

**MANHEIM TOWNSHIP
SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2019

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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, 2019, 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 District'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, 2019, 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.

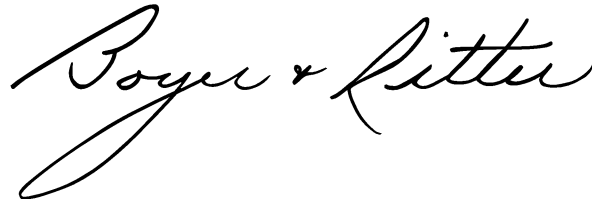
Other Information

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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents as Supplementary Information, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The accompanying Supplementary Information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary 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 5, 2019, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Manheim Township School District's 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 5, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2019**

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, 2019. 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, 2019, are as follows:

The District ended the fiscal year with a decrease in the general fund balances of \$392,160. Revenues were slightly under the budgeted amount while expenses came in under budget. Some of the variances in budgeted revenues were as follows:

- ❖ Interim Real Estate Taxes fell short of budget by approximately \$830,200
- ❖ Earned Income Taxes exceeded budget by approximately \$348,800
- ❖ Interest Revenue exceeded budget by approximately \$208,700
- ❖ Special Education Subsidy exceeded budget by approximately \$140,500

Various expenditure categories were under original budgeted amounts. Salaries and corresponding benefits were under budget for the fiscal year, as well as contracted services and supplies. The additional revenue and savings, and existing fund balance, allowed the District to transfer \$1.19 million to the Capital Reserve Fund.

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 \$80,047 for the year ended June 30, 2019.

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

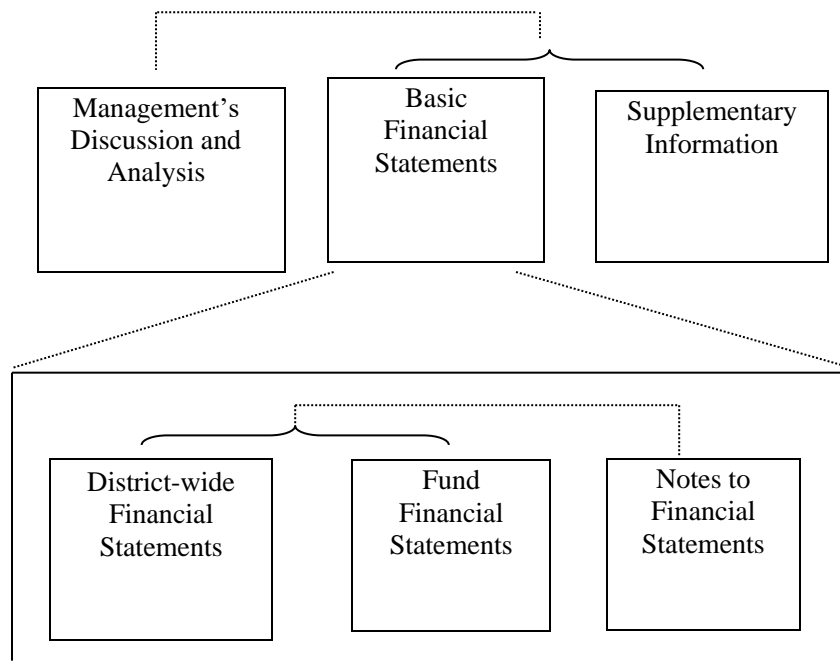


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of 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"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows | <ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position |
| 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 \$(39,751,498) at June 30, 2019, and \$(40,171,944) at June 30, 2018.

Table A-1
Statements of Net Position
June 30, 2019 and 2018

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|------------------------|--------------------------|---------------------|------------------------|------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current assets | \$ 83,012,109 | \$ 90,459,926 | \$ 1,821,250 | \$ 1,794,702 | \$ 84,833,359 | \$ 92,254,628 |
| Noncurrent assets | | | | | | |
| Capital assets | 158,291,363 | 152,148,292 | 476,158 | 601,273 | 158,767,521 | 152,749,565 |
| Total assets | \$ 241,303,472 | \$ 242,608,218 | \$ 2,297,408 | \$ 2,395,975 | \$ 243,600,880 | \$ 245,004,193 |
| Deferred Outflows of Resources | \$ 32,066,657 | \$ 35,862,646 | \$ 613,625 | \$ 717,830 | \$ 32,680,282 | \$ 36,580,476 |
| Current liabilities | \$ 16,524,584 | \$ 12,765,966 | \$ 95,735 | \$ 101,310 | \$ 16,620,319 | \$ 12,867,276 |
| Noncurrent liabilities | 293,479,820 | 304,042,221 | 3,258,588 | 3,400,999 | 296,738,408 | 307,443,220 |
| Total liabilities | \$ 310,004,404 | \$ 316,808,187 | \$ 3,354,323 | \$ 3,502,309 | \$ 313,358,727 | \$ 320,310,496 |
| Deferred Inflows of Resources | \$ 2,617,624 | \$ 1,415,069 | \$ 56,309 | \$ 31,048 | \$ 2,673,933 | \$ 1,446,117 |
| Net Position | | | | | | |
| Net investment in capital assets | \$ 64,279,508 | \$ 54,579,145 | \$ 476,158 | \$ 601,273 | \$ 64,755,666 | \$ 55,180,418 |
| Restricted | 9,109,931 | 12,405,596 | - | - | 9,109,931 | 12,405,596 |
| Unrestricted | (112,641,338) | (106,737,133) | (975,757) | (1,020,825) | (113,617,095) | (107,757,958) |
| Total net position | \$ (39,251,899) | \$ (39,752,392) | \$ (499,599) | \$ (419,552) | \$ (39,751,498) | \$ (40,171,944) |

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, 2019 and 2018

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-------------------|--------------------------|------------------|--------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,200,767 | \$ 1,144,956 | \$ 1,133,655 | \$ 1,129,842 | \$ 2,334,422 | \$ 2,274,798 |
| Operating grants and contributions | 14,380,147 | 13,906,660 | 1,629,483 | 1,454,798 | 16,009,630 | 15,361,458 |
| Capital grants and contributions | 861,065 | 1,005,847 | - | - | 861,065 | 1,005,847 |
| General revenues | | | | | | |
| Property taxes | 64,252,941 | 61,768,112 | - | - | 64,252,941 | 61,768,112 |
| Other taxes | 9,631,113 | 8,962,992 | - | - | 9,631,113 | 8,962,992 |
| Grants, subsidies and contributions not restricted | 6,984,309 | 6,918,298 | 4,199 | 3,870 | 6,988,508 | 6,922,168 |
| Other | 2,748,620 | 925,637 | 40,535 | 24,229 | 2,789,155 | 949,866 |
| Total revenues | 100,058,962 | 94,632,502 | 2,807,872 | 2,612,739 | 102,866,834 | 97,245,241 |
| Expenses | | | | | | |
| Instruction | 56,426,968 | 56,523,169 | - | - | 56,426,968 | 56,523,169 |
| Instructional student support | 11,529,574 | 9,128,122 | - | - | 11,529,574 | 9,128,122 |
| Administrative and financial support | 7,621,667 | 8,144,415 | - | - | 7,621,667 | 8,144,415 |
| Operation and maintenance of plant | 8,244,327 | 7,888,866 | - | - | 8,244,327 | 7,888,866 |
| Pupil transportation | 3,875,614 | 3,395,432 | - | - | 3,875,614 | 3,395,432 |
| Student activities | 1,571,872 | 1,688,271 | - | - | 1,571,872 | 1,688,271 |
| Community services | 9,219 | 17,956 | - | - | 9,219 | 17,956 |
| Interest on long-term debt | 4,741,695 | 3,180,733 | - | - | 4,741,695 | 3,180,733 |
| Unallocated depreciation | 5,537,533 | 5,593,746 | - | - | 5,537,533 | 5,593,746 |
| Food service | - | - | 2,887,919 | 2,715,025 | 2,887,919 | 2,715,025 |
| Total expenses | 99,558,469 | 95,560,710 | 2,887,919 | 2,715,025 | 102,446,388 | 98,275,735 |
| Changes in net position | 500,493 | (928,208) | (80,047) | (102,286) | 420,446 | (1,030,494) |
| Net Position - Beginning (as previously reported) | (39,752,392) | (24,749,616) | (419,552) | (48,634) | (40,171,944) | (24,798,250) |
| Prior period adjustment | - | (14,074,568) | - | (268,632) | - | (14,343,200) |
| Net Position - Beginning (restated) | (39,752,392) | (38,824,184) | (419,552) | (317,266) | (40,171,944) | (39,141,450) |
| Net Position - Ending | \$ (39,251,899) | \$ (39,752,392) | \$ (499,599) | \$ (419,552) | \$ (39,751,498) | \$ (40,171,944) |

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, 2019 and 2018

| Functions/Programs | Total Cost of Services | | Net Cost of Services | |
|---|------------------------|----------------------|-----------------------------|-----------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Instruction | \$ 56,426,968 | \$ 56,523,169 | \$ 46,546,549 | \$ 46,057,385 |
| Instructional student support | 11,529,574 | 9,128,122 | 9,276,661 | 8,014,089 |
| Administrative and financial support | 7,621,667 | 8,144,415 | 6,884,935 | 7,412,895 |
| Operation and maintenance of plant | 8,244,327 | 7,888,866 | 7,181,515 | 6,799,892 |
| Pupil transportation | 3,875,614 | 3,395,432 | 2,561,667 | 2,076,019 |
| Student activities | 1,571,872 | 1,688,271 | 1,237,781 | 1,356,379 |
| Community services | 9,219 | 17,956 | 9,219 | 17,956 |
| Interest on long-term debt | 4,741,695 | 3,180,733 | 3,880,630 | 2,174,886 |
| Unallocated depreciation | 5,537,533 | 5,593,746 | 5,537,533 | 5,593,746 |
| Total governmental activities | \$ 99,558,469 | \$ 95,560,710 | 83,116,490 | 79,503,247 |
| Less Grants, subsidies and contributions not restricted | | | <u>6,984,309</u> | <u>6,918,298</u> |
| Total needs from local taxes and other revenues | | | <u>\$ 76,132,181</u> | <u>\$ 72,584,949</u> |

THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$67,473,255, which is a decrease of \$10,687,440 from the prior year. The primary reasons for this net decrease are contained in two specific funds:

General Fund:

The District experienced a \$392,160 decrease in the General Fund's fund balances. This was a result of transferring funds to the capital reserve fund as described previously under Financial Highlights. The unassigned fund balance at June 30, 2019, is 8.00% of total 2018-2019 budgeted expenditures and other financing uses. More detail regarding the fund balances can be found in the notes to the financial statements.

Capital Projects Fund:

The District's Capital Projects Funds are comprised of construction funds used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities, as well as the District's Capital Reserve Fund. With continued planning for unanticipated and proposed capital projects each year, additional funds in the amount of \$1.19 million were transferred to the Capital Reserve Fund. This fund was established to finance capital projects without the need for additional borrowing. The district started construction on its Middle School Project, as well as upgrading the entrances to two of its school sites. As a result of these factors, the Capital Projects Fund's fund balance reflected a decrease of approximately \$6,961,000 and the Capital Reserve Fund's fund balance decreased by approximately \$3,328,000. 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, 2019, the District had \$158,767,521 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 | |
|------------------------------------|-------------------------|----------------|--------------------------|------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land and land improvements | \$ 11,779,101 | \$ 11,779,101 | \$ - | \$ - | \$ 11,779,101 | \$ 11,779,101 |
| Site improvements | 10,020,371 | 10,798,068 | - | - | 10,020,371 | 10,798,068 |
| Building and building improvements | 116,822,693 | 120,813,552 | - | - | 116,822,693 | 120,813,552 |
| Furniture and equipment | 5,377,930 | 6,471,799 | 476,158 | 601,273 | 5,854,088 | 7,073,072 |
| Construction-in-progress | 14,291,268 | 2,285,772 | - | - | 14,291,268 | 2,285,772 |
| Total capital assets | \$ 158,291,363 | \$ 152,148,292 | \$ 476,158 | \$ 601,273 | \$ 158,767,521 | \$ 152,749,565 |

DEBT ADMINISTRATION

As of July 1, 2018, the District had total outstanding bond principal of \$140,010,000. The District issued General Obligation Bonds - Series of 2019 in the amount of \$9,995,000. The purpose of the new debt was to refinance existing bonds. Including the refunded bonds, the District retired \$19,050,000 of outstanding debt during 2018-2019 resulting in outstanding debt as of June 30, 2019, of \$130,955,000.

Table A-5
Outstanding Debt

| | 2019 | 2018 |
|--|----------------|----------------|
| General Obligation Bonds, Series of 2012 | \$ 5,870,000 | \$ 6,225,000 |
| General Obligation Bonds, Series of 2013 | 1,570,000 | 2,320,000 |
| General Obligation Bonds, Series of 2014 | 20,000 | 9,975,000 |
| General Obligation Bonds, Series of 2015 | 810,000 | 3,055,000 |
| General Obligation Bonds, Series A of 2018 | 44,995,000 | 45,000,000 |
| General Obligation Bonds, Series B of 2018 | 11,010,000 | 11,075,000 |
| General Obligation Bonds, Series of 2019 | 9,995,000 | - |
| General Obligation Notes, Series of 2016 | 9,470,000 | 9,525,000 |
| General Obligation Notes, Series of 2017 | 9,020,000 | 9,025,000 |
| General Obligation Notes, Series A of 2017 | 38,195,000 | 43,810,000 |
| | \$ 130,955,000 | \$ 140,010,000 |

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2019-20 budgeted revenue is approximately \$1.6 million more than the 2018-19 budgeted revenue. The 2019-20 budget included a millage tax increase of 1.31%. This tax increase, along with additional taxable assessments, resulted in an increase in budgeted real estate taxes of \$1.9 million. The 2019-20 budgeted expenditures and other financing uses is approximately \$2.9 million more than the 2018-19 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 and an increase in retirement contributions due to the increase in the PSERS contribution rate from 33.43% to 34.29%. The comparisons of revenue and expenditure categories follow:

Table A-6
BUDGETED REVENUES AND OTHER FINANCING SOURCES

| | 2018-2019 (actual) | 2019-2020 |
|-------------------------|--------------------|-----------|
| Local | 78.47% | 78.20% |
| State | 20.65% | 21.02% |
| Federal | 0.83% | 0.77% |
| Other Financing Sources | 0.05% | 0.01% |

BUDGETED EXPENDITURES AND OTHER FINANCING USES

| | 2018-2019 (actual) | 2019-2020 |
|---|--------------------|-----------|
| Instruction | 53.18% | 54.03% |
| Support Services | 29.05% | 29.69% |
| Operation of Non-Instructional Services | 1.49% | 1.60% |
| Facilities Acquisition/Fund Transfers/Other | 16.28% | 14.68% |

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 Donna Robbins, Chief Operating Officer 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, 2019

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 9,588,964 | \$ 1,745,168 | \$ 11,334,132 |
| Investments | 65,542,427 | - | 65,542,427 |
| Internal balances | 22,015 | (22,015) | - |
| Receivables | 7,764,794 | 45,337 | 7,810,131 |
| Inventories | - | 49,255 | 49,255 |
| Prepaid expenses | 93,909 | 3,505 | 97,414 |
| Capital assets | | | |
| Land, improvements and construction-in-progress | 26,070,369 | - | 26,070,369 |
| Other capital assets, net of depreciation | 132,220,994 | 476,158 | 132,697,152 |
| Total capital assets | 158,291,363 | 476,158 | 158,767,521 |
| Total assets | \$ 241,303,472 | \$ 2,297,408 | \$ 243,600,880 |
| Deferred Outflows of Resources | | | |
| Deferred amounts on pension liability | \$ 24,701,000 | \$ 530,000 | \$ 25,231,000 |
| Deferred amounts in OPEB liabilities | 3,899,957 | 83,625 | 3,983,582 |
| Deferred amounts on refunding debt | 33,238 | - | 33,238 |
| Deferred amounts on cash flow hedge | 3,432,462 | - | 3,432,462 |
| Total deferred outflows of resources | \$ 32,066,657 | \$ 613,625 | \$ 32,680,282 |
| Liabilities | | | |
| Accounts payable and accrued expenses | \$ 16,307,217 | \$ 49,221 | \$ 16,356,438 |
| Unearned revenues | 217,367 | 46,514 | 263,881 |
| Long-term liabilities | | | |
| Due within one year | 9,775,746 | - | 9,775,746 |
| Due in more than one year | 131,781,427 | - | 131,781,427 |
| Net pension liability | 135,163,000 | 2,899,000 | 138,062,000 |
| OPEB liabilities | 16,759,647 | 359,588 | 17,119,235 |
| Total long-term liabilities | 293,479,820 | 3,258,588 | 296,738,408 |
| Total liabilities | \$ 310,004,404 | \$ 3,354,323 | \$ 313,358,727 |
| Deferred Inflows of Resources | | | |
| Deferred amounts on pension liability | \$ 2,092,000 | \$ 45,000 | \$ 2,137,000 |
| Deferred amounts on OPEB liabilities | 525,624 | 11,309 | 536,933 |
| Total deferred inflows of resources | \$ 2,617,624 | \$ 56,309 | \$ 2,673,933 |
| Net Position | | | |
| Net investment in capital assets | \$ 64,279,508 | \$ 476,158 | \$ 64,755,666 |
| Restricted | 9,109,931 | - | 9,109,931 |
| Unrestricted | (112,641,338) | (975,757) | (113,617,095) |
| Total net position | \$ (39,251,899) | \$ (499,599) | \$ (39,751,498) |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

| 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 |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 56,426,968 | \$ 323,794 | \$ 9,556,625 | \$ - | \$ (46,546,549) | \$ - | \$ (46,546,549) |
| Instructional student support | 11,529,574 | - | 2,252,913 | - | (9,276,661) | - | (9,276,661) |
| Administration and financial support | 7,621,667 | - | 736,732 | - | (6,884,935) | - | (6,884,935) |
| Operation and maintenance of plant | 8,244,327 | 658,733 | 404,079 | - | (7,181,515) | - | (7,181,515) |
| Pupil transportation | 3,875,614 | 32,391 | 1,281,556 | - | (2,561,667) | - | (2,561,667) |
| Student activities | 1,571,872 | 185,849 | 148,242 | - | (1,237,781) | - | (1,237,781) |
| Community services | 9,219 | - | - | - | (9,219) | - | (9,219) |
| Interest on long-term debt | 4,741,695 | - | - | 861,065 | (3,880,630) | - | (3,880,630) |
| Unallocated depreciation | 5,537,533 | - | - | - | (5,537,533) | - | (5,537,533) |
| Total governmental activities | 99,558,469 | 1,200,767 | 14,380,147 | 861,065 | (83,116,490) | - | (83,116,490) |
| Business-Type Activities: | | | | | | | |
| Food Service | 2,887,919 | 1,133,655 | 1,629,483 | - | - | (124,781) | (124,781) |
| Total primary government | \$ 102,446,388 | \$ 2,334,422 | \$ 16,009,630 | \$ 861,065 | (83,116,490) | (124,781) | (83,241,271) |
| General Revenues and Transfers: | | | | | | | |
| Property taxes, levied for general purposes, net | | | | | 64,252,941 | - | 64,252,941 |
| Public utility, realty transfer, earned income and other taxes for general purposes, net | | | | | 9,631,113 | - | 9,631,113 |
| Grants, subsidies and contributions not restricted | | | | | 6,984,309 | 4,199 | 6,988,508 |
| Investment earnings | | | | | 2,444,366 | 40,535 | 2,484,901 |
| Transfers | | | | | (50,182) | - | (50,182) |
| Miscellaneous income | | | | | 354,436 | - | 354,436 |
| Total general revenues and transfers | | | | | 83,616,983 | 44,734 | 83,661,717 |
| Changes in net position | | | | | 500,493 | (80,047) | 420,446 |
| Net Position - July 1, 2018 | | | | | (39,752,392) | (419,552) | (40,171,944) |
| Net Position - June 30, 2019 | | | | | \$ (39,251,899) | \$ (499,599) | \$ (39,751,498) |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

| | General Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|----------------------|-----------------------------|-------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 5,249,259 | \$ 4,331,425 | \$ 8,280 | \$ 9,588,964 |
| Investments | 15,007,427 | 50,535,000 | - | 65,542,427 |
| Due from other funds | 35,532 | - | - | 35,532 |
| Due from other governments | 6,621,791 | - | - | 6,621,791 |
| Taxes receivable | 984,660 | - | - | 984,660 |
| Other receivables | 144,826 | - | - | 144,826 |
| Prepaid expenses | 39,673 | - | - | 39,673 |
| Total assets | \$ 28,083,168 | \$ 54,866,425 | \$ 8,280 | \$ 82,957,873 |
| Liabilities | | | | |
| Due to other funds | \$ 130 | \$ - | \$ - | \$ 130 |
| Due to other governments | 413,646 | - | - | 413,646 |
| Accounts payable | 1,209,723 | 2,336,072 | - | 3,545,795 |
| Accrued salaries and benefits | 9,965,377 | - | - | 9,965,377 |
| Payroll deductions and withholdings | 425,825 | - | - | 425,825 |
| Unearned revenues | 217,367 | - | - | 217,367 |
| Other current liabilities | 245,910 | - | - | 245,910 |
| Total liabilities | 12,477,978 | 2,336,072 | - | 14,814,050 |
| Deferred Inflows of Resources | | | | |
| Delinquent property taxes | 670,568 | - | - | 670,568 |
| Fund Balances | | | | |
| Nonspendable | 39,673 | - | - | 39,673 |
| Restricted | - | 52,530,353 | - | 52,530,353 |
| Committed | 6,980,140 | - | - | 6,980,140 |
| Assigned | - | - | 8,280 | 8,280 |
| Unassigned | 7,914,809 | - | - | 7,914,809 |
| Total fund balances | 14,934,622 | 52,530,353 | 8,280 | 67,473,255 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 28,083,168 | \$ 54,866,425 | \$ 8,280 | \$ 82,957,873 |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2019

| | | |
|--|---------------|------------------------|
| Total fund balances - governmental funds | | \$ 67,473,255 |
| <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 governmental funds. The cost of assets is \$257,684,173, and the accumulated depreciation is \$99,392,810. | | 158,291,363 |
| 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. | | 3,432,462 |
| 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. | | 670,568 |
| 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. | | 33,238 |
| 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 | | 24,701,000 |
| Deferred inflows | | (2,092,000) |
| Deferred inflows and outflows of resources related to OPEB are applicable to future periods and, therefore, are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail): | | |
| Deferred outflows | | 3,899,957 |
| Deferred inflows | | (525,624) |
| 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 and notes payable | (130,955,000) | |
| Lease-purchase obligation | (790,746) | |
| Derivative instruments - interest-rate swaps | (3,432,462) | |
| Accrued interest | (1,710,534) | |
| Unamortized bond premiums and discounts, net | (5,826,255) | |
| Net pension liability | (135,163,000) | |
| OPEB liabilities | (16,759,647) | |
| Compensated absences | (552,710) | (295,190,354) |
| | | <hr/> |
| 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. | | 54,236 |
| | | <hr/> |
| Total net position - governmental activities | | \$ (39,251,899) |
| | | <hr/> <hr/> |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended June 30, 2019

| | General Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|---------------------|-----------------------------|-------------------------|--------------------------------|
| Revenues | | | | |
| Current and interim real estate taxes | \$ 63,458,062 | \$ - | \$ - | \$ 63,458,062 |
| Other taxes | 10,298,062 | - | - | 10,298,062 |
| Investment earnings | 958,744 | 1,485,579 | 43 | 2,444,366 |
| Other local sources | 2,578,902 | - | - | 2,578,902 |
| State sources | 20,341,137 | - | - | 20,341,137 |
| Federal sources | 817,760 | - | - | 817,760 |
| Total revenues | 98,452,667 | 1,485,579 | 43 | 99,938,289 |
| Expenditures | | | | |
| Instruction | 52,590,932 | - | - | 52,590,932 |
| Support services | 28,724,043 | - | 158,400 | 28,882,443 |
| Operation of non-instructional services | 1,476,166 | - | - | 1,476,166 |
| Capital outlay | 68,826 | 12,962,607 | - | 13,031,433 |
| Debt service | 902,106 | - | 13,877,765 | 14,779,871 |
| Refund of prior years' receipts | 15,340 | - | - | 15,340 |
| Total expenditures | 83,777,413 | 12,962,607 | 14,036,165 | 110,776,185 |
| Excess (deficiency) of revenues over expenditures | 14,675,254 | (11,477,028) | (14,036,122) | (10,837,896) |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers in | - | 1,187,871 | 13,872,286 | 15,060,157 |
| Interfund transfers out | (15,110,339) | - | - | (15,110,339) |
| Refunding debt proceeds | - | - | 9,995,000 | 9,995,000 |
| Payment to refunded-bond escrow agent | - | - | (10,045,402) | (10,045,402) |
| Bond premium | - | - | 208,115 | 208,115 |
| Insurance recoveries | 42,925 | - | - | 42,925 |
| Total other financing sources (uses) | (15,067,414) | 1,187,871 | 14,029,999 | 150,456 |
| Net changes in fund balances | (392,160) | (10,289,157) | (6,123) | (10,687,440) |
| Fund Balances - July 1, 2018 | 15,326,782 | 62,819,510 | 14,403 | 78,160,695 |
| Fund Balances - June 30, 2019 | \$ 14,934,622 | \$ 52,530,353 | \$ 8,280 | \$ 67,473,255 |

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, 2019**

| | |
|--|------------------------|
| Net changes in fund balances - all governmental funds | \$ (10,687,440) |
|--|------------------------|

Amounts reported for governmental activities in the Statement of Activities are different because:

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

| | | |
|---------------------------|-------------|-----------|
| Capital outlays | 13,379,763 | |
| Less depreciation expense | (7,236,692) | 6,143,071 |

| | |
|---|---------|
| 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. | 127,929 |
|---|---------|

| | |
|---|-----------|
| 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. | (638,010) |
|---|-----------|

| | |
|---|--------------|
| Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense. | |
| District pension and OPEB contributions (PSERS) | 13,144,000 |
| Cost of benefits earned net of employee contributions (PSERS) | (17,667,500) |

| | |
|---|-----------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Change in compensated absences | (102,427) |
| Change in other post-employment benefits (District's plan) | (328,689) |
| | (431,116) |

| | |
|---|--------------|
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | |
| Issuance of general obligation debt | (10,203,115) |
| Refunding of general obligation debt | 9,930,000 |
| Repayment of long-term debt | 9,120,000 |
| Amortization of bond-insurance premiums | (8,915) |
| Amortization of charges for bond refunding | 5,027 |
| Amortization of bond premiums and discounts - net | 768,724 |
| Payment of lease-purchase obligation | 897,838 |
| | 10,509,559 |

| | |
|--|-------------------|
| Change in net position of governmental activities | \$ 500,493 |
|--|-------------------|

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, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Current and interim real estate taxes | \$ 64,245,555 | \$ 64,245,555 | \$ 63,458,062 | \$ (787,493) |
| Other taxes | 9,889,250 | 9,889,250 | 10,298,062 | 408,812 |
| Investment earnings | 750,000 | 750,000 | 958,744 | 208,744 |
| Other local sources | 2,448,400 | 2,448,400 | 2,578,902 | 130,502 |
| State sources | 20,402,383 | 20,402,383 | 20,341,137 | (61,246) |
| Federal sources | 781,425 | 781,425 | 817,760 | 36,335 |
| Total revenues | 98,517,013 | 98,517,013 | 98,452,667 | (64,346) |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | 42,169,284 | 41,371,096 | 41,193,351 | 177,745 |
| Special programs | 10,178,829 | 10,794,989 | 10,599,557 | 195,432 |
| Vocational programs | 801,745 | 578,137 | 489,788 | 88,349 |
| Other instructional programs | 720,772 | 378,772 | 302,636 | 76,136 |
| Nonpublic school programs | - | 5,600 | 5,600 | - |
| Total instructional | 53,870,630 | 53,128,594 | 52,590,932 | 537,662 |
| Support services | | | | |
| Pupil personnel services | 3,941,346 | 3,939,896 | 3,855,122 | 84,774 |
| Instructional staff services | 4,746,039 | 5,036,651 | 5,017,770 | 18,881 |
| Administrative services | 5,051,659 | 4,887,428 | 4,868,465 | 18,963 |
| Pupil health | 1,549,456 | 1,332,806 | 1,253,562 | 79,244 |
| Business services | 791,965 | 946,165 | 914,838 | 31,327 |
| Operation and maintenance of plant services | 7,958,829 | 7,881,879 | 7,802,122 | 79,757 |
| Student transportation services | 3,887,623 | 3,887,238 | 3,867,672 | 19,566 |
| Central support services | 952,892 | 1,122,192 | 1,093,170 | 29,022 |
| Other support services | 50,800 | 51,500 | 51,322 | 178 |
| Total support services | 28,930,609 | 29,085,755 | 28,724,043 | 361,712 |
| Operation of non-instructional services | | | | |
| Student activities | 1,626,012 | 1,615,990 | 1,466,947 | 149,043 |
| Community services | 2,050 | 11,450 | 9,219 | 2,231 |
| Total operation of noninstructional services | 1,628,062 | 1,627,440 | 1,476,166 | 151,274 |
| Capital outlay | - | 70,000 | 68,826 | 1,174 |
| Debt service | - | 902,172 | 902,106 | 66 |
| Refund of prior years' receipts | - | 15,340 | 15,340 | - |
| Total expenditures | 84,429,301 | 84,829,301 | 83,777,413 | 1,051,888 |
| Excess of revenues over expenditures | 14,087,712 | 13,687,712 | 14,675,254 | 987,542 |
| Other Expenditures and Financing Sources (Uses) | | | | |
| Interfund transfers out | (14,105,814) | (14,105,814) | (15,110,339) | (1,004,525) |
| Sale of capital assets | 5,000 | 5,000 | - | (5,000) |
| Insurance recoveries | - | - | 42,925 | 42,925 |
| Budgetary reserve | (400,000) | - | - | - |
| Total other expenditures and financing uses | (14,500,814) | (14,100,814) | (15,067,414) | (966,600) |
| Net changes in fund balance | \$ (413,102) | \$ (413,102) | (392,160) | \$ 20,942 |
| Fund Balance - July 1, 2018 | | | 15,326,782 | |
| Fund Balance - June 30, 2019 | | | \$ 14,934,622 | |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE

Year Ended June 30, 2019

| | |
|---|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,745,168 |
| Receivables | |
| State sources | 3,502 |
| Federal sources | 22,712 |
| Other | 19,123 |
| Inventories | 49,255 |
| Capital assets, net of depreciation | 476,158 |
| Prepaid expenses | 3,505 |
| Total assets | <u><u>\$ 2,319,423</u></u> |
| Deferred Outflows of Resources | |
| Deferred amounts on pension liability | \$ 530,000 |
| Deferred amounts on OPEB liabilities | 83,625 |
| Total deferred outflows of resources | <u><u>\$ 613,625</u></u> |
| Liabilities | |
| Internal balances | \$ 22,015 |
| Accounts payable | 26,110 |
| Accrued salaries and benefits | 23,015 |
| Unearned revenues | 46,514 |
| Other current liabilities | 96 |
| Long-term liabilities | |
| Net pension liability | 2,899,000 |
| OPEB liabilities | 359,588 |
| Total long-term liabilities | <u>3,258,588</u> |
| Total liabilities | <u><u>\$ 3,376,338</u></u> |
| Deferred Inflows of Resources | |
| Deferred amounts on pension liability | \$ 45,000 |
| Deferred amounts on OPEB liabilities | 11,309 |
| Total deferred outflows of resources | <u><u>\$ 56,309</u></u> |
| Net Position | |
| Net investment in capital assets | \$ 476,158 |
| Unrestricted | (975,757) |
| Total net position | <u><u>\$ (499,599)</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, 2019**

| | |
|---|---------------------|
| <hr/> | |
| Operating Revenues | |
| Food service revenues | \$ 1,094,977 |
| Charges for services | 38,678 |
| Total operating revenues | <u>1,133,655</u> |
| | |
| Operating Expenses | |
| Salaries | 862,127 |
| Employee benefits | 605,354 |
| Purchased professional and technical services | 71,577 |
| Purchased property services | 50,213 |
| Other purchased services | 4,082 |
| Supplies | 1,133,393 |
| Depreciation | 158,883 |
| Dues and fees | 2,290 |
| Total operating expenses | <u>2,887,919</u> |
| | |
| Operating loss | (1,754,264) |
| | |
| Nonoperating Revenues | |
| Investment earnings | 40,535 |
| Contributions and donations - private sources | 4,199 |
| State sources | 246,488 |
| Federal sources | 1,382,995 |
| Total nonoperating revenues | <u>1,674,217</u> |
| | |
| Change in net position | (80,047) |
| | |
| Net Position - July 1, 2018 | <u>(419,552)</u> |
| Net Position - June 30, 2019 | <u>\$ (499,599)</u> |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2019**

| | |
|---|-----------------------|
| <hr/> | |
| Cash Flows From Operating Activities | |
| Cash received from users | \$ 1,086,214 |
| Cash received from other operating revenue | 38,678 |
| Cash payments to employees for services | (1,477,968) |
| Cash payments for goods and services | (1,146,089) |
| Net cash used in operating activities | <u>(1,499,165)</u> |
| | |
| Cash Flows From Noncapital Financing Activities | |
| Local sources | 4,199 |
| State sources | 245,322 |
| Federal sources | 1,226,138 |
| Net cash provided by noncapital financing activities | <u>1,475,659</u> |
| | |
| Cash Flows From Capital and Related Financing Activities | |
| Capital outlay | <u>(33,768)</u> |
| | |
| Cash Flows From Investing Activities | |
| Investment earnings | <u>40,535</u> |
| | |
| Net decrease in cash and cash equivalents | (16,739) |
| | |
| Cash and Cash Equivalents: | |
| July 1, 2018 | 1,761,907 |
| June 30, 2019 | <u>\$ 1,745,168</u> |
| | |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | |
| Operating loss | \$ (1,754,264) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation | 158,883 |
| Value of donated commodities | 173,873 |
| (Increase) decrease in: | |
| Receivables | 5,075 |
| Inventories | 3,666 |
| Prepaid expenses | (3,505) |
| Deferred outflows of resources | 104,205 |
| (Decrease) increase in: | |
| Accounts payable | 5,958 |
| Accrued salaries and benefits | 2,458 |
| Unearned revenues | (13,838) |
| Other current liabilities | (153) |
| Internal balances | (64,373) |
| Net pension liability | (158,000) |
| OPEB liabilities | 15,589 |
| Deferred inflows of resources | 25,261 |
| Net cash used in operating activities | <u>\$ (1,499,165)</u> |
| | |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
Year Ended June 30, 2019

| | Private-Purpose Trust Fund | Agency Student Activities | Total |
|--------------------------------|-------------------------------|------------------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 140,644 | \$ 165,491 | \$ 306,135 |
| Investments | 40,600 | - | 40,600 |
| Due from other funds | - | 130 | 130 |
| Inventory | - | 5,749 | 5,749 |
| Total assets | \$ 181,244 | \$ 171,370 | \$ 352,614 |
| Liabilities | | | |
| Due to other funds | \$ - | \$ 13,517 | \$ 13,517 |
| Accounts payable | 38 | 316 | 354 |
| Due to student groups | - | 157,537 | 157,537 |
| Total liabilities | \$ 38 | \$ 171,370 | \$ 171,408 |
| Net Position | | | |
| Held in trust for scholarships | \$ 181,206 | \$ - | \$ 181,206 |
| Total net position | \$ 181,206 | \$ - | \$ 181,206 |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE-PURPOSE TRUST FUND
Year Ended June 30, 2019**

| | Private-Purpose Trust Fund |
|--------------------------------|-------------------------------|
| <hr/> | |
| Additions | |
| Investment earnings | \$ 3,228 |
| Contributions | 7,934 |
| Total additions | <hr/> 11,162 <hr/> |
| Deductions | |
| Scholarships awarded | <hr/> 9,394 |
| Total deductions | <hr/> 9,394 <hr/> |
| Changes in net position | 1,768 |
| Net Position - July 1, 2018 | 179,438 |
| Net Position - June 30, 2019 | <hr/> \$ 181,206 <hr/> |

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 12th, 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 5,810 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

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 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

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

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

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, 2019. 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

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 difference between expected and actual experience, changes in assumptions, net difference between projected and actual investment earnings, changes in proportion, the difference between employer contributions and proportionate share of total contributions and the contributions subsequent to the measurement date, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Outflows of Resources - Other Post-Employment Benefits: The District recognizes the difference between expected and actual experience, changes in assumptions, net difference between projected and actual investment earnings, changes in proportion, benefit payments subsequent to the measurement date and contributions subsequent to the measurement date 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.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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)

Other 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. The District participates in two plans, the first is a single employer plan administered by the District. The plan provides retiree health, vision, dental care and prescription drug benefits for eligible, retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB 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 by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The balance of the District's OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2019, are as follows:

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|---------------|
| OPEB Liabilities | | | |
| District's Single Employer Plan | \$ 10,889,647 | \$ 233,588 | \$ 11,123,235 |
| PSERS Cost Sharing Plan | 5,870,000 | 126,000 | 5,996,000 |
| Total | \$ 16,759,647 | \$ 359,588 | \$ 17,119,235 |
| Deferred Outflows of Resources | | | |
| District's Single Employer Plan | \$ 3,185,257 | \$ 68,325 | \$ 3,253,582 |
| PSERS Cost Sharing Plan | 714,700 | 15,300 | 730,000 |
| Total | \$ 3,899,957 | \$ 83,625 | \$ 3,983,582 |
| Deferred Inflows of Resources | | | |
| District's Single Employer Plan | \$ 303,424 | \$ 6,509 | \$ 309,933 |
| PSERS Costs Sharing Plan | 222,200 | 4,800 | 227,000 |
| Total | \$ 525,624 | \$ 11,309 | \$ 536,933 |

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost Sharing Plan are in Notes 12 and 13, respectively.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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)

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 - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end. Those property tax receivables expected to be collected after 60 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.

Deferred Inflows of Resources - Pensions: The District recognizes the difference between expected and actual experience as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the difference between expected and actual experience and changes in assumptions as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 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 Chief Operating Officer.

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% and not more than 8% of the budgeted expenditures for that year.

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.

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 5, 2019, the date the financial statements were available to be issued.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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, 2019, are shown below:

| | Carrying Amount | Bank Balance | Financial Institution |
|--|----------------------|----------------------|--------------------------|
| Insured (FDIC) | \$ 250,000 | \$ 250,000 | Fulton Bank |
| Insured (FDIC) | 11,137 | 11,137 | Univest Bank |
| Insured (FDIC) | 2,025,427 | 2,025,427 | Various Bank CDs |
| Insured (FDIC) | 8,272 | 8,272 | TD Bank |
| Uninsured, collateralized in accordance with Act 72 | 10,906,949 | 11,303,669 | Fulton Bank |
| | <u>\$ 13,201,785</u> | <u>\$ 13,598,505</u> | |

Financial Institutions - Various Banks CDs - The District invests in Certificates of Deposit at a number of banks through an investment program. These investments are individually covered by FDIC as they are under the FDIC insurance threshold of \$250,000. The certificates are invested at the various banks and are held in the name of the District.

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.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

As of June 30, 2019, the District had the following investments:

| | Credit Rating | Weighted Avg. Maturity in Years | Carrying Value |
|--|---------------|---------------------------------|----------------------|
| <hr/> | | | |
| Pennsylvania School District Liquid Asset Fund | | | |
| PSDMAX | AAAm | 0.192 | \$ 499,466 |
| PSDLAF Full Flex Pool | NA | Various | 63,517,000 |
| | | | <hr/> |
| | | | <u>\$ 64,016,466</u> |

Portfolio Assets

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool, as part of the Fixed term series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed Term Series are fixed term investment vehicles with maturities depending upon the maturity date of each particular Fixed Term Series. All investments in a Fixed Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed Term Series are invested is registered in the name of that particular Fixed Term Series. Certificates of deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of \$250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among the Fund, the bank that issues the certificate of deposit and the third-party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank. At present, The Bank of New York serves as the third-party custodian with respect to all such collateralized certificates of deposit. Permitted Investments (other than certificates of deposit) such as U.S. Treasury or Agency securities in which monies in which a Fixed Term Series are invested are registered in the name or names of the Settlor or Settlers for which the Fixed Term Series was created, and the security is held in custody by a third-party custodian pursuant to a custody agreement between the Investment Adviser and the third-party custodian. At present, US Bank National Association, Minneapolis, Minnesota serves as the third-party custodian with respect to all such securities.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The District reports these nonparticipating contracts, as non-negotiable certificates of deposit with redemption terms that do not consider market rates, using a cost based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31.

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. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

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

Interest Rate Risk

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

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

Concentrations of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments are entirely held with PSDLAF.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 2018-2019 was 15.1138 mills (\$15.1138 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, 2019, follows:

| | Total |
|---|-------------------|
| Taxes receivable | \$ 984,660 |
| Taxes to be collected within 60 days | \$ 314,092 |
| Deferred inflows of resources - delinquent property taxes | 670,568 |
| | <u>\$ 984,660</u> |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2019, are as follows:

| Fund | Interfund Receivables | Interfund Payables |
|--------------------|--------------------------|-----------------------|
| Governmental Fund | | |
| General | \$ 35,532 | \$ 130 |
| Proprietary Fund | | |
| Food Service | - | 22,015 |
| Fiduciary Fund | | |
| Student Activities | 130 | 13,517 |
| | \$ 35,662 | \$ 35,662 |

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, 2019, are as follows:

| Fund | Transfers In | Transfers Out |
|--------------------|---------------|---------------|
| Governmental Funds | | |
| General | \$ - | \$ 15,110,339 |
| Capital Projects | 1,187,871 | - |
| Debt Service | 13,872,286 | - |
| Fiduciary Fund | | |
| Student Activities | 50,182 | - |
| | \$ 15,110,339 | \$ 15,110,339 |

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, 2019, was as follows:

| | July 1, 2018 | Increases | Decreases | June 30, 2019 |
|---|-----------------|--------------|--------------|------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,449,170 | \$ - | \$ - | \$ 2,449,170 |
| Land improvements | 9,329,931 | - | - | 9,329,931 |
| Construction-in-progress | 2,285,772 | 12,585,514 | (580,018) | 14,291,268 |
| Total capital assets not being depreciated | 14,064,873 | 12,585,514 | (580,018) | 26,070,369 |
| Capital assets being depreciated | | | | |
| Site improvements | 21,544,043 | 190,975 | - | 21,735,018 |
| Buildings and building improvements | 185,882,452 | 643,412 | - | 186,525,864 |
| Furniture and equipment | 22,813,042 | 539,880 | - | 23,352,922 |
| Total capital assets being depreciated | 230,239,537 | 1,374,267 | - | 231,613,804 |
| Less accumulated depreciation | | | | |
| Site improvements | 10,745,975 | 968,672 | - | 11,714,647 |
| Buildings and building improvements | 65,068,900 | 4,634,271 | - | 69,703,171 |
| Furniture and equipment | 16,341,243 | 1,633,749 | - | 17,974,992 |
| Total accumulated depreciation | 92,156,118 | 7,236,692 | - | 99,392,810 |
| Total capital assets being depreciated, net | 138,083,419 | (5,862,425) | - | 132,220,994 |
| Total Governmental Activities, Capital Assets - Net | \$ 152,148,292 | \$ 6,723,089 | \$ (580,018) | \$ 158,291,363 |
| Business-Type Activities: | | | | |
| Capital assets being depreciated, equipment | \$ 2,847,863 | \$ 33,768 | \$ - | \$ 2,881,631 |
| Less accumulated depreciation, equipment | 2,246,590 | 158,883 | - | 2,405,473 |
| Total Business-Type Activities, Capital Assets - Net | \$ 601,273 | \$ (125,115) | \$ - | \$ 476,158 |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

| | Amount |
|--------------------------------------|---------------------|
| Governmental Activities: | |
| Instruction | \$ 506,487 |
| Instructional student support | 835,405 |
| Administration and financial support | 71,925 |
| Operation and maintenance of plant | 237,727 |
| Pupil transportation | 17,214 |
| Student activities | 30,401 |
| Unallocated depreciation | 5,537,533 |
| Total Governmental Activities | <u>7,236,692</u> |
| Business-Type Activities: | |
| Food Service | 158,883 |
| Total Primary Government | <u>\$ 7,395,575</u> |

Note 7. Deferred Outflows Related to Cash Flow Hedge

During the fiscal year ended June 30, 2019, deferred outflows related to cash flow hedge are as follows:

| | Amount |
|--|---------------------|
| Deferred Amounts on Swap Refunding | \$ 3,234,997 |
| Swap Fair Value at the Market | 197,465 |
| Deferred outflows related to cash flow hedge | <u>\$ 3,432,462</u> |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations

During the fiscal year ended June 30, 2019, general long-term obligations changed as follows:

| | July 1, 2018 | Increases | Decreases | June 30, 2019 | Due within One Year |
|---|-----------------------|----------------------|------------------------|-----------------------|------------------------|
| General Obligation Bonds | | | | | |
| Series of 2012 | \$ 6,225,000 | \$ - | \$ (355,000) | \$ 5,870,000 | \$ 360,000 |
| Series of 2013 | 2,320,000 | - | (750,000) | 1,570,000 | 775,000 |
| Series of 2014 | 9,975,000 | - | (9,955,000) | 20,000 | 20,000 |
| Series of 2015 | 3,055,000 | - | (2,245,000) | 810,000 | 810,000 |
| Series A of 2018 | 45,000,000 | - | (5,000) | 44,995,000 | 5,000 |
| Series B of 2018 | 11,075,000 | - | (65,000) | 11,010,000 | 485,000 |
| Series of 2019 | - | 9,995,000 | - | 9,995,000 | 505,000 |
| General Obligation Notes | | | | | |
| Series of 2016 | 9,525,000 | - | (55,000) | 9,470,000 | 55,000 |
| Series of 2017 | 9,025,000 | - | (5,000) | 9,020,000 | 125,000 |
| Series A of 2017 | 43,810,000 | - | (5,615,000) | 38,195,000 | 5,845,000 |
| Bond premiums (discounts), net of amortization | | | | | |
| | 6,360,912 | 208,115 | (742,772) | 5,826,255 | - |
| Total General Obligation Debt | 146,370,912 | 10,203,115 | (19,792,772) | 136,781,255 | 8,985,000 |
| Derivative instrument - interest rate swap | | | | | |
| | 3,413,014 | 19,448 | - | 3,432,462 | - |
| Lease-purchase obligation | | | | | |
| | 1,688,584 | - | (897,838) | 790,746 | 790,746 |
| Compensated absences | | | | | |
| | 450,283 | 102,427 | - | 552,710 | - |
| Total General Long-Term Obligations | | | | | |
| | \$ 151,922,793 | \$ 10,324,990 | \$ (20,690,610) | \$ 141,557,173 | \$ 9,775,746 |

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2014 - On January 2, 2014, the District issued General Obligation Bonds - Series of 2014, in the principal amount of \$10,000,000. The proceeds of the Bonds were used to advance refund a portion of the General Obligation Bonds - Series of 2009, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$322,470. The bonds bear annual interest rates ranging from .35% to 4.00%. Interest is payable semi-annually and the bonds mature serially in amounts ranging from \$5,000 to \$1,280,000 through 2028. In the year ended June 30, 2019, the District issued General Obligation Bonds - Series 2019 to partially refund this obligation.

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.

General Obligation Note - Series of 2016 - On November 22, 2016, the District issued a General Obligation Note - Series of 2016, in the principal amount of \$9,725,000. The proceeds of the Note were used to refund a portion of the General Obligation Bonds - Series of 2010, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$877,490. The note bears interest at an annual rate of 2.20%. Interest is payable semi-annually and the note matures serially in amounts ranging from \$55,000 to \$5,745,000 through 2027.

General Obligation Note - Series of 2017 - On April 20, 2017, the District issued a General Obligation Note - Series of 2017, in the principal amount of \$9,030,000. The proceeds of the Note were used to refund a portion of the General Obligation Bonds - Series of 2010, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$698,659. The note bears interest at an annual rate of 2.29%. Interest is payable semi-annually and the note matures serially in amounts ranging from \$5,000 to \$7,270,000 through 2026.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

General Obligation Note - Series A of 2017 - On November 6, 2017, the District issued General Obligation Notes - Series A of 2017, in the principal amount of \$49,295,000. The proceeds of the Note were used to refund and retire the General Obligation Bonds - Series A of 2014 and to pay the cost of issuance. The District also approved a resolution to adopt an Interest Rate Management Plan and authorize the transfer of obligations under the existing swap agreements related to General Obligation Bonds - Series A of 2014 to the new Series A of 2017 Notes. The notes bear a fixed interest rate of 4.0265%, payable semi-annually and a variable rate which is re-determined monthly by the remarketing agent. The note matures serially in amounts ranging from \$1,040,000 to \$8,270,000 through 2025.

General Obligation Bonds - Series A of 2018 - On May 7, 2018, the District issued General Obligation Bonds - Series A of 2018, in the principal amount of \$45,000,000. The proceeds of the Bonds were used to provide funds to finance various capital projects, including the construction of the new Middle School, and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 1.70% to 5.00%. Interest is payable semi-annually and the bonds mature serially in amounts ranging from \$5,000 to \$12,430,000 through 2030.

General Obligation Bonds - Series B of 2018 - On May 7, 2018, the District issued General Obligation Bonds - Series B of 2018, in the principal amount of \$11,075,000. The proceeds of the Bonds were used to refund the General Obligation Bonds - Series of 2010, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$391,477. The bonds bear annual interest rates ranging from 1.7% to 5.00%. Interest is payable semi-annually and the bonds mature serially in amounts ranging from \$65,000 to \$7,745,000 through 2025.

General Obligation Bonds - Series of 2019 - On April 15, 2019, the District issued General Obligation Bonds - Series of 2019, in the principal amount of \$9,995,000. The proceeds of the Bonds were used to refund a portion of the General Obligation Bonds - Series of 2014, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$403,753. The bonds bear annual interest rates ranging from 2.00% to 3.00%. Interest is payable semi-annually and the bonds mature serially in amounts ranging from \$505,000 to \$1,295,000 through 2028.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2019. The agreement is a floating to fixed rate swap requiring the District pay a fixed interest rate of 4.02650% and the Royal Bank of Canada (RBC) to pay to the District a floating rate equal to 68% of the one-month London Interbank Offered Rate (LIBOR). RBC's credit rating is Aa2 as determined by Moody's and AA - as determined by Standard & Poor's. In the year ended June 30, 2019, the District approved to adopt an Interest Rate Management Plan and authorize the transfer of obligations under the existing swap agreements related to the General Obligation Bonds - Series A of 2014 to the new Series A of 2017 Notes. The General Obligation Notes - Series A of 2017 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, 2019, classification, and the change in the fair value of such derivative instrument for the fiscal year ended as reported in the 2019 financials are as follows:

| | Change in Fair Value | | Fair Value at June 30, 2019 | | Notional at June 30, 2019 |
|--------------------------------|-----------------------------------|-----------|-----------------------------|--------------|------------------------------|
| | Classification | Amount | Classification | Amount | |
| Governmental Activities | | | | | |
| Cash-flow hedge: | | | | | |
| Pay fixed, interest rate swap | Deferred Outflows of Resources | \$ 19,448 | Noncurrent Liability | \$ 3,432,462 | \$ 37,895,000 |

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, 2019, 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

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 | Interest/Swap | | Total |
|-----------|-----------------------|----------------------|-----------------------|
| | Principal | Obligation | |
| 2019-2020 | \$ 8,985,000 | \$ 4,354,845 | \$ 13,339,845 |
| 2020-2021 | 9,690,000 | 4,790,420 | 14,480,420 |
| 2021-2022 | 10,115,000 | 4,368,934 | 14,483,934 |
| 2022-2023 | 10,585,000 | 4,043,789 | 14,628,789 |
| 2023-2024 | 11,070,000 | 3,618,467 | 14,688,467 |
| 2025-2029 | 60,355,000 | 12,005,751 | 72,360,751 |
| 2030-2033 | 20,155,000 | 1,360,265 | 21,515,265 |
| | <u>\$ 130,955,000</u> | <u>\$ 34,542,471</u> | <u>\$ 165,497,471</u> |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Lease Purchase Obligations

The District leases copiers which are located throughout the District. Additionally, the District leases computer equipment for both students and staff that 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 | (261,597) |
| Total copiers - net book value | <u>\$ 65,399</u> |
| Computer equipment | \$ 3,089,715 |
| Less accumulated depreciation | (1,184,546) |
| Total computer equipment - net book value | <u>\$ 1,905,169</u> |

The following is a schedule of the future, minimum lease payments due under the lease purchase obligation as June 30, 2019:

| <u>Years</u> | <u>Amount</u> |
|---|-------------------|
| 2019-2020 | \$ 792,273 |
| Total minimum lease payments | <u>792,273</u> |
| Less amount representing interest | (1,527) |
| Total present value of net minimum lease payments | <u>\$ 790,746</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

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 prorated 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.

In February 2017, the Authority issued the fourth series, Guarantee Lease Revenue Note, Series of 2017, in the amount of \$9,380,000. This Note was used to refund the Guaranteed Lease Revenue Bonds, Series of 2013.

In November 2017, the Authority issued the fifth series, Guarantee Lease Revenue Note, Series A of 2017, in the amount of \$7,930,000. This Note was used to refund the Guaranteed Lease Revenue Bonds, Series of 2012.

The future annual lease payments for the District’s prorated share for the years ended June 30th are as follows:

| Year | Amount |
|-----------|---------------------|
| 2020 | \$ 139,663 |
| 2021 | 139,383 |
| 2022 | 139,031 |
| 2023 | 139,051 |
| 2024 | 138,510 |
| 2025-2029 | 692,268 |
| 2030-2034 | 680,898 |
| 2035-2037 | 407,784 |
| | <u>\$ 2,476,588</u> |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2019, the committed funds are as follows:

| <u>Description of committed</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| Medical expenses | \$ 4,114,237 |
| PSERS expenses | 785,763 |
| Future capital expenses | 1,143,464 |
| Technology | 830,190 |
| Phone system updates | 86,985 |
| Dental service fund | 7,366 |
| Social service fund | 7,392 |
| Bucher Garden | 1,911 |
| Schaeffer Garden | 2,832 |
| | <u>\$ 6,980,140</u> |

Assigned

The District has assigned amounts reported in the Debt Service Fund related to debt service payments.

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

Note 11. Defined-Benefit Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiple-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 public 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.pa.gov.

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three 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 upon 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

Note 11. Defined-Benefit Pension Plan (Continued)

Contributions

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 Class 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 contractually required contribution rate for the fiscal year ended June 30, 2019, was 33.43% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 33.43% rate is composed of a contribution rate of 32.60% for pension benefits and .83% for healthcare insurance premium assistance (OPEB benefits).

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, relating to pension benefits, for the year ended June 30, 2019, was \$13,094,055, and is equal to the required contribution for the year. For the year ended June 30, 2019, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of \$6,569,278.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2019, the District reported a liability of \$138,062,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was .2876%, which was an increase of .0068 from its proportion measured as of June 30, 2017.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$17,602,000. At June 30, 2019, 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 |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 1,111,000 | \$ 2,137,000 |
| Changes in assumptions | 2,572,000 | - |
| Net difference between projected and actual investment earnings | 677,000 | - |
| Changes in proportion | 7,450,000 | - |
| Difference between employer contributions and proportionate share of total contributions | 327,000 | - |
| Contributions subsequent to the measurement date | 13,094,000 | - |
| | <u>\$ 25,231,000</u> | <u>\$ 2,137,000</u> |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

\$13,094,000, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30:</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|
| 2020 | \$ 6,248,000 |
| 2021 | 4,140,000 |
| 2022 | 109,000 |
| 2023 | (502,000) |
| 2024 | 5,000 |
| | <u><u>\$ 10,000,000</u></u> |

Actuarial Assumptions

The total pension liability as of June 30, 2018, was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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% age 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 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.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Global public equity | 20.0% | 5.2% |
| Fixed income | 36.0% | 2.2% |
| Commodities | 8.0% | 3.2% |
| Absolute return | 10.0% | 3.5% |
| Risk parity | 10.0% | 3.9% |
| Infrastructure/MLPs | 8.0% | 5.2% |
| Real estate | 10.0% | 4.2% |
| Alternative investments | 15.0% | 6.7% |
| Cash | 3.0% | 0.4% |
| Financing (LIBOR) | (20.0)% | 0.9% |
| | <u>100.0%</u> | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 District's proportionate share of the net pension liability, calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current discount rate:

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|--|----------------------|--------------------------------|----------------------|
| District's proportionate share of the net pension liability | \$ 171,138,000 | \$ 138,062,000 | \$ 110,095,000 |

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.pa.gov.

Plan Payables

At June 30, 2019, the District has payables to the PSERS pension plan of \$5,304,325. This total is composed of staff payroll accruals for retirement contributions.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan

Plan Description, Benefit Terms and Funding Policy

The District provides retiree health and dental care benefits to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the plan are summarized in the chart below:

Medical Coverage

| Description | Self-insured Medical and Dental |
|--------------------|--|
| Eligibility | <p>Employees who retire from active service:</p> <ul style="list-style-type: none"> • Administrators who are at least 55 years old with at least five years of service with Manheim Township School District • Teachers with at least 15 years of PSERS credited service with Manheim Township School District • Specialists what are at least 58 years old with at least five years of service with Manheim Township School District • Support Staff who are at least 55 years old with at least ten years of service with Manheim Township School District |
| Period of Coverage | <p>Retiree: Until Age 65 Spouse: Until Retiree's Age 65 or Spouse's Age 65, whichever is first Dependents: Until Retiree's Age 65 or Dependents Age 26, whichever is first</p> |
| Coverage | <p>Until Age 65: <ul style="list-style-type: none"> • Administrators - Medical and dental coverage provided to active employees is continued for eligible retirees, spouses and dependents • All Others - Medical coverage provided to active employees is continued for eligible retirees, spouses and dependents <p>Over Age 65: None</p> </p> |
| Contributions | <p>Employer: <ul style="list-style-type: none"> • Administrators - School district pays full cost of medical and dental • Teachers - School district pays full cost of medical less retiree payment (\$100 per month for single coverage, \$130 per month for two-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. • 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. • Support Staff - No employer contributions </p> |
| Employees | <ul style="list-style-type: none"> • Administrators - No employee contributions • Teachers - Monthly payments of \$100 per month for single coverage, \$130 for two-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). • 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). • Support Staff - Employee pays full cost of medical |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Plan Description, Benefit Terms and Funding Policy (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 five years of service with Manheim Township School District. |

Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 35 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | 498 |
| | <u>533</u> |

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$11,123,235 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2017. The OPEB liability is composed of the following:

| | Amount |
|---------------------------------|----------------------|
| Total OPEB Liability, beginning | <u>\$ 11,116,427</u> |
| Changes for the year | |
| Service cost | 417,547 |
| Interest | 328,665 |
| Estimated benefit payments | (739,404) |
| Net changes | <u>6,808</u> |
| Total OPEB Liability, ending | <u>\$ 11,123,235</u> |

For the year ended June 30, 2019, the District recognized OPEB expense of \$984,846. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ 309,933 |
| Changes in assumptions | 2,607,980 | - |
| Benefit payments subsequent to the measurement date | 645,602 | - |
| | <u>\$ 3,253,582</u> | <u>\$ 309,933</u> |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$645,602 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year ending June 30:</u> | <u>Total</u> |
|-----------------------------|---------------------|
| 2020 | \$ 238,634 |
| 2021 | 238,634 |
| 2022 | 238,634 |
| 2023 | 238,634 |
| 2024 | 238,634 |
| Thereafter | 1,104,877 |
| | <u>\$ 2,298,047</u> |

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%
- Salary Increases - 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increases which varies by age from 2.75 to 0%.
- Discount Rate - 3.0%. Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2017.
- Health Care Cost Trend Rate - 10.0% in 2017 and decreasing 1.0% annually to an ultimate rate of 5.0% in 2021. Retirees' Share of Benefit Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Mortality rates for pre-retirement used the RP-2014 Employee (Male and Female) tables as published by the Society of Actuaries. Post-Retirement Mortality is based on the RP-2014 Healthy Annuitant (Male and Female) tables as published by the Society of Actuaries. Mortality improvement used the Scale MP-2016 (Male and Female) tables as published by the Society of Actuaries.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the district calculated using the discount rate of 3.0%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.0%) or one percentage higher (4.0%) than the current discount rate:

| | 1% Decrease 2.0% | Current Discount Rate 3.0% | 1% Increase 4.0% |
|----------------------|---------------------|----------------------------------|---------------------|
| Total OPEB liability | \$ 12,249,389 | \$ 11,123,235 | \$ 10,127,743 |

The discount rate used to measure the total OPEB liability decreased from 4.0% as of July 1, 2016 to 3.0% as of July 1, 2017.

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the district calculated using the health care cost trend rates of (8.0% decreasing to 5.0%), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|----------------------|--------------|-----------------------|---------------|
| Total OPEB liability | \$ 9,948,070 | \$ 11,123,235 | \$ 12,518,744 |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan

System Administration

The administrative staff of PSERS administers a defined benefit pension plan, and two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The System is a governmental cost-sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania (Commonwealth). The members eligible to participate in the System include all full-time public school employees, part-time hourly public 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. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The control and management of the System, including the investment of its assets, is vested in the Board of Trustees (Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2019, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$333,376 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$5,996,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was .2876%, which was an increase of .0068 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$325,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 37,000 | \$ - |
| Changes in assumptions | 95,000 | 227,000 |
| Net difference between projected and actual investment earnings | 10,000 | - |
| Changes in proportion | 255,000 | - |
| Contributions subsequent to the measurement date | 333,000 | - |
| | <u>\$ 730,000</u> | <u>\$ 227,000</u> |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

\$333,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ending June 30:</u> | <u>Amount</u> |
|-----------------------------|-------------------|
| 2020 | \$ 26,000 |
| 2021 | 26,000 |
| 2022 | 26,000 |
| 2023 | 25,000 |
| 2024 | 23,000 |
| Thereafter | 44,000 |
| | <u>\$ 170,000</u> |

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016, determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|--------------------------|---|
| Cash | 5.9% | 0.3% |
| U.S. Core Fixed Income | 92.8% | 1.2% |
| Non-U.S. Developed Fixed | 1.3% | 0.4% |
| | <u>100.0%</u> | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class of June 30, 2018.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability decreased from 3.13% as of June 30, 2017 to 2.98%, as of June 30, 2018.

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

The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98%) or 1 percentage point higher (3.98%) than the current discount rate:

| | 1% Decrease 1.98% | Current Discount Rate 2.98% | 1% Increase 3.98% |
|---|----------------------|-----------------------------------|----------------------|
| District's proportionate share of the net OPEB liability | \$ 6,819,000 | \$ 5,996,000 | \$ 5,313,000 |

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7.75%) that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|----------------|-----------------------|----------------|
| District's proportionate share of the net OPEB liability | \$ 5,995,000 | \$ 5,996,000 | \$ 5,997,000 |

OPEB 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.pa.gov.

Plan Payables

At June 30, 2019, the District has payables to the OPEB plan of \$135,049.

Note 14. 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. 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 \$175,000 per individual and for claims in the aggregate, the amount of which is determined on a yearly basis. The total paid during 2018-2019 before reinsurance reimbursements of \$92,371 was \$6,003,617.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15. Participation in Risk-Sharing Pools

The District is a member of a self-insurance pool for workers compensation insurance. There were 19 members in 2018-2019. 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 \$244,709 for the 2018-2019 year.

Note 16. Termination Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare 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 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, 2019, there were six participants covered under COBRA.

The District provides a retirement stipend for administrators retiring with at least five years of administrative service in the District and having reached 55 years of age. During the current year, one administrator retired and was paid a stipend which totaled \$32,000.

The District provides a retirement stipend for full-time teachers retiring with at least 20 years of PSERS credited service. During the current year, eight full-time teachers retired and were paid stipends which totaled \$40,000.

The District provides a retirement stipend for specialists retiring with at least ten years of specialist service in the District and having reached 55 years of age. The maximum retirement stipend available was \$10,000. During the current year, one specialist retired and was paid a stipend which totaled \$10,000.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 17. 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, 2019, the District paid \$760,731 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, 2019, the District paid \$46,233 for its allotted 11 slots.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 was extended for an additional year to expire on June 30, 2020. Part of the extension was that current year expenditures would be charged at the same rate as those stipulated in the final year of the original contract. Basic transportation amount to approximately \$3.3 million.

Construction Commitments

The District has outstanding construction contracts in the amount of \$45.1 million for its new middle school. The District expended approximately \$8.16 million in current year construction fees during the 2018-2019 year, which is shown in expenditures in the governmental funds.

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, 2019, the District did not incur any significant losses that were not covered by insurance.

Note 20. Subsequent Event

On September 19, 2019, the District awarded Landis Run playground the expansion project bid in the amount of \$405,200.

REQUIRED SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| District's proportion of the net pension liability | 0.2876% | 0.2808% | 0.3115% | 0.2608% | 0.2527% |
| District's proportionate share of the net pension liability | <u>\$ 138,062,000</u> | <u>\$ 138,683,000</u> | <u>\$ 134,943,000</u> | <u>\$ 112,966,000</u> | <u>\$ 100,020,000</u> |
| District's covered payroll | <u>\$ 38,724,997</u> | <u>\$ 37,385,602</u> | <u>\$ 35,265,724</u> | <u>\$ 33,560,737</u> | <u>\$ 32,248,532</u> |
| District's proportionate share of net pension liability as a percentage of its covered payroll | 356.52% | 370.95% | 382.65% | 336.60% | 310.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 54.00% | 51.84% | 50.14% | 54.36% | 57.24% |

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, only information for those years for which information is available is shown.

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 13,094,055 | \$ 12,337,333 | \$ 10,960,339 | \$ 8,662,259 | \$ 6,712,710 |
| Contributions in relation to the contractually required contribution | (13,094,055) | (12,337,333) | (10,960,339) | (8,662,259) | (6,712,710) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 40,172,729 | \$ 38,900,192 | \$ 37,500,987 | \$ 33,374,247 | \$ 33,513,122 |
| Contributions as a percentage of covered payroll | 32.59% | 31.72% | 29.23% | 25.95% | 20.03% |

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, only information for those years for which information is available is shown.

MANHEIM TOWNSHIP SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
 SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
 DISTRICT'S SINGLE EMPLOYER PLAN

Year Ended June 30,

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Total OPEB liability | | |
| Service cost | \$ 417,547 | \$ 402,879 |
| Interest | 328,665 | 334,779 |
| Differences between expected and actual experience | - | (374,301) |
| Changes in assumptions | - | 3,149,616 |
| Benefit payments | (739,404) | (726,286) |
| Net change in total OPEB liability | 6,808 | 2,786,687 |
| Total OPEB Liability - beginning | 11,116,427 | 8,329,740 |
| Total OPEB Liability - ending | <u>\$ 11,123,235</u> | <u>\$ 11,116,427</u> |
| District's covered payroll | <u>\$ 33,122,384</u> | <u>\$ 32,157,655</u> |
| Total OPEB liability as a percentage of covered payroll | 33.58% | 34.57% |

Notes to Schedule:

Changes in Assumptions: The discount rate changed from 4.0% to 3.0%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated.

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, only information for those years for which information is available is shown.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PSERS COST SHARING PLAN**

Year Ended June 30,

| | 2019 | 2018 |
|---|----------------------|----------------------|
| District's proportion of the net OPEB liability | 0.2876% | 0.2808% |
| District's proportionate share of the net OPEB liability | <u>\$ 5,996,000</u> | <u>\$ 5,721,000</u> |
| District's covered payroll | <u>\$ 38,724,997</u> | <u>\$ 37,385,602</u> |
| District's proportionate share of net OPEB liability as a percentage of its covered payroll | 15.48% | 15.30% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.56% | 5.73% |

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, only information for those years for which information is available is shown.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS COST SHARING PLAN
Year Ended June 30,**

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Contractually required contribution | \$ 333,376 | \$ 322,621 |
| Contributions in relation to the contractually required contribution | (333,376) | (322,621) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | <u>\$ 40,172,729</u> | <u>\$ 38,900,192</u> |
| Contributions as a percentage of covered payroll | 0.83% | 0.83% |

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS

June 30, 2019

| | Capital Projects Fund | Capital Reserve Fund | Total Capital Projects Fund |
|--|-----------------------------|----------------------------|--------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,966,019 | \$ 1,365,406 | \$ 4,331,425 |
| Investments | 42,375,000 | 8,160,000 | 50,535,000 |
| Total assets | \$ 45,341,019 | \$ 9,525,406 | \$ 54,866,425 |
| Liabilities | | | |
| Accounts payable | \$ 1,814,111 | \$ 521,961 | \$ 2,336,072 |
| Total liabilities | 1,814,111 | 521,961 | 2,336,072 |
| Fund Balances | | | |
| Restricted | 43,526,908 | 9,003,445 | 52,530,353 |
| Total fund balances | 43,526,908 | 9,003,445 | 52,530,353 |
| Total liabilities and fund balances | \$ 45,341,019 | \$ 9,525,406 | \$ 54,866,425 |

MANHEIM TOWNSHIP SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - CAPITAL PROJECTS FUNDS
 Year Ended June 30, 2019

| | Capital Projects Fund | Capital Reserve Fund | Total Capital Projects Fund |
|--------------------------------------|-----------------------------|----------------------------|--------------------------------------|
| Revenues | | | |
| Investment earnings | \$ 1,197,691 | \$ 287,888 | \$ 1,485,579 |
| Total revenues | 1,197,691 | 287,888 | 1,485,579 |
| Expenditures | | | |
| Capital outlay | 8,158,872 | 4,803,735 | 12,962,607 |
| Total expenditures | 8,158,872 | 4,803,735 | 12,962,607 |
| Other Financing Sources | | | |
| Interfund transfers in | - | 1,187,871 | 1,187,871 |
| Total other financing sources | - | 1,187,871 | 1,187,871 |
| Net changes in fund balances | (6,961,181) | (3,327,976) | (10,289,157) |
| Fund Balances - July 1, 2018 | 50,488,089 | 12,331,421 | 62,819,510 |
| Fund Balances - June 30, 2019 | \$ 43,526,908 | \$ 9,003,445 | \$ 52,530,353 |

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Local Sources | | | | |
| Current real estate taxes | \$ 62,469,655 | \$ 62,469,655 | \$ 62,512,369 | \$ 42,714 |
| Interim real estate taxes | 1,775,900 | 1,775,900 | 945,693 | (830,207) |
| Public utility realty tax | 69,000 | 69,000 | 70,003 | 1,003 |
| Payment in lieu of taxes | 200,250 | 200,250 | 245,609 | 45,359 |
| Current Act 511 taxes | | | | |
| Local services tax | 270,000 | 270,000 | 285,616 | 15,616 |
| Earned income tax | 7,400,000 | 7,400,000 | 7,748,849 | 348,849 |
| Real estate transfer tax | 1,450,000 | 1,450,000 | 1,526,645 | 76,645 |
| Delinquent taxes | 500,000 | 500,000 | 421,340 | (78,660) |
| Investment earnings | 750,000 | 750,000 | 958,744 | 208,744 |
| Revenue from student activities | 152,900 | 152,900 | 179,815 | 26,915 |
| Revenue from intermediate sources/pass-through funds | 740,000 | 740,000 | 877,181 | 137,181 |
| Rentals | 655,000 | 655,000 | 658,732 | 3,732 |
| Contributions, donations and grants | | | | |
| from private sources | - | - | 189,443 | 189,443 |
| Tuition from patrons | 100,000 | 100,000 | 323,795 | 223,795 |
| Services provided other LEAs | 31,000 | 31,000 | 32,391 | 1,391 |
| Miscellaneous revenues | 769,500 | 769,500 | 317,545 | (451,955) |
| Total revenues from local sources | 77,333,205 | 77,333,205 | 77,293,770 | (39,435) |

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues (Continued) | | | | |
| State Sources | | | | |
| Basic instructional subsidy | 5,851,479 | 5,851,479 | 5,850,844 | (635) |
| Tuition for orphans subsidy | 50,000 | 50,000 | 132,646 | 82,646 |
| Special education of exceptional pupils | 2,335,205 | 2,335,205 | 2,475,800 | 140,595 |
| Transportation | 1,275,000 | 1,275,000 | 1,258,608 | (16,392) |
| Rental and sinking fund payments | 923,785 | 923,785 | 861,065 | (62,720) |
| Health services | 115,000 | 115,000 | 111,092 | (3,908) |
| State property tax reduction allocation | 1,119,164 | 1,119,164 | 1,119,164 | - |
| PA accountability grants | 474,037 | 474,037 | 474,037 | - |
| Act 44 grant | - | - | 14,301 | 14,301 |
| Revenue for social security payments | 1,538,175 | 1,538,175 | 1,474,302 | (63,873) |
| Revenue for retirement payments | 6,720,538 | 6,720,538 | 6,569,278 | (151,260) |
| Total revenues from state sources | 20,402,383 | 20,402,383 | 20,341,137 | (61,246) |
| Federal Sources | | | | |
| Title I improving academic achievement | 478,520 | 478,520 | 602,166 | 123,646 |
| Title II improving teacher quality | 151,700 | 151,700 | 153,421 | 1,721 |
| Title III language instruction for limited English proficient students | 37,705 | 37,705 | 35,555 | (2,150) |
| Title IV student support and academic enrichment | 13,500 | 13,500 | 26,618 | 13,118 |
| Medical assistance | 100,000 | 100,000 | - | (100,000) |
| Total revenues from Federal sources | 781,425 | 781,425 | 817,760 | 36,335 |
| Total revenues | 98,517,013 | 98,517,013 | 98,452,667 | (64,346) |
| Other Financing Sources | | | | |
| Sale of capital assets | 5,000 | 5,000 | - | (5,000) |
| Insurance recoveries | - | - | 42,925 | 42,925 |
| Total revenues from other financing sources | 5,000 | 5,000 | 42,925 | 37,925 |
| Total revenues and other financing sources | \$ 98,522,013 | \$ 98,522,013 | \$ 98,495,592 | \$ (26,421) |

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | | | | |
| Salaries | \$ 23,638,588 | \$ 23,288,588 | \$ 23,284,565 | \$ 4,023 |
| Employee benefits | 14,603,600 | 14,321,650 | 14,162,426 | 159,224 |
| Purchased professional and technical services | 626,140 | 934,140 | 929,391 | 4,749 |
| Purchased property services | 150,075 | 91,031 | 90,767 | 264 |
| Other purchased services | 916,418 | 986,518 | 982,708 | 3,810 |
| Supplies | 2,180,353 | 1,529,162 | 1,527,357 | 1,805 |
| Property | 37,300 | 180,247 | 179,180 | 1,067 |
| Other objects | 16,810 | 39,760 | 36,957 | 2,803 |
| Total regular programs | 42,169,284 | 41,371,096 | 41,193,351 | 177,745 |
| Special programs | | | | |
| Salaries | 4,563,367 | 4,453,167 | 4,428,171 | 24,996 |
| Employee benefits | 2,846,175 | 2,715,935 | 2,592,288 | 123,647 |
| Purchased professional and technical services | 1,857,870 | 2,177,020 | 2,174,129 | 2,891 |
| Purchased property services | 8,200 | 5,000 | 4,781 | 219 |
| Other purchased services | 706,417 | 1,316,417 | 1,312,576 | 3,841 |
| Supplies | 196,200 | 96,850 | 61,130 | 35,720 |
| Property | - | 30,000 | 26,418 | 3,582 |
| Other objects | 600 | 600 | 64 | 536 |
| Total special programs | 10,178,829 | 10,794,989 | 10,599,557 | 195,432 |
| Vocational programs | | | | |
| Purchased professional and technical services | 223,608 | - | - | - |
| Other purchased services | 578,137 | 578,137 | 489,788 | 88,349 |
| Total vocational programs | 801,745 | 578,137 | 489,788 | 88,349 |

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Instruction (Continued) | | | | |
| Other instructional programs | | | | |
| Salaries | 119,275 | 121,275 | 120,929 | 346 |
| Employee benefits | 61,050 | 67,050 | 66,287 | 763 |
| Purchased professional and technical services | 31,100 | 31,100 | 22,642 | 8,458 |
| Other purchased services | 117,347 | 117,347 | 60,598 | 56,749 |
| Supplies | 42,000 | 42,000 | 32,180 | 9,820 |
| Other objects | 350,000 | - | - | - |
| Total other instructional programs | 720,772 | 378,772 | 302,636 | 76,136 |
| Nonpublic school programs | | | | |
| Purchased professional and technical services | - | 5,600 | 5,600 | - |
| Total nonpublic school programs | - | 5,600 | 5,600 | - |
| Total instructional | 53,870,630 | 53,128,594 | 52,590,932 | 537,662 |
| Support services | | | | |
| Pupil personnel services | | | | |
| Salaries | 2,272,971 | 2,289,271 | 2,287,864 | 1,407 |
| Employee benefits | 1,395,300 | 1,395,300 | 1,366,059 | 29,241 |
| Purchased professional and technical services | 150,750 | 149,250 | 127,763 | 21,487 |
| Purchased property services | 5,000 | 5,000 | 2,675 | 2,325 |
| Other purchased services | 19,780 | 18,580 | 11,243 | 7,337 |
| Supplies | 95,635 | 80,585 | 59,671 | 20,914 |
| Other objects | 1,910 | 1,910 | (153) | 2,063 |
| Total pupil personnel services | 3,941,346 | 3,939,896 | 3,855,122 | 84,774 |

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Support services (Continued) | | | | |
| Instructional staff services | | | | |
| Salaries | 2,210,579 | 2,407,579 | 2,405,991 | 1,588 |
| Employee benefits | 1,710,100 | 1,850,100 | 1,847,103 | 2,997 |
| Purchased professional and technical services | 103,450 | 185,800 | 182,355 | 3,445 |
| Purchased property services | 53,725 | 54,725 | 50,739 | 3,986 |
| Other purchased services | 65,300 | 35,300 | 34,807 | 493 |
| Supplies | 423,141 | 402,585 | 399,631 | 2,954 |
| Property | 176,194 | 96,802 | 95,362 | 1,440 |
| Other objects | 3,550 | 3,760 | 1,782 | 1,978 |
| Total instructional staff services | 4,746,039 | 5,036,651 | 5,017,770 | 18,881 |
| Administrative services | | | | |
| Salaries | 2,877,644 | 2,701,944 | 2,698,974 | 2,970 |
| Employee benefits | 1,784,550 | 1,697,550 | 1,694,944 | 2,606 |
| Purchased professional and technical services | 276,830 | 371,830 | 368,607 | 3,223 |
| Purchased property services | 7,725 | 7,725 | 3,388 | 4,337 |
| Other purchased services | 33,950 | 26,950 | 21,935 | 5,015 |
| Supplies | 43,200 | 53,271 | 52,825 | 446 |
| Other objects | 27,760 | 28,158 | 27,792 | 366 |
| Total administrative services | 5,051,659 | 4,887,428 | 4,868,465 | 18,963 |
| Pupil health | | | | |
| Salaries | 817,106 | 616,400 | 596,922 | 19,478 |
| Employee benefits | 498,250 | 410,956 | 359,931 | 51,025 |
| Purchased professional and technical services | 207,075 | 277,075 | 275,097 | 1,978 |
| Purchased property services | 3,025 | 3,025 | 217 | 2,808 |
| Other purchased services | 1,050 | 2,350 | 1,643 | 707 |
| Supplies | 22,850 | 22,700 | 19,632 | 3,068 |
| Property | 100 | 100 | - | 100 |
| Other objects | - | 200 | 120 | 80 |
| Total pupil health | 1,549,456 | 1,332,806 | 1,253,562 | 79,244 |

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Support services (Continued) | | | | |
| Business services | | | | |
| Salaries | 336,504 | 472,204 | 459,750 | 12,454 |
| Employee benefits | 206,950 | 281,950 | 278,993 | 2,957 |
| Purchased professional and technical services | 58,650 | 84,650 | 82,960 | 1,690 |
| Purchased property services | 9,250 | 2,250 | 1,596 | 654 |
| Other purchased services | 1,600 | 8,600 | 7,378 | 1,222 |
| Supplies | 177,511 | 92,011 | 80,264 | 11,747 |
| Property | - | 2,500 | 2,216 | 284 |
| Other objects | 1,500 | 2,000 | 1,681 | 319 |
| Total business services | 791,965 | 946,165 | 914,838 | 31,327 |
| Operation and maintenance of plant services | | | | |
| Salaries | 2,062,049 | 1,997,049 | 1,988,374 | 8,675 |
| Employee benefits | 1,263,650 | 1,458,650 | 1,453,009 | 5,641 |
| Purchased professional and technical services | 282,015 | 487,015 | 486,159 | 856 |
| Purchased property services | 1,806,335 | 1,629,385 | 1,622,897 | 6,488 |
| Other purchased services | 438,400 | 349,600 | 338,837 | 10,763 |
| Supplies | 2,054,780 | 1,907,180 | 1,868,525 | 38,655 |
| Property | 50,000 | 50,000 | 42,475 | 7,525 |
| Other objects | 1,600 | 3,000 | 1,846 | 1,154 |
| Total operation and maintenance of plant services | 7,958,829 | 7,881,879 | 7,802,122 | 79,757 |
| Student transportation services | | | | |
| Salaries | 95,923 | 113,423 | 112,920 | 503 |
| Employee benefits | 59,450 | 60,900 | 60,504 | 396 |
| Purchased professional and technical services | 3,900 | 5,700 | 5,631 | 69 |
| Purchased property services | 41,000 | 41,000 | 38,348 | 2,652 |
| Other purchased services | 3,633,600 | 3,606,900 | 3,602,991 | 3,909 |
| Supplies | 18,350 | 23,915 | 23,423 | 492 |
| Property | 35,000 | 35,000 | 23,576 | 11,424 |
| Other objects | 400 | 400 | 279 | 121 |
| Total student transportation services | 3,887,623 | 3,887,238 | 3,867,672 | 19,566 |

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
Year Ended June 30, 2019**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Support services (Continued) | | | | |
| Central support services | | | | |
| Salaries | 450,772 | 468,772 | 466,556 | 2,216 |
| Employee benefits | 277,150 | 348,150 | 347,105 | 1,045 |
| Purchased professional and technical services | 57,310 | 105,310 | 104,190 | 1,120 |
| Purchased property services | 1,500 | 1,500 | 1,269 | 231 |
| Other purchased services | 84,600 | 73,600 | 51,481 | 22,119 |
| Supplies | 61,260 | 121,260 | 119,673 | 1,587 |
| Other objects | 20,300 | 3,600 | 2,896 | 704 |
| Total central support services | 952,892 | 1,122,192 | 1,093,170 | 29,022 |
| Other support services | | | | |
| Other purchased services | 50,800 | 51,500 | 51,322 | 178 |
| Total other support services | 50,800 | 51,500 | 51,322 | 178 |
| Total support services | 28,930,609 | 29,085,755 | 28,724,043 | 361,712 |
| Operation of non-instructional services | | | | |
| Student activities | | | | |
| Salaries | 795,522 | 770,122 | 729,464 | 40,658 |
| Employee benefits | 386,700 | 357,700 | 312,038 | 45,662 |
| Purchased professional and technical services | 108,340 | 147,640 | 138,398 | 9,242 |
| Purchased property services | 37,045 | 37,045 | 28,817 | 8,228 |
| Other purchased services | 144,695 | 144,695 | 137,578 | 7,117 |
| Supplies | 94,955 | 94,391 | 77,236 | 17,155 |
| Property | 21,955 | 21,955 | 4,898 | 17,057 |
| Other objects | 36,800 | 42,442 | 38,518 | 3,924 |
| Total student activities | 1,626,012 | 1,615,990 | 1,466,947 | 149,043 |

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
Year Ended June 30, 2019**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Operation of non-instructional services (Continued) | | | | |
| Community services | | | | |
| Purchased professional and technical services | 550 | 5,250 | 5,046 | 204 |
| Other purchased services | - | 950 | 880 | 70 |
| Supplies | 1,500 | 5,250 | 3,293 | 1,957 |
| Total community services | 2,050 | 11,450 | 9,219 | 2,231 |
| | | | | |
| Total operation of noninstructional services | 1,628,062 | 1,627,440 | 1,476,166 | 151,274 |
| | | | | |
| Capital outlay | | | | |
| Purchased professional and technical services | - | 48,250 | 48,055 | 195 |
| Purchased property services | - | 7,200 | 7,124 | 76 |
| Supplies | - | 5,400 | 5,322 | 78 |
| Property | - | 9,150 | 8,325 | 825 |
| Total capital outlay | - | 70,000 | 68,826 | 1,174 |
| | | | | |
| Debt Service | | | | |
| Principal payments | - | 897,902 | 897,837 | 65 |
| Interest payments | - | 4,270 | 4,269 | 1 |
| Total debt service | - | 902,172 | 902,106 | 66 |
| | | | | |
| Other Expenditures | | | | |
| Other objects | - | 15,340 | 15,340 | - |
| Total other expenditures | - | 15,340 | 15,340 | - |
| | | | | |
| Total expenditures | 84,429,301 | 84,829,301 | 83,777,413 | 1,051,888 |
| | | | | |
| Other Financing Uses | | | | |
| Interfund transfers out | 14,105,814 | 14,105,814 | 15,110,339 | (1,004,525) |
| Budgetary reserve | 400,000 | - | - | - |
| Total other financing uses | 14,505,814 | 14,105,814 | 15,110,339 | (1,004,525) |
| | | | | |
| Total expenditures and other financing uses | \$ 98,935,115 | \$ 98,935,115 | \$ 98,887,752 | \$ 47,363 |

**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, 2019, 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 5, 2019.

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 5, 2019

**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, 2019. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 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, 2019.

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

Camp Hill, Pennsylvania
December 5, 2019

MANHEIM TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

Identification of the major programs:

| CFDA Number(s) | Name of Federal Programs/Cluster |
|----------------|---|
| | Special Education Cluster (IDEA) |
| 84.027 | Special Education Grants to States |
| 84.173 | Special Education Preschool Grants |

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, 2019

| | Federal C.F.D.A. Number | Pass- Through Grantor's Number | Grant Period | Program or Annual Award | Total Received (Refunded) for the Year | Restated Accrued (Deferred) Revenue at 7/1/2018 | Revenue Recognized | Expenditures Recognized | Accrued (Deferred) Revenue at 6/30/2019 | Provided to Subrecipients |
|---|-------------------------------|---|-----------------|-------------------------------|---|---|-----------------------|----------------------------|--|------------------------------|
| U.S. Department of Education | | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | | |
| Title I - Grants to Local Educational Agencies | 84.010 | 13-170237 | 16-17 | \$ 516,066 | \$ - | \$ (5,161) | \$ 5,161 | \$ 5,161 | \$ - | \$ - |
| Title I - Grants to Local Educational Agencies | 84.010 | 13-180237 | 17-18 | \$ 597,181 | 169,352 | 42,348 | 127,004 | 127,004 | - | - |
| Title I - Grants to Local Educational Agencies | 84.010 | 13-190237 | 18-19 | \$ 601,523 | 386,693 | - | 470,001 | 470,001 | 83,308 | - |
| | | | | | <u>556,045</u> | <u>37,187</u> | <u>602,166</u> | <u>602,166</u> | <u>83,308</u> | <u>-</u> |
| Title II - Supporting Effective Instruction State Grants | 84.367 | 20-180237 | 17-18 | \$ 145,673 | 20,599 | (3,441) | 24,040 | 24,040 | - | - |
| Title II - Supporting Effective Instruction State Grants | 84.367 | 20-190237 | 18-19 | \$ 140,666 | 120,571 | - | 129,381 | 129,381 | 8,810 | - |
| | | | | | <u>141,170</u> | <u>(3,441)</u> | <u>153,421</u> | <u>153,421</u> | <u>8,810</u> | <u>-</u> |
| Title III - English Language Acquisition State Grants | 84.365 | 10-180237 | 17-18 | \$ 39,237 | - | (1,744) | 1,744 | 1,744 | - | - |
| Title III - English Language Acquisition State Grants | 84.365 | 10-190237 | 18-19 | \$ 33,811 | 33,811 | - | 33,811 | 33,811 | - | - |
| | | | | | <u>33,811</u> | <u>(1,744)</u> | <u>35,555</u> | <u>35,555</u> | <u>-</u> | <u>-</u> |
| Title IV - Student Support and Academic Enrichment | 84.424 | 144-180237 | 17-18 | \$ 13,454 | - | (1,854) | 1,854 | 1,854 | - | - |
| Title IV - Student Support and Academic Enrichment | 84.424 | 144-190237 | 18-19 | \$ 43,172 | 30,837 | - | 24,764 | 24,764 | (6,073) | - |
| | | | | | <u>30,837</u> | <u>(1,854)</u> | <u>26,618</u> | <u>26,618</u> | <u>(6,073)</u> | <u>-</u> |
| Total passed through the Pennsylvania Department of Education | | | | | <u>761,863</u> | <u>30,148</u> | <u>817,760</u> | <u>817,760</u> | <u>86,045</u> | <u>-</u> |
| Passed through the Lancaster-Lebanon Intermediate unit No. 13: | | | | | | | | | | |
| Special Education Cluster | | | | | | | | | | |
| Special Education - Grants to States - Pass-Thru | 84.027 | 062-18-0013 | 17-18 | \$ 548,162 | 548,162 | 548,162 | - | - | - | - |
| Special Education - Grants to States - Pass-Thru | 84.027 | 062-19-0013 | 18-19 | \$ 579,546 | 579,546 | - | 579,546 | 579,546 | - | - |
| Special Education - Grants to States - On Behalf Services | 84.027 | 062-19-0013 | 18-19 | \$ 230,081 | 230,081 | - | 230,081 | 230,081 | - | - |
| | | | | | <u>1,357,789</u> | <u>548,162</u> | <u>809,627</u> | <u>809,627</u> | <u>-</u> | <u>-</u> |
| Special Education - Preschool Grants | 84.173 | 131-17-0-013 | 17-18 | \$ 4,872 | 4,872 | 4,872 | - | - | - | - |
| Special Education - Preschool Grants | 84.173 | 131-18-0-013 | 18-19 | \$ 4,833 | - | - | 4,833 | 4,833 | 4,833 | - |
| | | | | | <u>4,872</u> | <u>4,872</u> | <u>4,833</u> | <u>4,833</u> | <u>4,833</u> | <u>-</u> |
| Total Special Education Cluster | | | | | <u>1,362,661</u> | <u>553,034</u> | <u>814,460</u> | <u>814,460</u> | <u>4,833</u> | <u>-</u> |
| Total passed through the Lancaster-Lebanon Intermediate Unit No. 13 | | | | | <u>1,362,661</u> | <u>553,034</u> | <u>814,460</u> | <u>814,460</u> | <u>4,833</u> | <u>-</u> |
| Total U.S. Department of Education | | | | | <u>2,124,524</u> | <u>583,182</u> | <u>1,632,220</u> | <u>1,632,220</u> | <u>90,878</u> | <u>-</u> |

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2019

| | Federal C.F.D.A. Number | Pass- Through Grantor's Number | Grant Period | Program or Annual Award | Total Received (Refunded) for the Year | Restated Accrued (Deferred) Revenue at 7/1/2018 | Revenue Recognized | Expenditures Recognized | Accrued (Deferred) Revenue at 6/30/2019 | Provided to Subrecipients |
|--|-------------------------------|---|-----------------|-------------------------------|---|---|-----------------------|----------------------------|--|------------------------------|
| U.S. Department of Agriculture | | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | | |
| School Breakfast Program * | 10.553 | N/A | 17-18 | N/A | 8,526 | 8,526 | - | - | - | - |
| School Breakfast Program * | 10.553 | N/A | 18-19 | N/A | 251,106 | - | 255,043 | 255,043 | 3,937 | - |
| | | | | | <u>259,632</u> | <u>8,526</u> | <u>255,043</u> | <u>255,043</u> | <u>3,937</u> | <u>-</u> |
| National School Lunch Program * | 10.555 | N/A | 17-18 | N/A | 26,899 | 26,899 | - | - | - | - |
| National School Lunch Program * | 10.555 | N/A | 18-19 | N/A | 922,175 | - | 931,450 | 931,450 | 9,275 | - |
| | | | | | <u>949,074</u> | <u>26,899</u> | <u>931,450</u> | <u>931,450</u> | <u>9,275</u> | <u>-</u> |
| Summer Food Service Program for Children * | 10.559 | N/A | 17-18 | N/A | 4,304 | 4,304 | - | - | - | - |
| Summer Food Service Program for Children * | 10.559 | N/A | 18-19 | N/A | 13,129 | - | 22,629 | 22,629 | 9,500 | - |
| | | | | | <u>17,433</u> | <u>4,304</u> | <u>22,629</u> | <u>22,629</u> | <u>9,500</u> | <u>-</u> |
| Total passed through the Pennsylvania Department of Education | | | | | <u>1,226,139</u> | <u>39,729</u> | <u>1,209,122</u> | <u>1,209,122</u> | <u>22,712</u> | <u>-</u> |
| Passed through the Pennsylvania Department of Agriculture | | | | | | | | | | |
| National School Lunch Program - Food Donations * | 10.555 | N/A | 18-19 | N/A | 173,873 | - | 173,873 | 173,873 | - | - |
| | | | | | <u>173,873</u> | <u>-</u> | <u>173,873</u> | <u>173,873</u> | <u>-</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | | | <u>1,400,012</u> | <u>39,729</u> | <u>1,382,995</u> | <u>1,382,995</u> | <u>22,712</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | | | <u>\$ 3,524,536</u> | <u>\$ 622,911</u> | <u>\$ 3,015,215</u> | <u>\$ 3,015,215</u> | <u>\$ 113,590</u> | <u>\$ -</u> |

* Programs in the Child Nutrition Cluster

| | |
|--|---------------------|
| School Breakfast Program | \$ 255,043 |
| National School Lunch Program | 931,450 |
| Summer Food Service Program | 22,629 |
| National School Lunch Program - Food Donations | 173,873 |
| | <u>\$ 1,382,995</u> |

See Notes to Schedule of Expenditures of Federal Awards.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2019. 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 has not elected to use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

MANHEIM TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2019

There were no prior year audit findings.