,375,275	\$ 19,212,164	\$ 163,111
Employee benefits	10,568,643	10,446,071	9,577,322	868,749
Purchased professional and technical services	622,960	695,630	692,769	2,861
Purchased property services	202,570	204,984	173,284	31,700
Other purchased services	745,238	752,197	717,900	34,297
Supplies	751,299	739,865	631,966	107,899
Property	160,594	309,537	269,679	39,858
Other objects	14,000	28,895	27,521	1,374
<b>Total regular programs</b>	<b>32,877,199</b>	<b>32,552,454</b>	<b>31,302,605</b>	<b>1,249,849</b>
Special programs				
Salaries	3,679,352	3,777,827	3,274,299	503,528
Employee benefits	1,935,264	1,900,264	1,549,771	350,493
Purchased professional and technical services	2,132,300	2,153,384	1,658,738	494,646
Purchased property services	10,000	3,635	3,634	1
Other purchased services	442,850	512,347	500,002	12,345
Supplies	40,735	46,609	14,670	31,939
Property	15,570	25,352	10,276	15,076
Other objects	76,300	1,784	856	928
<b>Total special programs</b>	<b>8,332,371</b>	<b>8,421,202</b>	<b>7,012,246</b>	<b>1,408,956</b>
Vocational programs				
Other purchased services	655,311	636,339	636,339	-
<b>Total vocational programs</b>	<b>655,311</b>	<b>636,339</b>	<b>636,339</b>	<b>-</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Instructional (Continued)				
Other instructional programs				
Salaries	137,352	187,352	162,872	24,480
Employee benefits	48,575	62,276	56,588	5,688
Purchased professional and technical services	248,500	48,500	26,434	22,066
Other purchased services	20,500	1,776	1,276	500
Supplies	1,800	31,880	30,867	1,013
Other objects	350,000	-	-	-
<b>Total other instructional programs</b>	<b>806,727</b>	<b>331,784</b>	<b>278,037</b>	<b>53,747</b>
Nonpublic school programs				
Purchased professional and technical services	15,000	15,000	4,547	10,453
<b>Total nonpublic school programs</b>	<b>15,000</b>	<b>15,000</b>	<b>4,547</b>	<b>10,453</b>
<b>Total instructional</b>	<b>42,686,608</b>	<b>41,956,779</b>	<b>39,233,774</b>	<b>2,723,005</b>
Support services				
Pupil personnel services				
Salaries	1,550,582	1,585,582	1,533,418	52,164
Employee benefits	861,049	861,049	730,391	130,658
Purchased professional and technical services	95,030	112,222	90,908	21,314
Purchased property services	3,700	3,700	3,150	550
Other purchased services	10,275	9,266	5,970	3,296
Supplies	76,521	67,999	45,174	22,825
Property	1,500	6,482	4,868	1,614
Other objects	1,375	1,375	964	411
<b>Total pupil personnel services</b>	<b>2,600,032</b>	<b>2,647,675</b>	<b>2,414,843</b>	<b>232,832</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Instructional staff services				
Salaries	1,654,261	1,688,699	1,485,970	202,729
Employee benefits	855,180	855,572	667,252	188,320
Purchased professional and technical services	205,494	236,520	147,883	88,637
Purchased property services	14,315	20,962	10,325	10,637
Other purchased services	76,557	73,732	43,656	30,076
Supplies	199,564	170,394	159,209	11,185
Property	140,199	150,703	150,480	223
Other objects	5,780	2,103	1,729	374
<b>Total instructional staff services</b>	<b>3,151,350</b>	<b>3,198,685</b>	<b>2,666,504</b>	<b>532,181</b>
Administrative services				
Salaries	2,513,591	2,505,483	2,387,174	118,309
Employee benefits	1,264,930	1,275,277	1,198,327	76,950
Purchased professional and technical services	209,000	238,429	237,068	1,361
Purchased property services	4,200	4,700	2,962	1,738
Other purchased services	50,900	53,085	50,979	2,106
Supplies	29,550	29,677	28,649	1,028
Property	7,650	34,691	32,279	2,412
Other objects	24,407	25,115	22,927	2,188
<b>Total administrative services</b>	<b>4,104,228</b>	<b>4,166,457</b>	<b>3,960,365</b>	<b>206,092</b>
Pupil health				
Salaries	515,016	517,382	450,864	66,518
Employee benefits	183,156	206,156	189,791	16,365
Purchased professional and technical services	193,500	264,857	203,196	61,661
Purchased property services	755	755	600	155
Other purchased services	725	870	481	389
Supplies	8,225	9,709	8,911	798
Property	2,000	1,000	637	363
<b>Total pupil health</b>	<b>903,377</b>	<b>1,000,729</b>	<b>854,480</b>	<b>146,249</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Business services				
Salaries	437,864	443,791	440,261	3,530
Employee benefits	184,513	226,308	224,837	1,471
Purchased professional and technical services	59,250	75,063	74,563	500
Purchased property services	3,500	4,964	4,500	464
Other purchased services	15,150	8,450	8,421	29
Supplies	10,700	24,963	24,726	237
Property	5,500	123,224	123,224	-
Other objects	1,600	1,237	1,117	120
<b>Total business services</b>	<b>718,077</b>	<b>908,000</b>	<b>901,649</b>	<b>6,351</b>
Operation and maintenance of plant services				
Salaries	1,924,690	1,924,690	1,802,017	122,673
Employee benefits	1,164,827	1,225,068	1,148,846	76,222
Purchased professional and technical services	286,320	332,754	331,066	1,688
Purchased property services	2,476,398	2,135,561	2,107,548	28,013
Other purchased services	453,255	440,655	380,455	60,200
Supplies	1,308,708	1,500,771	1,494,544	6,227
Property	71,302	135,412	128,532	6,880
Other objects	31,531	31,531	31,463	68
<b>Total operation and maintenance of plant services</b>	<b>7,717,031</b>	<b>7,726,442</b>	<b>7,424,471</b>	<b>301,971</b>
Student transportation services				
Salaries	80,149	82,444	81,943	501
Employee benefits	44,261	45,006	44,964	42
Purchased professional and technical services	1,500	1,575	74	1,501
Purchased property services	42,000	42,000	34,130	7,870
Other purchased services	3,132,500	3,132,500	2,861,832	270,668
Supplies	84,500	84,545	29,668	54,877
Property	-	1,005	1,005	-
Other objects	500	500	340	160
<b>Total student transportation services</b>	<b>3,385,410</b>	<b>3,389,575</b>	<b>3,053,956</b>	<b>335,619</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Central support services				
Salaries	298,227	298,819	292,949	5,870
Employee benefits	140,839	153,839	146,192	7,647
Purchased professional and technical services	71,248	88,419	82,246	6,173
Purchased property services	7,500	6,680	6,602	78
Other purchased services	60,443	55,549	31,257	24,292
Supplies	15,750	8,250	6,735	1,515
Property	4,000	2,256	427	1,829
Other objects	2,200	2,499	1,665	834
<b>Total central support services</b>	<b>600,207</b>	<b>616,311</b>	<b>568,073</b>	<b>48,238</b>
Other support services				
Other purchased services	52,000	52,000	50,550	1,450
Other objects	-	6,000	6,000	-
<b>Total other support services</b>	<b>52,000</b>	<b>58,000</b>	<b>56,550</b>	<b>1,450</b>
<b>Total support services</b>	<b>23,231,712</b>	<b>23,711,874</b>	<b>21,900,891</b>	<b>1,810,983</b>
Operation of noninstructional services				
Student activities				
Salaries	566,412	581,443	565,668	15,775
Employee benefits	185,061	194,799	192,470	2,329
Purchased professional and technical services	93,100	87,932	80,444	7,488
Purchased property services	24,068	24,643	15,354	9,289
Other purchased services	123,265	123,366	92,742	30,624
Supplies	71,219	107,939	51,813	56,126
Property	14,650	38,495	38,046	449
Other objects	32,406	33,589	23,728	9,861
<b>Total student activities</b>	<b>1,110,181</b>	<b>1,192,206</b>	<b>1,060,265</b>	<b>131,941</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Operation of noninstructional services (Continued)				
Community services				
Salaries	471	471	-	471
Employee benefits	65	65	-	65
Purchased professional and technical services	2,500	2,500	305	2,195
Other purchased services	1,800	1,800	117	1,683
Supplies	4,878	4,878	716	4,162
<b>Total community services</b>	<b>9,714</b>	<b>9,714</b>	<b>1,138</b>	<b>8,576</b>
<b>Total operation of noninstructional services</b>	<b>1,119,895</b>	<b>1,201,920</b>	<b>1,061,403</b>	<b>140,517</b>
Capital outlay				
Purchased professional and technical services	-	127,000	127,000	-
Purchased property services	-	33,419	33,419	-
Property	-	7,343	7,343	-
<b>Total capital outlay</b>	<b>-</b>	<b>167,762</b>	<b>167,762</b>	<b>-</b>
Refund of prior years' receipts	25,000	59,391	59,391	-
<b>Total expenditures</b>	<b>67,063,215</b>	<b>67,097,726</b>	<b>62,423,221</b>	<b>4,674,505</b>
Other Financing Uses				
Interfund transfers out	12,370,997	12,936,486	15,186,486	(2,250,000)
Budgetary reserve	600,000	-	-	-
<b>Total other financing uses</b>	<b>12,970,997</b>	<b>12,936,486</b>	<b>15,186,486</b>	<b>(2,250,000)</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 80,034,212</b>	<b>\$ 80,034,212</b>	<b>\$ 77,609,707</b>	<b>\$ 2,424,505</b>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of School Directors  
Manheim Township School District  
Lancaster, Pennsylvania

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manheim Township School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Manheim Township School District's basic financial statements, and have issued our report thereon dated November 17, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Manheim Township School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manheim Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Manheim Township School District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

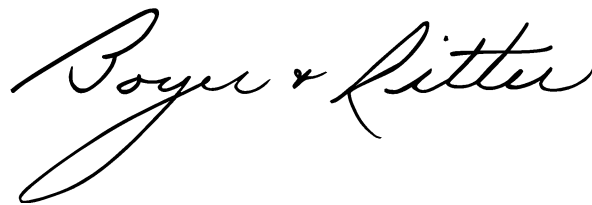


### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Manheim Township School District's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
November 17, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS  
REQUIRED BY OMB CIRCULAR A-133**

Board of School Directors  
Manheim Township School District  
Lancaster, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Manheim Township School District's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of Manheim Township School District's major Federal programs for the year ended June 30, 2014. Manheim Township School District's major Federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Manheim Township School District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 Manheim Township School District'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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Manheim Township School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Manheim Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Manheim Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Manheim Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Manheim Township School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Boyer & Ritter". The signature is written in a cursive style with a large, sweeping flourish at the end.

Camp Hill, Pennsylvania  
November 17, 2014

**MANHEIM TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2014**

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**Section I -- Summary of Auditor's Results**

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Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                      \_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not  
considered to be a material weakness(es)?                      \_\_\_ Yes  X  None Reported

Noncompliance material to financial statements  
noted?    \_\_\_ Yes  X  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?                      \_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not  
considered to be a material weakness(es)?                      \_\_\_ Yes  X  None Reported

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

- Any audit findings disclosed that are  
required to be reported in accordance  
with Section .510(a) of Circular A-133?                      \_\_\_ Yes  X  No

**MANHEIM TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2014**

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
84.010	Title I – Improving Basic Programs
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program - Food Donation

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

Auditee qualified as low-risk auditee?  X  Yes   No

**Section II -- Financial Statement Findings**

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

**Section III -- Federal-Award Findings and Questioned Costs**

A. Compliance Findings

There were no findings relating to the Federal awards required to be reported in accordance with Section .510(a) of OMB Circular A-133.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards required to be reported in accordance with Section .510(a) of OMB Circular A-133.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014**

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
<b>U.S. Department of Education</b>					
Passed through the Pennsylvania Department of Education:					
Title I - Improving Basic Programs	I	84.010	13-130237	7/1/12-9/30/14	\$ 426,487
Title I - Improving Basic Programs	I	84.010	13-140237	7/16/13-9/30/15	\$ 388,363
Title II - Improving Teacher Quality	I	84.367	20-130237	7/1/12-9/30/14	\$ 108,426
Title II - Improving Teacher Quality	I	84.367	20-140237	7/16/13-9/30/15	\$ 115,286
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	10-120237	8/5/11-9/30/13	\$ 79,748
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	10-130237	7/1/12-9/30/14	\$ 66,369
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	10-140237	7/16/13-9/30/15	\$ 51,890
<b>Total passed through the Pennsylvania Department of Education</b>					
Passed through the Intermediate Unit 1:					
IDEA, Part B	I	84.027	062-130032	7/1/12-6/30/13	\$ 4,907
IDEA, Part B	I	84.027	062-130032	7/1/12-6/30/13	\$ 4,972
IDEA, Part B	I	84.027	062-140032	8/1/13-6/30/14	\$ 5,000
IDEA, Part B	I	84.027	062-140032	8/1/13-6/30/14	\$ 5,000
<b>Total passed through the Intermediate Unit 1</b>					
Passed through the Lancaster-Lebanon Intermediate Unit No. 13:					
IDEA, Part B On-Behalf Services	I	84.027	062-140013	7/1/13-9/30/14	\$ 168,164
IDEA, Part B Pass-Thru	I	84.027	062-140013	7/1/13-9/30/14	\$ 577,535
IDEA, Early Intervention	I	84.173	131-120013	7/1/12-6/30/13	\$ 3,657
IDEA, Early Intervention	I	84.173	131-130013	7/1/13-9/30/14	\$ 3,472
Race to the Top - Phase 3 (RTT3)	I	84.413A	B413A12004	7/1/12-9/30/15	\$ 29,474
<b>Total passed through the Lancaster-Lebanon Intermediate Unit No. 13</b>					
<b>Total U.S. Department of Education</b>					

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2013	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2014
\$ 78,906	\$ 52,810	\$ 26,096	\$ 26,096	\$ -
233,884	-	286,237	286,237	52,353
16,635	16,635	-	-	-
85,362	-	113,536	113,536	28,174
898	898	-	-	-
39,821	6,441	33,375	33,375	(5)
17,327	-	35,142	35,142	17,815
472,833	76,784	494,386	494,386	98,337
4,647	4,647	-	-	-
4,870	4,870	-	-	-
-	-	5,000	5,000	5,000
-	-	5,000	5,000	5,000
9,517	9,517	10,000	10,000	10,000
168,164	-	168,164	168,164	-
577,535	-	577,535	577,535	-
3,657	3,657	-	-	-
3,472	-	3,472	3,472	-
29,474	6,012	23,462	23,462	-
782,302	9,669	772,633	772,633	-
1,264,652	95,970	1,277,019	1,277,019	108,337

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
 Year Ended June 30, 2014

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
<b>U. S. Department of Health and Human Services</b>					
Passed through the Pennsylvania Department of Public Welfare:					
Medical Assistance Reimbursement for Administration	I	93.778	N/A	10/1/12-9/30/13	\$ 4,501
Medical Assistance Reimbursement for Administration	I	93.778	N/A	10/1/13-9/30/14	\$ 19,769
<b>Total U.S. Department of Health and Human Services</b>					
<b>U.S. Department of Agriculture</b>					
Passed through the Pennsylvania Department of Education:					
School Breakfast Program	I	10.553	N/A	7/1/12-6/30/13	N/A
School Breakfast Program	I	10.553	N/A	7/1/13-6/30/14	N/A
National School Lunch Program	I	10.555	N/A	7/1/12-6/30/13	N/A
National School Lunch Program	I	10.555	N/A	7/1/13-6/30/14	N/A
<b>Total passed through the Pennsylvania Department of Education</b>					
Passed through the Pennsylvania Department of Agriculture:					
National School Lunch Program - Food Donation	I	10.555	N/A	7/1/13-6/30/14	N/A
<b>Total U.S. Department of Agriculture</b>					
<b>Total Expenditures of Federal Awards</b>					
D - Direct Funding					
I - Indirect Funding					
Test of 25% Rule:					
Total Federal Expenditures			\$	2,244,412	
Programs selected for testing major programs:					
Title I - Improving Basic Programs			\$	312,333	
School Breakfast Program				148,057	
National School Lunch Program				695,653	
National School Lunch Program - Food Donation				119,182	
			\$	1,275,225	/ \$2,244,412 = 56.82%

See Notes to Schedule of Expenditures of Federal Awards.



Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2013	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2014
-	(4,501)	4,501	4,501	-
19,769	-	-	-	(19,769)
19,769	(4,501)	4,501	4,501	(19,769)
46,688	46,688	-	-	-
123,722	-	148,057	148,057	24,335
181,217	181,217	-	-	-
591,238	-	695,653	695,653	104,415
942,865	227,905	843,710	843,710	128,750
119,182	-	119,182	119,182	-
1,062,047	227,905	962,892	962,892	128,750
\$ 2,346,468	\$ 319,374	\$ 2,244,412	\$ 2,244,412	\$ 217,318

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal-grant activity of the Manheim Township School District under programs of the Federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Manheim Township School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Manheim Township School District.

### **Note 2. Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### **Note 3. Access Program**

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the Schedule of Expenditures of Federal Awards, ACCESS reimbursements are not included on the Schedule. The amount of ACCESS funding received for the year ended June 30, 2014, was \$156,144.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**Year Ended June 30, 2014**

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There were no prior year audit findings.