

**MANHEIM TOWNSHIP  
SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2016**

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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 Manheim Township School District, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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, Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund and schedule of expenditures of federal awards as required by the Uniform Guidance, 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.

Such 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, as listed in the table of contents, 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 December 1, 2016, 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  
December 1, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2016**

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, 2016. 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, 2016, are as follows:

With total revenue exceeding the amount budgeted, 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 \$1.4 million. Some of the variances in budgeted revenues were as follows:

- ❖ Current Real Estate Taxes exceeded budget approximately \$250,000
- ❖ Basic Instructional Subsidy exceeded budget approximately \$337,000
- ❖ Ready to Learn Grant exceeded budget approximately \$122,000

Various expenditure categories were under budget while other areas exceeded budgeted amounts. Salaries and corresponding benefits were under budget for the fiscal year as well as medical and dental health benefit expenses, and utilities. Expenditures in other categories over original budgets included contracted and temporary purchased services, transportation services and tuition reimbursements.

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 \$246,209 for the year ended June 30, 2016.

## 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

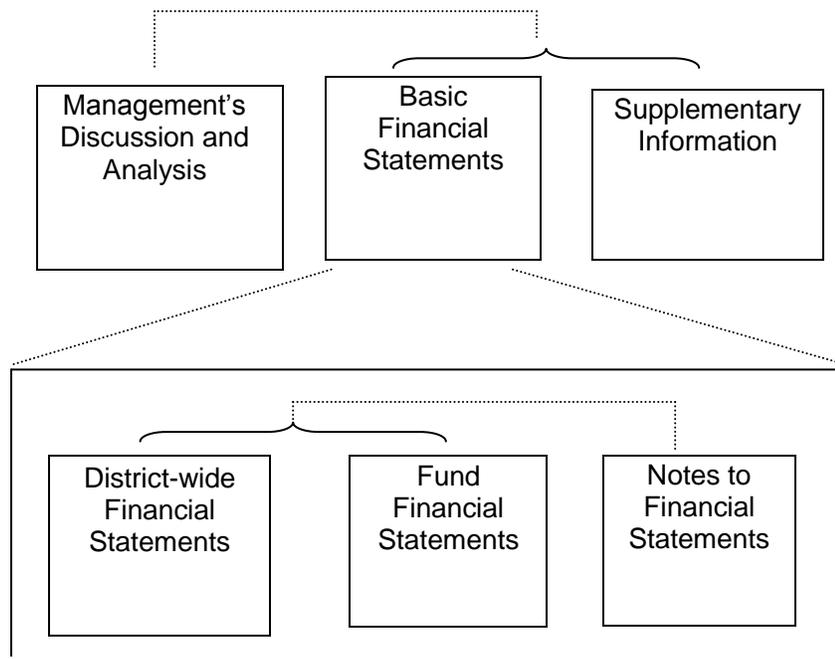


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of 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 \$(25,385,835) at June 30, 2016, and \$(28,296,065) at June 30, 2015.

Table A-1  
Statements of Net Position  
June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 39,623,204	\$ 36,589,873	\$ 1,393,629	\$ 1,521,133	\$ 41,016,833	\$ 38,111,006
Noncurrent assets						
Capital assets	157,786,398	162,333,056	797,301	888,995	158,583,699	163,222,051
<b>Total assets</b>	<b>\$ 197,409,602</b>	<b>\$ 198,922,929</b>	<b>\$ 2,190,930</b>	<b>\$ 2,410,128</b>	<b>\$ 199,600,532</b>	<b>\$ 201,333,057</b>
Deferred Outflows of Resources	\$ 21,553,812	\$ 17,139,709	\$ 286,000	\$ 189,000	\$ 21,839,812	\$ 17,328,709
Current liabilities	\$ 11,558,978	\$ 10,656,615	\$ 12,387	\$ 85,376	\$ 11,571,365	\$ 10,741,991
Noncurrent liabilities	232,085,814	226,926,840	2,474,000	2,139,000	234,559,814	229,065,840
<b>Total liabilities</b>	<b>\$ 243,644,792</b>	<b>\$ 237,583,455</b>	<b>\$ 2,486,387</b>	<b>\$ 2,224,376</b>	<b>\$ 246,131,179</b>	<b>\$ 239,807,831</b>
Deferred Inflows of Resources	\$ 680,000	\$ 6,997,000	\$ 15,000	\$ 153,000	\$ 695,000	\$ 7,150,000
Net Position						
Net investment in capital assets	\$ 45,494,836	\$ 42,408,968	\$ 797,301	\$ 888,995	\$ 46,292,137	\$ 43,297,963
Restricted	8,295,267	7,688,111	-	-	8,295,267	7,688,111
Unrestricted	(79,151,481)	(78,614,896)	(821,758)	(667,243)	(79,973,239)	(79,282,139)
<b>Total net position</b>	<b>\$ (25,361,378)</b>	<b>\$ (28,517,817)</b>	<b>\$ (24,457)</b>	<b>\$ 221,752</b>	<b>\$ (25,385,835)</b>	<b>\$ (28,296,065)</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, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,163,787	\$ 1,140,708	\$ 1,283,292	\$ 1,327,953	\$ 2,447,079	\$ 2,468,661
Operating grants and contributions	11,839,795	10,598,053	1,131,426	983,802	12,971,221	11,581,855
Capital grants and contributions	605,162	641,554	-	-	605,162	641,554
General revenues						
Property taxes	58,151,531	57,538,598	-	-	58,151,531	57,538,598
Other taxes	8,259,254	8,225,145	-	-	8,259,254	8,225,145
Grants, subsidies and contributions not restricted	6,179,048	5,830,222	5,002	-	6,184,050	5,830,222
Other	315,828	(446,524)	4,557	3,020	320,385	(443,504)
<b>Total revenues</b>	<b>86,514,405</b>	<b>83,527,756</b>	<b>2,424,277</b>	<b>2,314,775</b>	<b>88,938,682</b>	<b>85,842,531</b>
<b>Expenses</b>						
Instruction	46,569,824	44,532,511	-	-	46,569,824	44,532,511
Instructional student support	8,209,650	6,755,198	-	-	8,209,650	6,755,198
Administrative and financial support	6,461,535	6,696,481	-	-	6,461,535	6,696,481
Operation and maintenance of plant	7,498,975	7,512,927	-	-	7,498,975	7,512,927
Pupil transportation	3,466,635	3,272,725	-	-	3,466,635	3,272,725
Student activities	1,332,884	1,229,943	-	-	1,332,884	1,229,943
Community services	2,162	1,031	-	-	2,162	1,031
Interest on long-term debt	4,211,369	4,648,732	-	-	4,211,369	4,648,732
Unallocated depreciation	5,604,932	5,612,719	-	-	5,604,932	5,612,719
Food service	-	-	2,670,486	2,587,399	2,670,486	2,587,399
<b>Total expenses</b>	<b>83,357,966</b>	<b>80,262,267</b>	<b>2,670,486</b>	<b>2,587,399</b>	<b>86,028,452</b>	<b>82,849,666</b>
<b>Changes in net position</b>	<b>3,156,439</b>	<b>3,265,489</b>	<b>(246,209)</b>	<b>(272,624)</b>	<b>2,910,230</b>	<b>2,992,865</b>
Net position - beginning	(28,517,817)	62,359,694	221,752	2,551,376	(28,296,065)	64,911,070
Prior period adjustment	-	(94,143,000)	-	(2,057,000)	-	(96,200,000)
Net position - beginning as restated	(28,517,817)	(31,783,306)	221,752	494,376	(28,296,065)	(31,288,930)
Net position - ending	\$ (25,361,378)	\$ (28,517,817)	\$ (24,457)	\$ 221,752	\$ (25,385,835)	\$ (28,296,065)

The prior period adjustment of \$96,200,000, for the year ended June 30, 2015, is recognizing the decrease in total net position as of July 1, 2014, as a result of the GASB No. 68 implementation. With the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 2*, the District was required to recognize the obligation and deferred inflows and outflows resulting from the proportionate share of the Public School Employees Retirement System (PSERS) net pension liability as of June 30, 2013.

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, 2016 and 2015

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 46,569,824	\$ 44,532,511	\$ 37,851,855	\$ 36,657,651
Instructional student support	8,209,650	6,755,198	7,209,285	5,976,948
Administrative and financial support	6,461,535	6,696,481	5,886,532	6,177,899
Operation and maintenance of plant	7,498,975	7,512,927	6,409,435	6,519,643
Pupil transportation	3,466,635	3,272,725	2,207,302	2,040,473
Student activities	1,332,884	1,229,943	979,278	890,850
Community services	2,162	1,031	(5,604)	(1,409)
Interest on long-term debt	4,211,369	4,648,732	3,606,207	4,007,178
Unallocated depreciation	5,604,932	5,612,719	5,604,932	5,612,719
<b>Total governmental activities</b>	<b>\$ 83,357,966</b>	<b>\$ 80,262,267</b>	<b>69,749,222</b>	<b>67,881,952</b>
Less: Grants, subsidies and contributions not restricted			<u>6,179,048</u>	<u>5,830,222</u>
<b>Total needs from local taxes and other revenues</b>			<u><b>\$ 63,570,174</b></u>	<u><b>\$ 62,051,730</b></u>

## THE DISTRICT'S FUNDS

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$27,047,680 which is an increase of \$2 million from the prior year. The primary reasons for this net increase are contained in two specific funds:

### General Fund:

The District experienced a \$1.4 million increase in the General Fund's fund balances. This was a result of local and state revenue exceeding amounts budgeted as well as expenditures coming in under budget in various areas as described previously under Financial Highlights. Of the \$1.4 million increase, \$600,000 was assigned for technology and \$800,000 was assigned for debt service. The unassigned fund balance at June 30, 2016, is 6.89% of total 2015-2016 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. 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 \$632,000. 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, 2016, the District had \$158,583,699 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.

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	
	2016	2015	2016	2015	2016	2015
Land and land improvements	\$ 11,779,101	\$ 11,779,101	\$ -	\$ -	\$ 11,779,101	\$ 11,779,101
Site improvements	11,585,017	12,283,001	-	-	11,585,017	12,283,001
Building and building improvements	128,561,485	133,000,548	-	-	128,561,485	133,000,548
Furniture and equipment	4,975,113	4,985,446	797,301	888,995	5,772,414	5,874,441
Construction-in-progress	885,682	284,960	-	-	885,682	284,960
Total capital assets	<u>\$ 157,786,398</u>	<u>\$ 162,333,056</u>	<u>\$ 797,301</u>	<u>\$ 888,995</u>	<u>\$ 158,583,699</u>	<u>\$ 163,222,051</u>

### DEBT ADMINISTRATION

As of July 1, 2015, the District had total outstanding bond principal of \$119,365,000. The District paid the principal balance remaining in the Series of A of 2009, in addition to scheduled principal payments, for a total of \$7,750,000 resulting in outstanding debt as of June 30, 2016, of \$111,615,000. The District did not issue any new debt during the fiscal year.

Table A-5  
Outstanding Debt

	2015	2016
General Obligation Bonds, Series A of 2009	\$ 3,230,000	\$ -
General Obligation Bonds, Series of 2010	29,525,000	29,340,000
General Obligation Bonds, Series of 2012	7,260,000	6,920,000
General Obligation Bonds, Series of 2013	4,445,000	3,755,000
General Obligation Bonds, Series of 2014	9,990,000	9,985,000
General Obligation Bonds, Series A of 2014	55,900,000	54,245,000
General Obligation Bonds, Series of 2015	9,015,000	7,370,000
	<u>\$ 119,365,000</u>	<u>\$ 111,615,000</u>

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 2016-17 budgeted revenue is approximately \$4 million more than the 2015-16 budgeted revenue. The 2016-17 budget included a millage tax increase of 2.2%. This tax increase, along with additional taxable assessments resulted in an increase in budgeted real estate taxes of \$2.1 million. The remaining major increases in budgeted revenue is a result of an increase in budgeted Basic Educational Subsidy of \$782,000 and the state share of the PSERS reimbursement of \$1 million. The 2016-17 budgeted expenditures and other financing uses is approximately \$4 million more than the 2015-16 budgeted expenditures and other financing uses. While there were increases and decreases in various categories, this net increase is mainly a result of an increase in budgeted salaries of \$1.7 million and an increase in retirement contributions of \$2 million due to the increase in the PSERS contribution rate from 25.84% to 30.03%. The comparisons of revenue and expenditure categories follow:

Table A-6  
BUDGETED REVENUES AND OTHER FINANCING SOURCES

	2015-2016 (actual)	2016-2017
Local	79.67%	78.78%
State	19.38%	20.36%
Federal	.93%	.86%
Other Financing Sources	.02%	-

### BUDGETED EXPENDITURES AND OTHER FINANCING USES

	2015-2016 (actual)	2016-2017
Instructional	53.28%	55.28%
Support Services	29.19%	28.81%
Non-Instructional	1.47%	1.52%
Facilities Acquisition/Fund Transfers/Other	16.06%	14.39%

## 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 G. 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, 2016

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 30,190,661	\$ 1,077,042	\$ 31,267,703
Investments	2,000,000	-	2,000,000
Receivables	5,876,443	255,102	6,131,545
Inventories	-	61,485	61,485
Prepaid expenses	1,556,100	-	1,556,100
Capital assets			
Land, improvements and construction-in-progress	12,664,783	-	12,664,783
Other capital assets, net of depreciation	145,121,615	797,301	145,918,916
Total capital assets	157,786,398	797,301	158,583,699
<b>Total assets</b>	<b>\$ 197,409,602</b>	<b>\$ 2,190,930</b>	<b>\$ 199,600,532</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	\$ 12,797,000	\$ 286,000	\$ 13,083,000
Deferred amounts on refunding debt	103,197	-	103,197
Deferred amounts on cash-flow hedge	8,653,615	-	8,653,615
<b>Total deferred outflows of resources</b>	<b>\$ 21,553,812</b>	<b>\$ 286,000</b>	<b>\$ 21,839,812</b>
<b>Liabilities</b>			
Internal balances	\$ 67,450	\$ (67,450)	\$ -
Accounts payable and accrued expenses	11,440,978	28,540	11,469,518
Unearned revenues	50,550	51,297	101,847
Long-term liabilities			
Due within one year	8,487,764	-	8,487,764
Due in more than 1 year	223,598,050	2,474,000	226,072,050
Total long-term liabilities	232,085,814	2,474,000	234,559,814
<b>Total liabilities</b>	<b>\$ 243,644,792</b>	<b>\$ 2,486,387</b>	<b>\$ 246,131,179</b>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	\$ 680,000	\$ 15,000	\$ 695,000
<b>Net Position</b>			
Net investment in capital assets	\$ 45,494,836	\$ 797,301	\$ 46,292,137
Restricted	8,295,267	-	8,295,267
Unrestricted	(79,151,481)	(821,758)	(79,973,239)
<b>Total net position</b>	<b>\$ (25,361,378)</b>	<b>\$ (24,457)</b>	<b>\$ (25,385,835)</b>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016**

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	\$ 46,569,824	\$ 109,199	\$ 8,608,770	\$ -	\$ (37,851,855)	\$ -	\$ (37,851,855)
Instructional student support	8,209,650	8,359	992,006	-	(7,209,285)	-	(7,209,285)
Administration and financial support	6,461,535	37,860	537,143	-	(5,886,532)	-	(5,886,532)
Operation and maintenance of plant	7,498,975	705,022	384,518	-	(6,409,435)	-	(6,409,435)
Pupil transportation	3,466,635	45,082	1,214,251	-	(2,207,302)	-	(2,207,302)
Student activities	1,332,884	258,265	95,341	-	(979,278)	-	(979,278)
Community services	2,162	-	7,766	-	5,604	-	5,604
Interest on long-term debt	4,211,369	-	-	605,162	(3,606,207)	-	(3,606,207)
Unallocated depreciation	5,604,932	-	-	-	(5,604,932)	-	(5,604,932)
<b>Total governmental activities</b>	<b>83,357,966</b>	<b>1,163,787</b>	<b>11,839,795</b>	<b>605,162</b>	<b>(69,749,222)</b>	<b>-</b>	<b>(69,749,222)</b>
<b>Business-Type Activities:</b>							
Food Service	2,670,486	1,283,292	1,131,426	-	-	(255,768)	(255,768)
<b>Total primary government</b>	<b>\$ 86,028,452</b>	<b>\$ 2,447,079</b>	<b>\$ 12,971,221</b>	<b>\$ 605,162</b>	<b>(69,749,222)</b>	<b>(255,768)</b>	<b>(70,004,990)</b>
<b>General Revenues:</b>							
Property taxes, levied for general purposes, net					\$ 58,151,531	\$ -	\$ 58,151,531
Public utility, realty transfer, earned income, and other taxes for general purposes, net					8,259,254	-	8,259,254
Grants, subsidies and contributions not restricted					6,179,048	5,002	6,184,050
Investment earnings					167,375	4,557	171,932
Transfers					(1,164)	-	(1,164)
Miscellaneous income					149,617	-	149,617
<b>Total general revenues and transfers</b>					<b>72,905,661</b>	<b>9,559</b>	<b>72,915,220</b>
<b>Changes in net position</b>					<b>3,156,439</b>	<b>(246,209)</b>	<b>2,910,230</b>
<b>Net Position - July 1, 2015</b>					<b>(28,517,817)</b>	<b>221,752</b>	<b>(28,296,065)</b>
<b>Net Position - June 30, 2016</b>					<b>\$ (25,361,378)</b>	<b>\$ (24,457)</b>	<b>\$ (25,385,835)</b>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2016**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 23,054,423	\$ 7,136,238	\$ -	\$ 30,190,661
Investments	2,000,000	-	-	2,000,000
Due from other funds	13,563	1,500,000	-	1,513,563
Due from other governments	4,964,174	-	-	4,964,174
Taxes receivable	692,239	-	-	692,239
Other receivables	141,467	65,000	-	206,467
Prepaid expenses	69,802	-	-	69,802
<b>Total assets</b>	<b>\$ 30,935,668</b>	<b>\$ 8,701,238</b>	<b>\$ -</b>	<b>\$ 39,636,906</b>
<b>Liabilities</b>				
Due to other funds	\$ 1,567,450	\$ -	\$ -	\$ 1,567,450
Due to other governments	244,519	-	-	244,519
Accounts payable	1,396,094	491,516	-	1,887,610
Accrued salaries and benefits	7,866,800	-	-	7,866,800
Payroll deductions and withholdings	389,469	-	-	389,469
Unearned revenues	50,550	-	-	50,550
Other current liabilities	65,532	-	-	65,532
<b>Total liabilities</b>	<b>11,580,414</b>	<b>491,516</b>	<b>-</b>	<b>12,071,930</b>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	517,296	-	-	517,296
<b>Fund Balances</b>				
Nonspendable	69,802	-	-	69,802
Restricted	-	8,209,722	-	8,209,722
Committed	11,497,134	-	-	11,497,134
Assigned	1,408,802	-	-	1,408,802
Unassigned	5,862,220	-	-	5,862,220
<b>Total fund balances</b>	<b>18,837,958</b>	<b>8,209,722</b>	<b>-</b>	<b>27,047,680</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 30,935,668</b>	<b>\$ 8,701,238</b>	<b>\$ -</b>	<b>\$ 39,636,906</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, 2016**

<b>Total fund balances - governmental funds</b>		\$ 27,047,680
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in in governmental funds. The cost of assets is \$235,775,153, and the accumulated depreciation is \$77,988,755.		157,786,398
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.		8,653,615
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.		517,296
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.		103,197
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail):		
Deferred outflows		12,797,000
Deferred inflows		(680,000)
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:		
Bonds payable	(111,615,000)	
Lease payable	(266,667)	
Derivative instruments - interest-rate swaps	(8,653,615)	
Accrued interest	(987,048)	
Unamortized:		
Bond premiums	(609,303)	
Bond discounts	95,757	
Net pension liability	(110,492,000)	
Compensated absences	(544,986)	(233,072,862)
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.		80,981
Prepaid other post-employment benefits are not expended in the current period, and therefore, are not reported as an asset in the funds.		1,405,317
<b>Total net position - governmental activities</b>		<u>\$ (25,361,378)</u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS**

**Year Ended June 30, 2016**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>				
Current and interim real estate taxes	\$ 57,556,607	\$ -	\$ -	\$ 57,556,607
Other taxes	8,845,551	-	-	8,845,551
Investment earnings	145,256	22,119	-	167,375
Other local sources	2,357,604	-	-	2,357,604
State sources	16,763,984	-	-	16,763,984
Federal sources	801,809	-	-	801,809
<b>Total revenues</b>	<b>86,470,811</b>	<b>22,119</b>	<b>-</b>	<b>86,492,930</b>
<b>Expenditures</b>				
Instructional	45,323,947	-	-	45,323,947
Support services	24,830,056	-	6,800	24,836,856
Operation of noninstructional services	1,246,638	-	-	1,246,638
Capital outlay	25,750	889,736	-	915,486
Debt service	-	-	12,132,188	12,132,188
<b>Total expenditures</b>	<b>71,426,391</b>	<b>889,736</b>	<b>12,138,988</b>	<b>84,455,115</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>15,044,420</b>	<b>(867,617)</b>	<b>(12,138,988)</b>	<b>2,037,815</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers in	-	1,500,000	12,138,904	13,638,904
Interfund transfers out	(13,640,068)	-	-	(13,640,068)
Insurance recoveries	14,011	-	-	14,011
<b>Total other financing sources (uses)</b>	<b>(13,626,057)</b>	<b>1,500,000</b>	<b>12,138,904</b>	<b>12,847</b>
<b>Net changes in fund balances</b>	<b>1,418,363</b>	<b>632,383</b>	<b>(84)</b>	<b>2,050,662</b>
Fund Balances - July 1, 2015	17,419,595	7,577,339	84	24,997,018
Fund Balances - June 30, 2016	\$ 18,837,958	\$ 8,209,722	\$ -	\$ 27,047,680

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, 2016**

<b>Net changes in fund balances - all governmental funds</b>		\$ 2,050,662
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 depreciation exceeds capital outlays in the period.</p>		
Capital outlays	2,258,023	
Less depreciation expense	<u>(6,804,681)</u>	(4,546,658)
<p>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 increased by this amount this year.</p>		
		8,627
<p>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.</p>		
		22,080
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions		8,664,000
Cost of benefits earned net of employee contributions (pension expense)		<u>(10,666,000)</u>
<p>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.</p>		
Change in compensated absences	(57,943)	
Change in other post-employment benefits	<u>64,195</u>	6,252
<p>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.</p>		
Repayment of long-term debt	7,750,000	
Amortization of bond-issuance premiums	(14,596)	
Amortization of charges for bond refunding	14,068	
Amortization of bond premiums and discounts - net	134,671	
Issuance of capital lease obligation	(326,996)	
Payment of capital lease obligation	<u>60,329</u>	<u>7,617,476</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ 3,156,439</u></u>

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Current and interim real estate taxes	\$ 57,331,956	\$ 57,331,956	\$ 57,556,607	\$ 224,651
Other taxes	8,979,501	8,979,501	8,845,551	(133,950)
Investment earnings	86,000	86,000	145,256	59,256
Other local sources	2,331,445	2,205,356	2,357,604	152,248
State sources	16,360,284	16,482,887	16,763,984	281,097
Federal sources	874,683	878,169	801,809	(76,360)
<b>Total revenues</b>	<b>85,963,869</b>	<b>85,963,869</b>	<b>86,470,811</b>	<b>506,942</b>
<b>Expenditures</b>				
<b>Instructional</b>				
Regular programs	37,233,341	36,696,930	35,831,745	865,185
Special programs	9,083,753	9,072,360	8,617,101	455,259
Vocational programs	698,992	698,992	611,907	87,085
Other instructional programs	788,211	471,875	260,716	211,159
Nonpublic school programs	14,500	14,500	2,478	12,022
<b>Total instructional</b>	<b>47,818,797</b>	<b>46,954,657</b>	<b>45,323,947</b>	<b>1,630,710</b>
<b>Support services</b>				
Pupil personnel services	2,956,012	3,226,708	3,180,337	46,371
Instructional staff services	3,641,865	3,779,259	3,646,035	133,224
Administrative services	4,316,796	4,585,038	4,553,134	31,904
Pupil health	1,012,713	999,053	956,152	42,901
Business services	779,249	743,594	683,649	59,945
Operation and maintenance of plant services	7,880,118	7,914,643	7,442,814	471,829
Student transportation services	3,339,313	3,478,730	3,477,121	1,609
Central support services	812,010	909,691	840,520	69,171
Other support services	52,000	52,000	50,294	1,706
<b>Total support services</b>	<b>24,790,076</b>	<b>25,688,716</b>	<b>24,830,056</b>	<b>858,660</b>
<b>Operation of noninstructional services</b>				
Student activities	1,156,731	1,295,317	1,244,476	50,841
Community services	2,960	2,960	2,162	798
<b>Total operation of noninstructional services</b>	<b>1,159,691</b>	<b>1,298,277</b>	<b>1,246,638</b>	<b>51,639</b>
Capital outlay	-	25,750	25,750	-
<b>Total expenditures</b>	<b>73,768,564</b>	<b>73,967,400</b>	<b>71,426,391</b>	<b>2,541,009</b>
<b>Excess of revenues over expenditures</b>	<b>12,195,305</b>	<b>11,996,469</b>	<b>15,044,420</b>	<b>3,047,951</b>
<b>Other Financing Sources (Uses)</b>				
Interfund transfers out	(12,559,552)	(12,560,716)	(13,640,068)	(1,079,352)
Sale of capital assets	5,000	5,000	-	(5,000)
Insurance recoveries	-	-	14,011	14,011
Budgetary reserve	(200,000)	-	-	-
<b>Total other financing uses</b>	<b>(12,754,552)</b>	<b>(12,555,716)</b>	<b>(13,626,057)</b>	<b>(1,070,341)</b>
<b>Net changes in fund balance</b>	<b>\$ (559,247)</b>	<b>\$ (559,247)</b>	<b>1,418,363</b>	<b>\$ 1,977,610</b>
Fund Balance - July 1, 2015			17,419,595	
Fund Balance - June 30, 2016			\$ 18,837,958	

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE**  
**Year Ended June 30, 2016**

<b>Assets</b>	
Cash and cash equivalents	\$ 1,077,042
Internal balances	67,450
Receivables	
State sources	14,623
Federal sources	216,303
Other	24,176
Inventories	61,485
Capital assets, net of depreciation	797,301
<b>Total assets</b>	<u><u>\$ 2,258,380</u></u>
 <b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	<u><u>\$ 286,000</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 8,241
Accrued salaries and benefits	19,550
Unearned revenues	51,297
Other current liabilities	749
Net pension liability	2,474,000
<b>Total liabilities</b>	<u><u>\$ 2,553,837</u></u>
 <b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	<u><u>\$ 15,000</u></u>
 <b>Net Position</b>	
Net investment in capital assets	\$ 797,301
Unrestricted	(821,758)
<b>Total net position</b>	<u><u>\$ (24,457)</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, 2016**

<hr/>	
Operating Revenues	
Food service revenues	\$ 1,218,311
Charges for services	64,981
<b>Total operating revenues</b>	<u>1,283,292</u>
Operating Expenses	
Salaries	820,171
Employee benefits	571,826
Purchased professional and technical services	24,649
Purchased property services	56,630
Other purchased services	3,582
Supplies	1,040,969
Depreciation	151,859
Dues and fees	800
<b>Total operating expenses</b>	<u>2,670,486</u>
<b>Operating loss</b>	(1,387,194)
Nonoperating Revenues	
Investment earnings	4,557
Contributions and donations - private sources	5,002
State sources	195,030
Federal sources	936,396
<b>Total nonoperating revenues</b>	<u>1,140,985</u>
<b>Change in net position</b>	(246,209)
Net Position - July 1, 2015	221,752
Net Position - June 30, 2016	<u>\$ (24,457)</u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND - FOOD SERVICE  
 Year Ended June 30, 2016**

<b>Cash Flows From Operating Activities</b>	
Cash received from users	\$ 1,226,739
Cash received from other operating revenue	69,947
Cash payments to employees for services	(1,452,784)
Cash payments for goods and services	(1,004,454)
Cash payments for other operating expenses	(800)
<b>Net cash used in operating activities</b>	<u>(1,161,352)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Local Sources	5,002
State sources	187,575
Federal sources	673,352
<b>Net cash provided by noncapital financing activities</b>	<u>865,929</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
<b>Capital outlay</b>	<u>(60,165)</u>
<b>Cash Flows From Investing Activities</b>	
<b>Investment earnings</b>	<u>4,557</u>
<b>Net decrease in cash and cash equivalents</b>	(351,031)
<b>Cash and Cash Equivalents:</b>	
July 1, 2015	<u>1,428,073</u>
June 30, 2016	<u>\$ 1,077,042</u>
<b>Reconciliation of Operating Loss to Net Cash Used  in Operating Activities:</b>	
Operating loss	\$ (1,387,194)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	151,859
Value of donated commodities	141,972
(Increase) decrease in:	
Receivables	(64,634)
Inventories	(6,231)
Deferred outflows of resources	(97,000)
Increase (decrease) in:	
Payables	(99,341)
Accrued salaries and benefits	480
Unearned revenues	1,737
Net pension liability	335,000
Deferred inflows of resources	(138,000)
<b>Net cash used in operating activities</b>	<u>\$ (1,161,352)</u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION  
Year Ended June 30, 2016**

	Private-Purpose Trust Fund	Agency Student Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,122	\$ 108,850	\$ 118,972
Investments	166,792	-	166,792
Due from other funds	-	270	270
Other receivables	398	-	398
Inventory	-	5,797	5,797
<b>Total assets</b>	<u>\$ 177,312</u>	<u>\$ 114,917</u>	<u>\$ 292,229</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 13,833	\$ 13,833
Accounts payable	-	18,524	18,524
Other liabilities	500	-	500
Due to student groups	-	82,560	82,560
<b>Total liabilities</b>	<u>\$ 500</u>	<u>\$ 114,917</u>	<u>\$ 115,417</u>
<b>Net Position</b>			
Held in trust for scholarships	\$ 176,812	\$ -	\$ 176,812
<b>Total net position</b>	<u>\$ 176,812</u>	<u>\$ -</u>	<u>\$ 176,812</u>

See Notes to Financial Statements.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUND  
Year Ended June 30, 2016**

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 1,434
Contributions	7,205
<b>Total additions</b>	<u>8,639</u>
 Deductions	
Scholarships awarded	<u>7,944</u>
<b>Total deductions</b>	<u>7,944</u>
 <b>Changes in net position</b>	 695
 Net Position - July 1, 2015	 <u>176,117</u>
Net Position - June 30, 2016	<u>\$ 176,812</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 tax 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 alters 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.

#### 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 or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

# 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)

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, 2016. 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.

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

Asset Class	Years
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

# 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)

Deferred Outflows of Resources - Pensions: The District recognizes the changes in proportions in the pension plan, the difference between employer contributions and proportionate share of total contributions, and the contributions subsequent to the measurement date June 30, 2015, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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.

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.

# 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)

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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported to PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interfund Activity: 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 - Pensions: The District recognizes the net difference between expected and actual experience and the net difference between projected and actual investment earnings of the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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 4 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 No. 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

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 December 1, 2016, the date the financial statements were available to be issued.

### 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
- 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.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### 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. A summary of the District's deposits as of June 30, 2016, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	Fulton Bank
Insured (FDIC)	5,000	5,000	BB&T Bank
Uninsured, collateralized in accordance with Act 72	33,298,356	33,501,730	Fulton Bank
	<u>\$ 33,553,356</u>	<u>\$ 33,756,730</u>	

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the District does not hold any investments subject to fair value measurements and valuation input classifications.

#### 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.

#### Concentrations-of-Credit Risk

The District places no limits on the amounts invested in any one issuer.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 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 2015-2016 was 18.6409 mills (\$18.6409 per \$1,000 assessed valuation). Lancaster County Tax Claim Bureau collects delinquent taxes for the District.

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

A summary of the taxes receivable and related accounts at June 30, 2016, follows:

	Real Estate		
	Annual	Interim	Total
Gross taxes receivable			
2015	\$ 451,294	\$ 56,104	\$ 507,398
2014 and prior	184,841	-	184,841
Total taxes receivable	636,135	56,104	692,239
Collections received within 60 days recognized as revenue	156,830	18,113	174,943
Unearned tax revenues	\$ 479,305	\$ 37,991	\$ 517,296

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Interfund Balances and Interfund Transfers**

Individual fund receivable and payable balances at June 30, 2016, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ 13,563	\$ 1,567,450
Capital Projects	1,500,000	-
Proprietary Fund		
Food Service	67,450	-
Fiduciary Fund		
Student Activities	270	13,833
	\$ 1,581,283	\$ 1,581,283

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, 2016, are as follows:

Fund	Transfers In	Transfers Out
Governmental Funds		
General	\$ -	\$ 13,640,068
Capital Projects	1,500,000	-
Debt Service	12,138,904	-
Fiduciary Fund		
Student Activities	1,164	-
	\$ 13,640,068	\$ 13,640,068

Transfers and payments within the District are substantially for purposes of 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, 2016, was as follows:

	July 1, 2015	Increases	Decreases	June 30, 2016
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 2,449,170	\$ -	\$ -	\$ 2,449,170
Land improvements	9,329,931	-	-	9,329,931
Construction-in-progress	284,960	1,042,707	(441,985)	885,682
Total capital assets not being depreciated	12,064,061	1,042,707	(441,985)	12,664,783
Capital assets being depreciated				
Site improvements	20,213,495	227,791	-	20,441,286
Buildings and building improvements	183,999,515	230,484	-	184,229,999
Furniture and equipment	18,044,895	1,199,026	(804,836)	18,439,085
Total capital assets being depreciated	222,257,905	1,657,301	(804,836)	223,110,370
Less accumulated depreciation				
Site improvements	7,930,494	925,775	-	8,856,269
Buildings and building improvements	50,998,967	4,669,547	-	55,668,514
Furniture and equipment	13,059,449	1,209,359	(804,836)	13,463,972
Total accumulated depreciation	71,988,910	6,804,681	(804,836)	77,988,755
Total capital assets being depreciated, net	150,268,995	(5,147,380)	-	145,121,615
Total Governmental Activities, Capital Assets - Net	\$ 162,333,056	\$ (4,104,673)	\$ (441,985)	\$ 157,786,398
<b>Business-Type Activities:</b>				
Capital assets being depreciated, equipment				
	\$ 2,672,351	\$ 60,165	\$ -	\$ 2,732,516
Less accumulated depreciation, equipment				
	1,783,356	151,859	-	1,935,215
Total Business-Type Activities, Capital Assets - Net	\$ 888,995	\$ (91,694)	\$ -	\$ 797,301

# 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
Governmental Activities:	
Instruction	\$ 606,214
Instructional student support	220,440
Administration and financial support	106,283
Operation and maintenance of plant	193,603
Pupil transportation	14,094
Student activities	59,115
Unallocated depreciation	5,604,932
Total Governmental Activities	<u>6,804,681</u>
Business-Type Activities:	
Food Service	151,859
Total Primary Government	<u>\$ 6,956,540</u>

### Note 7. Deferred Outflows Related to Cash-Flow Hedge

During the fiscal year ended June 30, 2016, deferred outflows related to cash-flow hedge are as follows:

	Amount
Deferred Amounts on Swap Refunding	\$ 6,953,069
Swap Fair Value-At-the-Market	1,700,546
Deferred outflows related to cash-flow hedge	<u>\$ 8,653,615</u>

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Obligations

During the fiscal year ended June 30, 2016, general long-term obligations changed as follows:

	Balances			Balances	
	July 1, 2015	Increases	Decreases	June 30, 2016	Due within One Year
<b>General Obligation Bonds</b>					
Series A of 2009	\$ 3,230,000	\$ -	\$ (3,230,000)	\$ -	\$ -
Series of 2010	29,525,000	-	(185,000)	29,340,000	5,000
Series of 2012	7,260,000	-	(340,000)	6,920,000	345,000
Series of 2013	4,445,000	-	(690,000)	3,755,000	705,000
Series of 2014	9,990,000	-	(5,000)	9,985,000	5,000
Series A of 2014	55,900,000	-	(1,655,000)	54,245,000	5,235,000
Series of 2015	9,015,000	-	(1,645,000)	7,370,000	2,130,000
Bond premiums (discounts), net of amortization	648,217	-	(134,671)	513,546	-
<b>Total General Obligation Debt</b>	<b>120,013,217</b>	<b>-</b>	<b>(7,884,671)</b>	<b>112,128,546</b>	<b>8,425,000</b>
<b>Derivative instrument - interest-rate swap</b>					
	8,545,580	108,035	-	8,653,615	-
Lease-purchase obligation	-	326,996	(60,329)	266,667	62,764
Compensated absences	487,043	57,943	-	544,986	-
Net pension liability	100,020,000	12,946,000	-	112,966,000	-
<b>Total General Long-Term Obligations</b>	<b>\$ 229,065,840</b>	<b>\$ 13,438,974</b>	<b>\$ (7,945,000)</b>	<b>\$ 234,559,814</b>	<b>\$ 8,487,764</b>

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 bore annual interest rates ranging from 2.00% to 3.125%. Interest was payable semi-annually, and the bonds matured serially in amounts ranging from \$100,000 to \$3,230,000 through 2016. During 2016, the bonds were paid in full.

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 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.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

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.

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.

General Obligation Bonds – Series A of 2014 - On October 1, 2014, the District issued General Obligation Bonds – Series A of 2014, in the principal amount of \$57,500,000. The proceeds of the Bonds were used to refund and retire the General Obligation Notes – Series of 2011, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$322,470. The bonds bear interest at a variable rate which is re-determined weekly by the remarketing agent. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$1,000,000 to \$8,235,000 through 2025.

General Obligation Bonds - Series of 2015 - On March 3, 2015, the District issued General Obligation Bonds - Series of 2015, in the principal amount of \$9,070,000. The proceeds of the Bonds were used to refund the General Obligation Bonds - Series of 2008 and General Obligation Bonds – Series B of 2009, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$440,950. The bonds bear annual interest rates ranging from .25% to 3.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$55,000 to \$2,245,000 through 2019.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### Derivative Instruments

On December 14, 2011, the District entered into an interest- rate swap agreement, which is outstanding as of June 30, 2016. The agreement is a floating-to-fixed rate swap requiring the District pay a fixed interest rate of 4.02650 percent and the 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 General Obligation Bonds – Series A of 2014 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, 2016, classification, and the change in the fair value of such derivative instrument for the fiscal year ended as reported in the 2015 financials are as follows:

	Change in Fair Value		Fair Value at June 30, 2016		Notional
	Classification	Amount	Classification	Amount	at June 30, 2016
<b>Governmental Activities</b>					
<b>Cash-flow hedge:</b>					
Pay-fixed, interest-rate swap	Deferred Outflows of Resources	\$ 108,035	Noncurrent Assets	\$ 8,653,615	\$ 53,880,000

#### Fair Values

The District categorizes its fair value measurements for assets and liabilities within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the instrument. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Presently, the District classifies these derivative financial instruments in Level 3.

#### Credit Risk

As of June 30, 2016, 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.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### 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
2016-2017	\$ 8,425,000	\$ 4,426,169	\$ 12,851,169
2017-2018	8,730,000	4,107,286	12,837,286
2018-2019	9,005,000	3,757,204	12,762,204
2019-2020	9,105,000	3,411,777	12,516,777
2020-2021	9,650,000	3,062,305	12,712,305
2021-2026	55,250,000	8,858,576	64,108,576
2026-2031	10,470,000	738,925	11,208,925
2031-2033	980,000	48,840	1,028,840
	<u>\$ 111,615,000</u>	<u>\$ 28,411,082</u>	<u>\$ 140,026,082</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:

<u>Assets</u>	<u>Amount</u>
Copiers	\$ 326,996
Less: accumulated depreciation	(65,399)
Total copiers - net book value	<u>\$ 261,597</u>

The following is a schedule of the future, minimum-lease payments due under the lease-purchase obligation as June 30, 2016:

<u>Years</u>	<u>Amount</u>
2016-2017	\$ 72,204
2017-2018	72,204
2018-2019	72,204
2019-2020	72,204
Total minimum lease payments	<u>288,816</u>
Less: amount representing interest	(22,149)
Total present value of net minimum lease payments	<u>\$ 266,667</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 30th are as follows:

Year	Amount
2017	\$ 130,415
2018	144,914
2019	144,748
2020	144,709
2021	144,924
2021-2026	724,361
2027-2031	723,598
2031-2036	724,258
2036-2037	144,654
	<u>\$ 3,026,581</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 related to 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, 2016, the committed funds are as follows:

<u>Description of committed</u>	<u>Amount</u>
General Obligation Bonds debt service reserve	\$ 3,861,135
PSERS/Medical benefits cost reserve	6,050,000
Technology	1,500,000
High school signage and other projects	50,182
Dental service fund	22,411
Social service fund	8,397
Bucher Garden	2,177
Schaeffer Garden	2,832
	<u><u>\$ 11,497,134</u></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, 2016, the assigned funds are as follows:

<u>Description of assigned</u>	<u>Amount</u>
General Obligation Bonds debt service reserve	\$ 800,000
Technology	600,000
Other assigned revenue	8,802
	<u><u>\$ 1,408,802</u></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. Defined Benefit Pension Plan**

#### Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

#### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. 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 member's 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 member's 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 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class 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 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

##### Employer Contributions:

The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2016, the District's rate of contribution was 25.84% of covered payroll. The 25.84% rate is composed of a pension contribution rate of 25.00% for pension benefits and 0.84% 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, 2016, 2015, and 2014, were \$9,167,503, \$7,215,581, and \$5,289,650 respectively, and are equal to the required contributions for said years. For the year ended June 30, 2016 the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$4,576,811.

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

At June 30, 2016, the District reported a liability of \$112,966,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.2608 percent, which was an increase of 0.0081 percent from its proportion measured as of June 30, 2014.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Note. 11 Defined-Benefit Pension Plan (Continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$10,920,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 466,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	229,000
Changes in proportions	4,025,000	-
Difference between employer contributions and proportionate share of total contributions	189,000	-
Contributions subsequent to the measurement date	8,869,000	-
	<u>\$ 13,083,000</u>	<u>\$ 695,000</u>

\$8,869,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Years	Amount
2016-2017	\$ 509,000
2017-2018	509,000
2018-2019	509,000
2019-2020	1,987,000
2020-2021	5,000
	<u>\$ 3,519,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurements:

- Actuarial Cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00% real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Defined-Benefit Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2015, valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011, PSERS Board meeting, and were effective beginning with the June 30, 2011, actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	<u>100.0%</u>	

The above table was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Defined-Benefit Pension Plan (Continued)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 139,242,000	\$ 112,966,000	\$ 90,882,000

#### Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

#### Plan Payables

At June 30, 2016, the District has payables to the PSERS pension plan of \$3,819,021. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2016.

### 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 2015-2016 was \$11.6 million. The total paid during 2015-2016 before reinsurance reimbursements of \$165,667 was \$8,049,708.

## 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 19 members in 2015-2016. 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 \$450,000 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 \$200,289 for the 2015-2016 year.

#### **Note 14. 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, 2016, there were two 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, four full-time teachers retired and were paid stipends which totaled \$20,000.

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 \$10,000. No specialists retired during the current year.

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. Two support staff members meeting the requirement retired during the current year and were paid stipends which totaled \$3,500.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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

The District maintains a single-employer, post-employment, defined-benefit plan. The plan description and funding policy for the District is summarized in the chart below:

**Medical Coverage**

Description	Fully insured with an option of PPO plans, fully insured dental
Eligibility	<p>Employees who retire from active service:</p> <ul style="list-style-type: none"> <li>• Administrators who are at least 55 years old with at least 5 years of service with Manheim Township School District</li> <li>• Teachers and Specialists who are at least 55 years old with at least 15 years of service with Manheim Township School District</li> <li>• Support Staff who are at least 55 years old with at least 10 years of service with Manheim Township School District</li> </ul>
Period of Coverage	
Retiree	Until Age 65
Spouse	Until Retiree's Age 65 or Spouse's Age 65, whichever is first
Dependents	Until Retiree's Age 65
Coverage	
Until Age 65	Medical coverage provided to active employees is continued for eligible retirees, spouses and dependents
Over Age 65	None
Contributions	
Employer	<ul style="list-style-type: none"> <li>• Administrators – School district pays full cost of medical and dental</li> <li>• Teachers – School district pays full cost of medical less retiree payment (\$100 per month for single coverage, \$130 per month for 2-party coverage and \$160 per month for family coverage, plus the increase in premium before implicit rate subsidy). Effective for teachers who retired on or after July 1, 2009, the District shall contribute \$400 per month (\$4,800 annually) toward the retiree's coverage.</li> <li>• Specialist - Effective for employees who retire on or after July 1, 2009 the District shall contribute \$400 per month (\$4,800 annually) toward the retiree's coverage.</li> <li>• Support Staff – No employer contributions</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Administrators – No employee contributions</li> <li>• Teachers – Monthly payments of \$100 per month for single coverage, \$130 for 2-party coverage and \$160 for family coverage, plus the increase in premium before implicit rate subsidy adjustment. Effective for employees who retire on or after July 1, 2009, the retiree shall contribute any costs in excess of \$400 per month (\$4,800 annually).</li> <li>• Specialist - Effective for employees who retire on or after July 1, 2009, the retiree shall contribute any costs in excess of \$400 per month (\$4,800 annually).</li> <li>• Support Staff – Employee pays full cost of medical</li> </ul>

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.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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

**Life Insurance Coverage**

Description	Continuance of employee’s life insurance policy until age 65 (two times salary). The policy is reduced to \$25,000 between ages 65 and 70 and eliminated after age 70.
Eligibility	Administrators who are at least 55 years old and who retire with at least 5 years of service with Manheim Township School District.

Funding Policy

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, 2016, 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, 2014. 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	\$ 898,311
Plus adjustment to the annual required contribution	27,180
Annual OPEB cost	<u>925,491</u>
Amounts contributed:	
Payments of current premiums and claims	(989,686)
Advance funding	-
Decrease in net OPEB obligation	<u>(64,195)</u>
OPEB obligation (prepayment) - beginning of year	(1,341,122)
OPEB obligation (prepayment) - end of year	<u><u>\$ (1,405,317)</u></u>

The required schedule of funding progress immediately following the notes to the financial statements presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

# MANHEIM TOWNSHIP SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

#### Annual OPEB Cost

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, 2014	\$ 1,109,482	131.3%	\$ (1,261,232)
June 30, 2015	\$ 925,480	108.6%	\$ (1,341,122)
June 30, 2016	\$ 925,491	106.9%	\$ (1,405,317)

#### 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, 2014 actuarial valuation, the Unit Credit Actuarial Cost Method was used. Under this method the benefits (projected or unprojected) of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial assumptions include an annual healthcare cost-trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. Both rates included a 4% inflation assumption. The UAAL is being amortized over twenty-five years under the level dollar method over a weighted average of the average future service of active employees for similar plans.

A separate, audited, GAAP basis, post-employment benefit plan report is not issued.

# 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 2.2%. 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, 2016, the District paid \$611,907 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, 2016, the District paid \$36,124 for its allotted ten slots.

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
2016-2017	\$ 467,188
2017-2018	434,384
	<u>\$ 901,572</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 an agreement with Brightbill Transportation, Inc. (Brightbill) for the transportation of students residing within the District. The agreement expires on June 30, 2019. Current-year expenditures for basic transportation amounted to approximately \$2.9 million with pricing for subsequent years to increase by the Pennsylvania Department of Education transportation-cost index, but not less than 2.5%.

#### **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, 2016, the District did not incur any significant losses that were not covered by insurance.

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

On November 22, 2016, the District signed a commitment with Fulton Bank for a 2.20% Bank Note, in the amount of \$9,995,000, for the purpose of refunding a portion of the General Obligation Bonds, Series of 2010. Settlement will be held on or before December 31, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
 POST-EMPLOYMENT BENEFITS PLAN  
 Year Ended June 30, 2016**

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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)
7/1/2014	\$ -	\$ 8,151,739	\$ 8,151,739	0.00%	\$30,329,144	26.88%
7/1/2012	\$ -	\$10,562,847	\$10,562,847	0.00%	\$28,609,494	36.92%
7/1/2010	\$ -	\$11,583,054	\$11,583,054	0.00%	\$28,969,547	39.98%

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF  
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Year Ended June 30, 2016**

	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.2608%	0.2527%
District's proportionate share of the net pension liability	<u>\$ 112,966,000</u>	<u>\$ 100,020,000</u>
District's covered-employee payroll	<u>\$ 33,560,737</u>	<u>\$ 32,248,532</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	336.60%	310.15%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF  
DISTRICT'S PENSION CONTRIBUTIONS  
Year Ended June 30, 2016**

	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 8,662,259	\$ 6,712,710
Contributions in relation to the contractually required contribution	<u>(8,662,259)</u>	<u>(6,712,710)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 33,374,247</u>	<u>\$ 33,513,122</u>
Contributions as a percentage of covered-employee payroll	25.95%	20.03%

**SUPPLEMENTARY INFORMATION**

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS**  
**Year Ended June 30, 2016**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 156,479	\$ 6,979,759	\$ 7,136,238
Accounts receivable	-	65,000	65,000
Due from other funds	-	1,500,000	1,500,000
<b>Total assets</b>	<b>\$ 156,479</b>	<b>\$ 8,544,759</b>	<b>\$ 8,701,238</b>
<b>Liabilities</b>			
Accounts payable	\$ 156,025	\$ 335,491	\$ 491,516
<b>Total liabilities</b>	<b>156,025</b>	<b>335,491</b>	<b>491,516</b>
<b>Fund Balances</b>			
Restricted	454	8,209,268	8,209,722
<b>Total fund balances</b>	<b>454</b>	<b>8,209,268</b>	<b>8,209,722</b>
<b>Total liabilities and fund balances</b>	<b>\$ 156,479</b>	<b>\$ 8,544,759</b>	<b>\$ 8,701,238</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, 2016**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
<b>Revenues</b>			
Investment earnings	\$ 454	\$ 21,665	\$ 22,119
<b>Total revenues</b>	<b>454</b>	<b>21,665</b>	<b>22,119</b>
<b>Expenditures</b>			
Capital outlay	-	889,736	889,736
<b>Total expenditures</b>	<b>-</b>	<b>889,736</b>	<b>889,736</b>
<b>Other Financing Sources</b>			
Interfund transfers in	-	1,500,000	1,500,000
<b>Total other financing sources</b>	<b>-</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>Net changes in fund balances</b>	<b>454</b>	<b>631,929</b>	<b>632,383</b>
Fund Balances - July 1, 2015	-	7,577,339	7,577,339
Fund Balances - June 30, 2016	\$ 454	\$ 8,209,268	\$ 8,209,722

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Local Sources</b>				
Current real estate taxes	\$ 56,931,956	\$ 56,931,956	\$ 57,186,883	\$ 254,927
Interim real estate taxes	400,000	400,000	369,724	(30,276)
Public utility realty tax	79,000	79,000	73,848	(5,152)
Payment in lieu of taxes	185,501	185,501	185,501	-
<b>Current Act 511 taxes</b>				
Local services tax	240,000	240,000	258,295	18,295
Earned income	6,900,000	6,900,000	6,686,508	(213,492)
Real estate transfer	1,200,000	1,200,000	1,240,603	40,603
Delinquent taxes	375,000	375,000	400,796	25,796
Investment earnings	86,000	86,000	145,256	59,256
Revenue from student activities	222,500	222,500	168,695	(53,805)
<b>Revenue from intermediate sources</b>				
Federal funds	739,000	739,000	818,993	79,993
Rentals	553,000	576,805	641,509	64,704
<b>Contributions, donations and grants</b>				
from private sources	-	123,581	123,581	-
Tuition from patrons	38,396	38,396	37,747	(649)
Receipts from other LEAs	15,000	69,900	69,896	(4)
Services provided other LEAs	30,464	45,082	45,082	-
Miscellaneous revenues	733,085	390,092	452,101	62,009
<b>Total revenues from local sources</b>	<b>68,728,902</b>	<b>68,602,813</b>	<b>68,905,018</b>	<b>302,205</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues (Continued)</b>				
<b>State Sources</b>				
Basic instructional subsidy	4,733,293	4,733,293	5,070,486	337,193
Tuition for orphans and children placed in private homes (Sec 1305 and 1306)	52,741	52,741	59,034	6,293
Migratory children	40	40	-	(40)
Special education of exceptional pupils	2,373,965	2,373,965	2,382,494	8,529
Transportation	1,183,542	1,183,542	1,174,882	(8,660)
Rental and sinking fund payments	604,131	604,131	605,162	1,031
Health services	119,500	119,500	117,850	(1,650)
State property tax reduction allocation	1,108,562	1,108,562	1,108,562	-
Ready to learn grant	351,434	474,037	474,037	-
Revenue for social security payments	1,332,429	1,332,429	1,300,435	(31,994)
Revenue for retirement payments	4,500,647	4,500,647	4,471,042	(29,605)
<b>Total revenues from state sources</b>	<b>16,360,284</b>	<b>16,482,887</b>	<b>16,763,984</b>	<b>281,097</b>
<b>Federal Sources</b>				
Title I improving academic achievement	546,990	546,990	534,356	(12,634)
Title II improving teacher quality	85,715	85,715	84,807	(908)
Title III language instruction for limited English proficient	46,764	50,250	50,250	-
Federal Emergency Management Funding	-	-	69,373	69,373
Medical assistance	195,214	195,214	63,023	(132,191)
<b>Total revenues from Federal sources</b>	<b>874,683</b>	<b>878,169</b>	<b>801,809</b>	<b>(76,360)</b>
<b>Total revenues</b>	<b>85,963,869</b>	<b>85,963,869</b>	<b>86,470,811</b>	<b>506,942</b>
<b>Other Financing Sources</b>				
Sale of capital assets	5,000	5,000	-	(5,000)
Insurance recoveries	-	-	14,011	14,011
<b>Total revenues from other financing sources</b>	<b>5,000</b>	<b>5,000</b>	<b>14,011</b>	<b>9,011</b>
<b>Total revenues and other financing sources</b>	<b>\$ 85,968,869</b>	<b>\$ 85,968,869</b>	<b>\$ 86,484,822</b>	<b>\$ 515,953</b>

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
Instructional				
Regular programs				
Salaries	\$ 21,417,223	\$ 21,112,205	\$ 20,937,823	\$ 174,382
Employee benefits	12,464,526	12,395,018	11,983,219	411,799
Purchased professional and technical services	775,444	646,578	619,294	27,284
Purchased property services	205,971	189,856	148,193	41,663
Other purchased services	1,040,086	977,719	833,188	144,531
Supplies	755,931	708,564	662,733	45,831
Property	557,490	637,419	621,078	16,341
Other objects	16,670	29,571	26,217	3,354
<b>Total regular programs</b>	<b>37,233,341</b>	<b>36,696,930</b>	<b>35,831,745</b>	<b>865,185</b>
Special programs				
Salaries	3,633,491	3,629,693	3,569,277	60,416
Employee benefits	2,163,819	2,151,704	1,871,618	280,086
Purchased professional and technical services	2,443,808	2,260,488	2,159,369	101,119
Purchased property services	4,000	10,818	6,817	4,001
Other purchased services	712,400	945,450	945,422	28
Supplies	33,035	35,568	28,366	7,202
Property	16,200	30,803	30,396	407
Other objects	77,000	7,836	5,836	2,000
<b>Total special programs</b>	<b>9,083,753</b>	<b>9,072,360</b>	<b>8,617,101</b>	<b>455,259</b>
Vocational programs				
Other purchased services	698,992	698,992	611,907	87,085
<b>Total vocational programs</b>	<b>698,992</b>	<b>698,992</b>	<b>611,907</b>	<b>87,085</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Instructional (Continued)				
Other instructional programs				
Salaries	214,227	129,999	104,848	25,151
Employee benefits	88,584	88,584	45,818	42,766
Purchased professional and technical services	45,600	30,600	21,371	9,229
Other purchased services	52,000	82,000	49,727	32,273
Supplies	37,800	37,800	37,403	397
Property	-	1,549	1,549	-
Other objects	350,000	101,343	-	101,343
<b>Total other instructional programs</b>	<b>788,211</b>	<b>471,875</b>	<b>260,716</b>	<b>211,159</b>
Nonpublic school programs				
Purchased professional and technical services	14,500	14,500	2,478	12,022
<b>Total nonpublic school programs</b>	<b>14,500</b>	<b>14,500</b>	<b>2,478</b>	<b>12,022</b>
<b>Total instructional</b>	<b>47,818,797</b>	<b>46,954,657</b>	<b>45,323,947</b>	<b>1,630,710</b>
Support services				
Pupil personnel services				
Salaries	1,748,665	1,970,358	1,959,565	10,793
Employee benefits	1,022,214	1,056,214	1,038,587	17,627
Purchased professional and technical services	119,224	123,895	121,689	2,206
Purchased property services	3,500	6,106	5,467	639
Other purchased services	11,100	13,100	6,390	6,710
Supplies	48,459	46,029	39,462	6,567
Property	1,500	9,856	8,263	1,593
Other objects	1,350	1,150	914	236
<b>Total pupil personnel services</b>	<b>2,956,012</b>	<b>3,226,708</b>	<b>3,180,337</b>	<b>46,371</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued)</b>				
Support services (Continued)				
Instructional staff services				
Salaries	2,071,988	2,150,328	2,103,796	46,532
Employee benefits	1,104,374	1,121,374	1,110,166	11,208
Purchased professional and technical services	196,982	105,284	51,100	54,184
Purchased property services	12,100	33,858	25,171	8,687
Other purchased services	58,175	111,375	107,606	3,769
Supplies	158,070	211,252	208,137	3,115
Property	32,277	38,889	37,873	1,016
Other objects	7,899	6,899	2,186	4,713
<b>Total instructional staff services</b>	<b>3,641,865</b>	<b>3,779,259</b>	<b>3,646,035</b>	<b>133,224</b>
Administrative services				
Salaries	2,496,978	2,534,828	2,521,219	13,609
Employee benefits	1,467,016	1,499,862	1,492,688	7,174
Purchased professional and technical services	247,369	422,951	417,998	4,953
Purchased property services	3,000	5,306	4,232	1,074
Other purchased services	40,700	38,710	38,710	-
Supplies	29,811	42,670	41,212	1,458
Property	5,350	11,639	11,056	583
Other objects	26,572	29,072	26,019	3,053
<b>Total administrative services</b>	<b>4,316,796</b>	<b>4,585,038</b>	<b>4,553,134</b>	<b>31,904</b>
Pupil health				
Salaries	551,927	538,227	524,689	13,538
Employee benefits	263,179	263,179	254,832	8,347
Purchased professional and technical services	177,032	176,759	158,309	18,450
Purchased property services	755	1,068	313	755
Other purchased services	1,050	1,050	191	859
Supplies	11,070	12,070	12,014	56
Property	7,700	6,700	5,804	896
<b>Total pupil health</b>	<b>1,012,713</b>	<b>999,053</b>	<b>956,152</b>	<b>42,901</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)  
 Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued)</b>				
<b>Support services (Continued)</b>				
<b>Business services</b>				
Salaries	437,256	396,384	392,857	3,527
Employee benefits	260,025	260,025	215,651	44,374
Purchased professional and technical services	40,928	63,457	56,521	6,936
Purchased property services	5,000	3,677	1,368	2,309
Other purchased services	11,200	10,200	8,875	1,325
Supplies	7,940	7,940	6,466	1,474
Property	15,400	-	-	-
Other objects	1,500	1,911	1,911	-
<b>Total business services</b>	<b>779,249</b>	<b>743,594</b>	<b>683,649</b>	<b>59,945</b>
<b>Operation and maintenance of plant services</b>				
Salaries	2,085,764	2,031,322	1,953,485	77,837
Employee benefits	1,408,116	1,394,116	1,292,127	101,989
Purchased professional and technical services	224,870	357,658	347,815	9,843
Purchased property services	2,037,803	2,089,956	1,994,544	95,412
Other purchased services	423,581	404,721	370,476	34,245
Supplies	1,528,464	1,464,714	1,314,037	150,677
Property	169,900	169,800	167,980	1,820
Other objects	1,620	2,356	2,350	6
<b>Total operation and maintenance of plant services</b>	<b>7,880,118</b>	<b>7,914,643</b>	<b>7,442,814</b>	<b>471,829</b>
<b>Student transportation services</b>				
Salaries	103,818	103,818	102,736	1,082
Employee benefits	59,262	65,262	64,877	385
Purchased professional and technical services	4,000	7,080	7,080	-
Purchased property services	43,200	39,682	39,681	1
Other purchased services	3,005,333	3,216,540	3,216,540	-
Supplies	93,200	14,493	14,493	-
Property	30,000	31,355	31,355	-
Other objects	500	500	359	141
<b>Total student transportation services</b>	<b>3,339,313</b>	<b>3,478,730</b>	<b>3,477,121</b>	<b>1,609</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued)</b>				
Support services (Continued)				
Central support services				
Salaries	390,263	361,866	361,047	819
Employee benefits	195,447	195,447	192,617	2,830
Purchased professional and technical services	143,250	248,689	215,270	33,419
Purchased property services	2,000	2,000	1,499	501
Other purchased services	60,600	83,784	52,587	31,197
Supplies	14,350	15,305	15,281	24
Property	3,500	-	-	-
Other objects	2,600	2,600	2,219	381
<b>Total central support services</b>	<b>812,010</b>	<b>909,691</b>	<b>840,520</b>	<b>69,171</b>
Other support services				
Other purchased services	52,000	52,000	50,294	1,706
<b>Total other support services</b>	<b>52,000</b>	<b>52,000</b>	<b>50,294</b>	<b>1,706</b>
<b>Total support services</b>	<b>24,790,076</b>	<b>25,688,716</b>	<b>24,830,056</b>	<b>858,660</b>
Operation of noninstructional services				
Student activities				
Salaries	604,767	615,458	613,121	2,337
Employee benefits	205,310	265,040	244,733	20,307
Purchased professional and technical services	95,688	93,916	82,532	11,384
Purchased property services	33,025	26,836	26,808	28
Other purchased services	95,060	123,977	123,977	-
Supplies	74,900	109,995	99,750	10,245
Property	16,500	18,564	14,037	4,527
Other objects	31,481	41,531	39,518	2,013
<b>Total student activities</b>	<b>1,156,731</b>	<b>1,295,317</b>	<b>1,244,476</b>	<b>50,841</b>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures (Continued)</b>				
Operation of noninstructional services (Continued)				
Community services				
Purchased professional and technical services	500	500	307	193
Other purchased services	1,000	694	125	569
Supplies	1,460	1,766	1,730	36
<b>Total community services</b>	<b>2,960</b>	<b>2,960</b>	<b>2,162</b>	<b>798</b>
<b>Total operation of noninstructional services</b>	<b>1,159,691</b>	<b>1,298,277</b>	<b>1,246,638</b>	<b>51,639</b>
Capital outlay				
Purchased property services	-	25,750	25,750	-
<b>Total capital outlay</b>	<b>-</b>	<b>25,750</b>	<b>25,750</b>	<b>-</b>
<b>Total expenditures</b>	<b>73,768,564</b>	<b>73,967,400</b>	<b>71,426,391</b>	<b>2,541,009</b>
Other Financing Uses				
Interfund transfers out	12,559,552	12,560,716	13,640,068	(1,079,352)
Budgetary reserve	200,000	-	-	-
<b>Total other financing uses</b>	<b>12,759,552</b>	<b>12,560,716</b>	<b>13,640,068</b>	<b>(1,079,352)</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 86,528,116</b>	<b>\$ 86,528,116</b>	<b>\$ 85,066,459</b>	<b>\$ 1,461,657</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, 2016, 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 December 1, 2016

**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  
December 1, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

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 *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, 2016. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

## **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 the Uniform Guidance, 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 the Uniform Guidance. 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  
December 1, 2016



**MANHEIM TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2016**

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
	<b>Child Nutrition Cluster</b>
10.553	School Breakfast Program
10.555	Nation School Lunch Program
10.555	National School Lunch Program –Food Donation

Dollar threshold used to distinguish between  
type A and type B programs \$750,000

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 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016

	Federal C.F.D.A. Number	Pass- Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) for the Year	Accrued (Deferred) Revenue at 7/1/2015	Revenue Recognized	Expenditures Recognized	Accrued (Deferred) Revenue at 6/30/2016	Provided to Subrecipients
<b>U.S. Department of Education</b>										
Passed through the Pennsylvania Department of Education										
Title I - Improving Basic Programs	84.010	13-150237	8/6/14-9/30/16	\$ 527,811	\$ 137,104	\$ 72,895	\$ 59,543	\$ 59,543	\$ (4,666)	\$ -
Title I - Improving Basic Programs	84.010	13-160237	9/1/15-9/30/17	\$ 516,628	434,421	-	474,814	474,814	40,393	-
					<u>571,525</u>	<u>72,895</u>	<u>534,357</u>	<u>534,357</u>	<u>35,727</u>	<u>-</u>
Title II - Improving Teacher Quality	84.367	20-150237	8/6/14-9/30/15	\$ 85,457	(258)	(258)	-	-	-	-
Title II - Improving Teacher Quality	84.367	20-160237	9/1/15-9/30/16	\$ 84,807	84,807	-	84,807	84,807	-	-
					<u>84,549</u>	<u>(258)</u>	<u>84,807</u>	<u>84,807</u>	<u>-</u>	<u>-</u>
Title III - Language Instruction for Limited English Proficient and Immigrant Students	84.365	10-150237	8/6/14-9/30/16	\$ 46,764	13,361	10,365	2,996	2,996	-	-
Title III - Language Instruction for Limited English Proficient and Immigrant Students	84.365	10-160237	9/1/15-9/30/16	\$ 47,254	47,254	-	47,254	47,254	-	-
					<u>60,615</u>	<u>10,365</u>	<u>50,250</u>	<u>50,250</u>	<u>-</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education					<u>716,689</u>	<u>83,002</u>	<u>669,414</u>	<u>669,414</u>	<u>35,727</u>	<u>-</u>
Passed through the Intermediate Unit 1:										
Special Education - Grants to States *	84.027	062-150032	10/1/14-6/30/15	\$ 8,000	6,809	6,809	-	-	-	-
Total passed through the Intermediate Unit 1					<u>6,809</u>	<u>6,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Passed through the Lancaster-Lebanon Intermediate unit No. 13:										
Special Education - Grants to States - On-Behalf Services *	84.027	062-160013	7/1/15-9/30/16	\$ 173,889	173,889	-	173,889	173,889	-	-
Special Education - Grants to States - Pass-Thru*	84.027	062-160013	7/1/15-9/30/16	\$ 548,453	548,453	-	548,453	548,453	-	-
Early Intervention - Special Education Preschool Grants *	84.173	131-150013	7/1/15-6/30/16	\$ 4,176	4,176	-	4,176	4,176	-	-
Race to the Top - Phase 3 (RTT3)	84.413A	B413A12004	7/1/12-6/30/16	\$ 30,373	899	899	-	-	-	-
Total passed through the Lancaster-Lebanon Intermediate Unit No. 13					<u>727,417</u>	<u>899</u>	<u>726,518</u>	<u>726,518</u>	<u>-</u>	<u>-</u>
<b>Total U.S. Department of Education</b>					<u>1,450,915</u>	<u>90,710</u>	<u>1,395,932</u>	<u>1,395,932</u>	<u>35,727</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>										
Passed through the Pennsylvania Emergency Management Agency										
Public Assistance Grants	97.036	FEMA-4267-PA-071	N/A	\$ 69,373	-	-	69,373	69,373	69,373	-
<b>Total U.S. Department of Homeland Security</b>					<u>-</u>	<u>-</u>	<u>69,373</u>	<u>69,373</u>	<u>69,373</u>	<u>-</u>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
Year Ended June 30, 2016

	Federal C.F.D.A. Number	Pass- Through Grantor's Number	Grant Period	Program or Annual Award	Total Received (Refunded) for the Year	Accrued (Deferred) Revenue at 7/1/2015	Revenue Recognized	Expenditures Recognized	Accrued (Deferred) Revenue at 6/30/2016	Provided to Subrecipients
<b>U. S. Department of Health and Human Services</b>										
Passed through the Pennsylvania Department of Public Welfare:										
Medicaid Cluster										
Medical Assistance Reimbursement for Administration	93.778	N/A	10/1/14-9/30/15	\$ 3,175	363	363	-	-	-	-
Medical Assistance Reimbursement for Administration	93.778	N/A	10/1/15-9/30/16	\$ 2,582	1,440	-	2,582	2,582	1,142	-
Total Medicaid Cluster					1,803	363	2,582	2,582	1,142	-
<b>Total U.S. Department of Health and Human Services</b>					1,803	363	2,582	2,582	1,142	-
<b>U.S. Department of Agriculture</b>										
Passed through the Pennsylvania Department of Education										
National School Lunch Program **	10.555	N/A	7/1/14-6/30/15	N/A	76,929	76,929	-	-	-	-
National School Lunch Program **	10.555	N/A	7/1/15-6/30/16	N/A	463,231	-	632,493	632,493	169,262	-
					540,160	76,929	632,493	632,493	169,262	-
School Breakfast Program **	10.553	N/A	7/1/14-6/30/15	N/A	18,303	18,303	-	-	-	-
School Breakfast Program **	10.553	N/A	7/1/15-6/30/16	N/A	114,890	-	161,931	161,931	47,041	-
					133,193	18,303	161,931	161,931	47,041	-
Total passed through the Pennsylvania Department of Education					673,353	95,232	794,424	794,424	216,303	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donations **	10.555	N/A	7/1/15-6/30/16	N/A	141,972	-	141,972	141,972	-	-
<b>Total U.S. Department of Agriculture</b>					815,325	95,232	936,396	936,396	216,303	-
<b>Total Expenditures of Federal Awards</b>					\$ 2,268,043	\$ 186,305	\$ 2,404,283	\$ 2,404,283	\$ 322,545	\$ -

\* Programs in the Special Education Cluster  
Special Education - Grants to States \* \$ 722,342  
Early Intervention - Special Education Preschool Grants \* 4,176  
\$ 726,518

\*\* Programs in the Child Nutrition Cluster  
National School Lunch Program \$ 632,493  
School Breakfast Program 161,931  
National School Lunch Program - Food Donations 141,972  
\$ 936,396

See Notes to Schedule of Expenditures of Federal Awards.

## 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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, 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. The District utilized an indirect cost rate approved by the PA Department of Education.

#### **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. ACCESS reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule, for the year ended June 30, 2016, was \$60,441.

**MANHEIM TOWNSHIP SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**Year Ended June 30, 2016**

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There were no prior year audit findings.