

**MANHEIM TOWNSHIP
SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Manheim Township School District
Lancaster, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manheim Township School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, Manheim Township School District has implemented a reporting model to account for deferred inflows of resources, deferred outflows of resources, and net position as required by the provisions of the Governmental Accounting Standards Board (“GASB”) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB 65, *Items Previously Recognized as Assets and Liabilities*, as of July 1, 2012. Our opinions on these statements are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of the Manheim Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manheim Township School District's internal control over financial reporting and compliance.

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

Camp Hill, Pennsylvania
November 6, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2013**

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, 2013. 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, 2013, are as follows:

With earned income tax and real estate transfer tax collections exceeding amounts budgeted by \$1.8 million, various expenditures under budget, and a fund transfer to the Capital Reserve Fund to cover future unanticipated and proposed capital projects, the District ended the fiscal year with an increase in the general fund balances of \$2.9 million. Some of the variances in budgeted revenues and expenditures were as follows:

- ❖ Current Earned Income Tax collections exceeded budget by approximately \$1,500,000
- ❖ Real Estate Transfer Taxes exceeded budget by approximately \$340,000
- ❖ Salaries and Benefits expenditures under final budget by approximately \$1,200,000
- ❖ Debt Service expenditures under original budget by approximately \$790,000
- ❖ Utilities expenditures under original budget by approximately \$725,000
- ❖ Transportation expenditures under original budget by approximately \$400,000

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 an increase in net position of \$166,784 for the year ended June 30, 2013. This was the net result of \$182,428 in capital contributions of assets for the new Landis Run Intermediate School and a \$15,644 loss for the year.

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

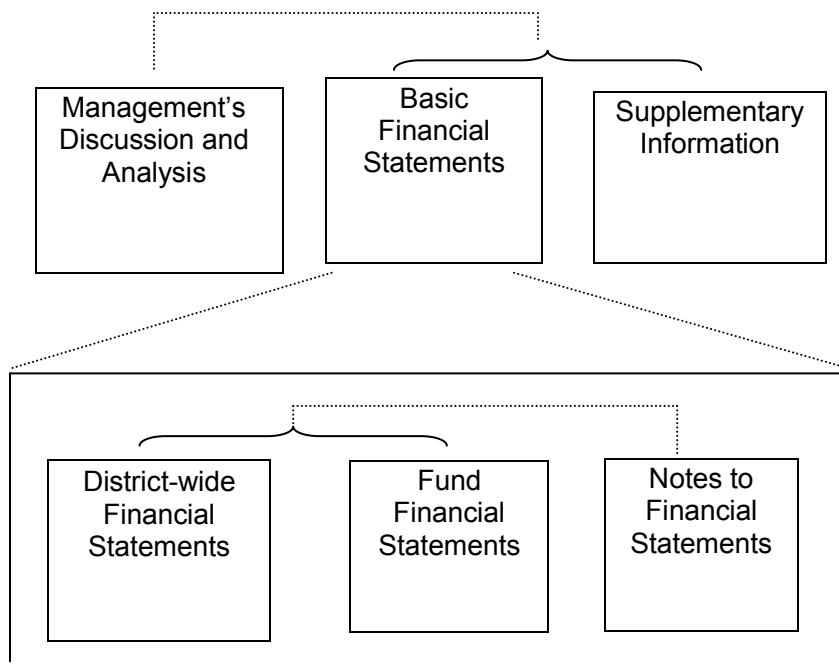


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of 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 Balance 	<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 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 \$58,037,463 at June 30, 2013, and \$51,493,387 at June 30, 2012.

Table A-1
Statements of Net Position
June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 28,702,686	\$ 19,465,420	\$ 1,619,162	\$ 1,569,878	\$ 30,321,848	\$ 21,035,298
Noncurrent assets						
Capital assets	171,860,144	175,373,205	1,074,221	1,028,229	172,934,365	176,401,434
Other	-	7,749,048	-	-	-	7,749,048
Total assets	\$ 200,562,830	\$ 202,587,673	\$ 2,693,383	\$ 2,598,107	\$ 203,256,213	\$ 205,185,780
Deferred Outflows of Resources	\$ 10,513,924	\$ -	\$ -	\$ -	\$ 10,513,924	\$ -
Current liabilities	\$ 9,896,429	\$ 17,607,413	\$ 105,291	\$ 176,799	\$ 10,001,720	\$ 17,784,212
Noncurrent liabilities	145,730,954	135,908,181	-	-	145,730,954	135,908,181
Total liabilities	\$ 155,627,383	\$ 153,515,594	\$ 105,291	\$ 176,799	\$ 155,732,674	\$ 153,692,393
Net Position						
Net investment in capital assets	\$ 37,868,176	\$ 37,817,469	\$ 1,074,221	\$ 1,028,229	\$ 38,942,397	\$ 38,845,698
Restricted	6,016,016	2,284,868	-	-	6,016,016	2,284,868
Unrestricted	11,565,179	8,969,742	1,513,871	1,393,079	13,079,050	10,362,821
Total net position	\$ 55,449,371	\$ 49,072,079	\$ 2,588,092	\$ 2,421,308	\$ 58,037,463	\$ 51,493,387

The District adopted GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which changes the appearance of the government-wide statement of net position. The financial statement now includes deferred outflows of resources as a separate item in addition to assets and liabilities, and net position is reported instead of net assets. 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, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 711,936	\$ 682,121	\$ 1,439,618	\$ 1,475,477	\$ 2,151,554	\$ 2,157,598
Operating grants and contributions	8,732,736	8,209,133	997,609	1,030,505	9,730,345	9,239,638
Capital grants and contributions	641,459	594,571	-	-	641,459	594,571
General revenues						
Property taxes	53,894,071	52,009,892	-	-	53,894,071	52,009,892
Other taxes	7,824,566	6,773,526	-	-	7,824,566	6,773,526
Grants, subsidies and contributions not restricted	5,591,461	5,595,967	317	488	5,591,778	5,596,455
Other	117,384	344,742	183,386	(2,577)	300,770	342,165
Total revenues	77,513,613	74,209,952	2,620,930	2,503,893	80,134,543	76,713,845
Expenses						
Instruction	37,783,759	39,649,834	-	-	37,783,759	39,649,834
Instructional student support	5,590,701	5,894,239	-	-	5,590,701	5,894,239
Administrative and financial support	4,931,785	5,041,249	-	-	4,931,785	5,041,249
Operation and maintenance of plant	6,563,210	6,215,489	-	-	6,563,210	6,215,489
Pupil transportation	3,133,643	2,914,711	-	-	3,133,643	2,914,711
Student activities	1,130,502	1,068,884	-	-	1,130,502	1,068,884
Community services	970	5,340	-	-	970	5,340
Interest on long-term debt	5,631,450	5,672,371	-	-	5,631,450	5,672,371
Unallocated depreciation	5,393,262	4,709,658	-	-	5,393,262	4,709,658
Food service	-	-	2,454,146	2,330,681	2,454,146	2,330,681
Total expenses	70,159,282	71,171,775	2,454,146	2,330,681	72,613,428	73,502,456
Changes in net position	7,354,331	3,038,177	166,784	173,212	7,521,115	3,211,389
Net position - beginning	49,072,079	46,033,902	2,421,308	2,248,096	51,493,387	48,281,998
Prior period adjustment	(977,039)	-	-	-	(977,039)	-
Net position - beginning as restated	48,095,040	46,033,902	2,421,308	2,248,096	50,516,348	48,281,998
Net position - ending	\$ 55,449,371	\$ 49,072,079	\$ 2,588,092	\$ 2,421,308	\$ 58,037,463	\$ 51,493,387

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, 2013 and 2012

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 37,783,759	\$ 39,649,834	\$ 31,255,402	\$ 33,456,036
Instructional student support	5,590,701	5,894,239	4,985,969	5,370,898
Administrative and financial support	4,931,785	5,041,249	4,579,429	4,734,619
Operation and maintenance of plant	6,563,210	6,215,489	6,115,292	5,804,775
Pupil transportation	3,133,643	2,914,711	1,933,838	1,692,579
Student activities	1,130,502	1,068,884	788,210	839,143
Community services	970	5,340	(4,332)	442
Interest on long-term debt	5,631,450	5,672,371	5,026,081	5,077,800
Unallocated depreciation	5,393,262	4,709,658	5,393,262	4,709,658
Total governmental activities	\$ 70,159,282	\$ 71,171,775	60,073,151	61,685,950
Less: Grants, subsidies and contributions not restricted			<u>5,591,461</u>	<u>5,595,967</u>
Total needs from local taxes and other revenues			<u>\$ 54,481,690</u>	<u>\$ 56,089,983</u>

THE DISTRICT'S FUNDS

At June 30, 2013, the District's governmental funds reported a combined fund balance of \$18,446,244 which is an increase of \$4,297,023 from the prior year. The primary reasons for this increase are contained in two specific funds:

General Fund:

The District experienced a \$2.9 million increase in the General Fund's fund balance. This was a result of earned income and real estate transfer tax collections exceeding amounts budgeted as well as expenditures coming in under budget in various areas as described previously under Financial Highlights. Of the \$2.9 million increase, \$1 million was assigned for future PSERS/medical benefits, \$1 million was assigned for future debt service payments and the unassigned fund balance increased by approximately \$900,000. The unassigned fund balance at June 30, 2013, increased to 6.4% of total budgeted expenditures and other financing uses for the 2012-13 fiscal year.

Capital Projects Fund:

The District's Capital Projects Funds are comprised of construction funds used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities as well as the District's Capital Reserve Fund. Construction fund balances decreased approximately \$2.4 million as construction of Landis Run Intermediate School came to an end. The Landis Run Intermediate School was ready for occupancy for the start of school in September 2012. With continued planning for unanticipated and proposed capital projects each year, additional funds were transferred to the Capital Reserve Fund. This fund was established to finance projects without the need for additional borrowing. The Capital Reserve Fund's fund balance reflected an increase of \$3.8 million.

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, 2013, the District had \$171,860,144 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. Construction-in-progress decreased and other asset line items increased with the opening of Landis Run Intermediate School in September 2012. 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	
	2013	2012	2013	2012	2013	2012
Land and land improvements	\$ 11,659,826	\$ 10,447,589	\$ -	\$ -	\$ 11,659,826	\$ 10,447,589
Site improvements	12,089,092	11,245,516	-	-	12,089,092	11,245,516
Building and building improvements	142,412,200	115,595,127	-	-	142,412,200	115,595,127
Furniture and equipment	5,535,501	5,092,038	1,074,221	1,028,229	6,609,722	6,120,267
Construction-in-progress	163,525	32,992,935	-	-	163,525	32,992,935
Total capital assets	\$ 171,860,144	\$ 175,373,205	\$ 1,074,221	\$ 1,028,229	\$ 172,934,365	\$ 176,401,434

DEBT ADMINISTRATION

As of July 1, 2012, the District had total outstanding bond principal of \$140,890,000. During the year, the District issued General Obligation Bonds, Series of 2013, in the amount of \$5,930,000 which were used to currently refund the General Obligation Bonds, Series A of 2004. The District also made scheduled principal payments of \$6,425,000 resulting in outstanding debt as of June 30, 2013, of \$134,300,000.

Table A-5
Outstanding Debt

	2012	2013
General Obligation Bonds/Notes:		
General Obligation Bonds, Series A of 2004	\$ 6,095,000	\$ -
General Obligation Bonds, Series of 2008	8,920,000	7,800,000
General Obligation Bonds, Series of 2009	9,895,000	9,890,000
General Obligation Bonds, Series A of 2009	12,365,000	9,410,000
General Obligation Bonds, Series B of 2009	5,775,000	5,135,000
General Obligation Bonds, Series of 2010	30,000,000	29,855,000
General Obligation Notes, Series of 2011	60,040,000	58,630,000
General Obligation Bonds, Series of 2012	7,800,000	7,800,000
General Obligation Bonds, Series of 2013	-	5,780,000

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 2013-14 budgeted revenue is approximately \$2.2 million more than the 2012-13 budgeted revenue. The District passed a resolution limiting the millage tax increase for 2013-14 to the Act 1 index of 1.7%. This tax increase along with additional taxable assessments resulted in an increase in budgeted real estate taxes of \$1.3 million. The 2013-14 budgeted expenditures and other financing uses is approximately \$3.6 million more than the 2012-13 budgeted expenditures and other financing uses. This increase is mainly a result of an increase in budgeted medical/dental expenditures of \$1.9 million and an increase in retirement contributions of \$1.5 million due to the increase in the PSERS contribution rate from 12.36% to 16.93%. The comparisons of revenue and expenditure categories follow:

Table A-6
BUDGETED REVENUES

	2012-2013 (actual)	2013-2014
Local	82.39%	81.21%
State	16.58%	17.91%
Federal/Other	1.03%	.88%

BUDGETED EXPENDITURES AND OTHER FINANCING USES

	2012-2013 (actual)	2013-2014
Instruction	50.14%	53.33%
Support Services	26.38%	29.03%
Non-Instruction/Community	1.44%	1.40%
Facilities Acquisition/Fund Transfers/Other	22.04%	16.24%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 22,712,089	\$ 1,292,499	\$ 24,004,588
Investments	900,000	-	900,000
Receivables	3,876,951	297,527	4,174,478
Internal balances	20,116	(20,116)	-
Inventories	-	49,252	49,252
Prepaid expenses	1,193,530	-	1,193,530
Capital assets			
Land, improvements and construction-in-progress	11,823,351	-	11,823,351
Other capital assets, net of depreciation	160,036,793	1,074,221	161,111,014
Total capital assets	171,860,144	1,074,221	172,934,365
Total assets	\$ 200,562,830	\$ 2,693,383	\$ 203,256,213
Deferred Outflows of Resources	\$ 10,513,924	\$ -	\$ 10,513,924
Liabilities			
Accounts payable and accrued expenses	\$ 9,703,060	\$ 69,679	\$ 9,772,739
Unearned revenues	193,369	35,612	228,981
Long-term liabilities			
Due within one year	7,434,725	-	7,434,725
Due in more than 1 year	138,296,229	-	138,296,229
Total long-term liabilities	145,730,954	-	145,730,954
Total liabilities	\$ 155,627,383	\$ 105,291	\$ 155,732,674
Net Position			
Net investment in capital assets	\$ 37,868,176	\$ 1,074,221	\$ 38,942,397
Restricted	6,016,016	-	6,016,016
Unrestricted	11,565,179	1,513,871	13,079,050
Total net position	\$ 55,449,371	\$ 2,588,092	\$ 58,037,463

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

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	\$ 37,783,759	\$ 85,406	\$ 6,406,861	\$ 36,090	\$ (31,255,402)	\$ -	\$ (31,255,402)
Instructional student support	5,590,701	8,102	596,630	-	(4,985,969)	-	(4,985,969)
Administration and financial support	4,931,785	53,420	298,936	-	(4,579,429)	-	(4,579,429)
Operation and maintenance of plant	6,563,210	248,166	199,752	-	(6,115,292)	-	(6,115,292)
Pupil transportation	3,133,643	41,530	1,158,275	-	(1,933,838)	-	(1,933,838)
Student activities	1,130,502	275,312	66,980	-	(788,210)	-	(788,210)
Community services	970	-	5,302	-	4,332	-	4,332
Interest on long-term debt	5,631,450	-	-	605,369	(5,026,081)	-	(5,026,081)
Unallocated depreciation	5,393,262	-	-	-	(5,393,262)	-	(5,393,262)
Total governmental activities	70,159,282	711,936	8,732,736	641,459	(60,073,151)	-	(60,073,151)
Business-type activities:							
Food Service	2,454,146	1,439,618	997,609	-	-	(16,919)	(16,919)
Total primary government	\$ 72,613,428	\$ 2,151,554	\$ 9,730,345	\$ 641,459	\$ (60,073,151)	\$ (16,919)	\$ (60,090,070)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 53,894,071	\$ -	\$ 53,894,071
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					7,824,566	-	7,824,566
Grants, subsidies and contributions not restricted					5,591,461	317	5,591,778
Investment earnings					82,137	2,788	84,925
Loss on disposition of capital ssets					(494)	(1,830)	(2,324)
Miscellaneous income					218,169	-	218,169
Capital Contribution					(182,428)	182,428	-
Total general revenues					67,427,482	183,703	67,611,185
Changes in net position					7,354,331	166,784	7,521,115
Net Position - July 1, 2012, as originally stated					49,072,079	2,421,308	51,493,387
Prior period adjustment					(977,039)	-	(977,039)
Net Position - July 1, 2012, as restated					48,095,040	2,421,308	50,516,348
Net Position - June 30, 2013					\$ 55,449,371	\$ 2,588,092	\$ 58,037,463

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 19,684,982	\$ 3,027,107	\$ -	\$ 22,712,089
Investments	-	900,000	-	900,000
Taxes receivable	602,309	-	-	602,309
Due from other funds	35,911	2,900,000	-	2,935,911
Due from other governments	2,647,802	-	-	2,647,802
Other receivables	614,939	-	-	614,939
Prepaid expenses	88,546	-	-	88,546
Total assets	\$ 23,674,489	\$ 6,827,107	\$ -	\$ 30,501,596
Liabilities				
Due to other funds	\$ 2,903,895	\$ -	\$ -	\$ 2,903,895
Due to other governments	358,274	-	-	358,274
Accounts payable	2,045,533	170,372	-	2,215,905
Accrued salaries and benefits	5,460,797	-	-	5,460,797
Payroll deductions and withholdings	306,453	-	-	306,453
Unearned revenues	193,369	-	-	193,369
Other current liabilities	185,348	-	-	185,348
Total liabilities	11,453,669	170,372	-	11,624,041
Deferred Inflows of Resources				
Delinquent property taxes	431,311	-	-	431,311
Fund Balances				
Nonspendable	88,546	-	-	88,546
Restricted	-	6,656,735	-	6,656,735
Committed	4,838,246	-	-	4,838,246
Assigned	2,083,598	-	-	2,083,598
Unassigned	4,779,119	-	-	4,779,119
Total fund balances	11,789,509	6,656,735	-	18,446,244
Total liabilities, deferred inflows of resources and fund balances	\$ 23,674,489	\$ 6,827,107	\$ -	\$ 30,501,596

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total fund balances - governmental funds		\$ 18,446,244
Amounts reported for governmental activities in the Statement of Net Position are different because:		
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 \$231,767,623 and the accumulated depreciation is \$59,907,479.		171,860,144
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.		10,325,158
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.		431,311
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.		188,766
Long-term liabilities and related items are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities and related items at year-end consist of:		
Bonds payable	(134,300,000)	
Lease payable	(109,685)	
Derivative instruments - interest-rate swaps	(10,325,158)	
Accrued interest	(1,176,282)	
Unamortized:		
Bond premiums	(747,982)	
Bond discounts	184,297	
Compensated absences	(432,426)	(146,907,236)
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.		190,725
Prepaid other post-employment benefits are not expended in the current period, and therefore, are not reported as an asset in the funds.		914,259
Total net position - governmental activities		<u>\$ 55,449,371</u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Current and interim real estate taxes	\$ 53,927,197	\$ -	\$ -	\$ 53,927,197
Other taxes	8,376,710	-	-	8,376,710
Investment earnings	74,539	7,598	-	82,137
Other local sources	2,079,107	5,985	-	2,085,092
State sources	12,968,480	-	-	12,968,480
Federal sources	803,186	-	-	803,186
Total revenues	78,229,219	13,583	-	78,242,802
Expenditures				
Instructional	37,773,229	-	-	37,773,229
Support services	19,872,898	1	115,544	19,988,443
Operation of noninstructional services	1,083,849	-	-	1,083,849
Capital outlay	89,612	2,551,772	-	2,641,384
Debt service	-	-	11,989,880	11,989,880
Refund of prior years' receipts	627,947	-	-	627,947
Total expenditures	59,447,535	2,551,773	12,105,424	74,104,732
Excess (deficiency) of revenues over expenditures	18,781,684	(2,538,190)	(12,105,424)	4,138,070
Other Financing Sources (Uses)				
Interfund transfers in	-	3,900,000	11,988,989	15,888,989
Interfund transfers out	(15,888,989)	-	-	(15,888,989)
Capital contribution	-	36,090	-	36,090
Refunding bond	-	-	5,930,000	5,930,000
Payment to refunded-bond escrow agent	-	-	(6,159,101)	(6,159,101)
Bond premium	-	-	345,536	345,536
Insurance recoveries	6,428	-	-	6,428
Total other financing sources (uses)	(15,882,561)	3,936,090	12,105,424	158,953
Net changes in fund balances	2,899,123	1,397,900	-	4,297,023
Fund Balances - July 1, 2012	8,890,386	5,258,835	-	14,149,221
Fund Balances - June 30, 2013	\$ 11,789,509	\$ 6,656,735	\$ -	\$ 18,446,244

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, 2013

Net changes in fund balances - all governmental funds	\$	4,297,023
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlays	3,019,353	
Less depreciation expense	<u>(6,531,920)</u>	(3,512,567)

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

39,167

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.

(62,000)

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	(4,159)	
Other post-employment benefits	234,213	
Disposition of capital assets	<u>(494)</u>	229,560

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

Issuance of long-term debt	(6,275,536)	
Repayment of long-term debt	12,520,000	
Amortization of bond-issuance premiums	(25,410)	
Amortization of charges for bond refunding	(25,385)	
Amortization of bond premiums and discounts - net	84,911	
Payment of capital lease obligation	<u>84,568</u>	6,363,148

Change in net position of governmental activities	\$	<u>7,354,331</u>
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See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Current and interim real estate taxes	\$ 53,890,324	\$ 53,890,324	\$ 53,927,197	\$ 36,873
Other taxes	6,458,000	6,458,000	8,376,710	1,918,710
Investment earnings	50,000	50,000	74,539	24,539
Other local sources	1,904,800	1,904,800	2,079,107	174,307
State sources	13,399,509	13,399,509	12,968,480	(431,029)
Federal sources	685,000	685,000	803,186	118,186
Total revenues	76,387,633	76,387,633	78,229,219	1,841,586
Expenditures				
Instructional				
Regular programs	31,337,221	30,545,495	29,810,109	735,386
Special programs	7,770,834	7,555,735	7,021,127	534,608
Vocational programs	625,064	588,032	588,031	1
Other instructional programs	706,440	405,829	349,621	56,208
Nonpublic school programs	15,000	15,000	4,341	10,659
Total instructional	40,454,559	39,110,091	37,773,229	1,336,862
Support services				
Pupil personnel services	2,303,948	2,283,454	2,202,328	81,126
Instructional staff services	2,652,792	2,684,837	2,425,418	259,419
Administrative services	3,671,561	3,605,140	3,561,116	44,024
Pupil health	814,256	851,062	831,429	19,633
Business services	631,742	668,513	621,582	46,931
Operation and maintenance of plant services	7,125,447	7,477,078	6,525,112	951,966
Student transportation services	3,526,634	3,535,402	3,145,408	389,994
Central support services	537,356	559,892	507,290	52,602
Other support services	52,000	53,215	53,215	-
Total support services	21,315,736	21,718,593	19,872,898	1,845,695

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operation of noninstructional services				
Student activities	1,123,771	1,156,033	1,082,879	73,154
Community services	9,769	9,769	970	8,799
Total operation of noninstructional services	1,133,540	1,165,802	1,083,849	81,953
Capital outlay	-	89,612	89,612	-
Refund of prior years' receipts	25,000	627,947	627,947	-
Total expenditures	62,928,835	62,712,045	59,447,535	3,264,510
Excess of revenues over expenditures	13,458,798	13,675,588	18,781,684	5,106,096
Other Financing Sources (Uses)				
Interfund transfers in	5,000	5,000	-	(5,000)
Interfund transfers out	(12,773,471)	(13,690,261)	(15,888,989)	(2,198,728)
Sale of capital assets	9,673	9,673	-	(9,673)
Insurance recoveries	-	-	6,428	6,428
Budgetary reserve	(700,000)	-	-	-
Total other financing uses	(13,458,798)	(13,675,588)	(15,882,561)	(2,206,973)
Net changes in fund balance	\$ -	\$ -	2,899,123	\$ 2,899,123
Fund Balance - July 1, 2012			8,890,386	
Fund Balance - June 30, 2013			<u>11,789,509</u>	

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE

June 30, 2013

Assets	
Cash and cash equivalents	\$ 1,292,499
Due from other governments	258,373
Other receivables	39,154
Inventories	49,252
Capital assets - net of depreciation	1,074,221
Total assets	\$ 2,713,499

Liabilities	
Internal balances	\$ 20,116
Due to other governments	3,206
Accounts payable	32,488
Accrued salaries and benefits	33,556
Unearned revenues	35,612
Other current liabilities	429
Total liabilities	\$ 125,407

Net Position	
Net investment in capital assets	\$ 1,074,221
Unrestricted	1,513,871
Total net position	\$ 2,588,092

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, 2013**

<hr/>	
Operating Revenues	
Food service revenues	\$ 1,375,644
Charges for services	62,920
Other operating revenues	1,054
Total operating revenues	<u>1,439,618</u>
 Operating Expenses	
Salaries	775,330
Employee benefits	378,406
Purchased professional and technical services	15,599
Purchased property services	40,608
Other purchased services	2,445
Supplies	1,085,107
Depreciation	153,286
Dues and fees	3,365
Total operating expenses	<u>2,454,146</u>
Operating loss	(1,014,528)
 Nonoperating Revenues (Expense)	
Investment earnings	2,788
Contributions and donations - private sources	317
Loss on disposition of capital assets	(1,830)
State sources	143,474
Federal sources	854,135
Total nonoperating revenues	<u>998,884</u>
Loss before contributions	(15,644)
 Capital Contributions	<u>182,428</u>
Change in net position	166,784
 Net Position - July 1, 2012	<u>2,421,308</u>
Net Position - June 30, 2013	<u><u>\$ 2,588,092</u></u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2013**

<hr/>	
Cash Flows From Operating Activities	
Cash received from users	\$ 1,364,867
Cash received from other operating revenue	67,367
Cash payments to employees for services	(1,144,550)
Cash payments for goods and services	(983,702)
Cash payments for other operating expenses	(3,180)
Net cash used in operating activities	<u>(699,198)</u>
Cash Flows From Noncapital Financing Activities	
Contributions and donations - private sources	317
State sources	134,716
Federal sources	629,074
Cash provided by noncapital financing activities	<u>764,107</u>
Cash Flows From Capital and Related Financing Activities	
Capital outlay	<u>(128,231)</u>
Cash Flows From Investing Activities	
Investment earnings	<u>2,788</u>
Net decrease in cash and cash equivalents	(60,534)
Cash and Cash Equivalents:	
July 1, 2012	<u>1,353,033</u>
June 30, 2013	<u>\$ 1,292,499</u>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE (Continued)
Year Ended June 30, 2013**

Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities:	
Operating loss	\$ (1,014,528)
Adjustments to reconcile operating loss to net	
cash used in operating activities:	
Depreciation	153,286
Value of donated commodities	91,141
Changes in assets:	
Increase in receivables	(11,408)
Decrease in inventories	29,989
Changes in liabilities:	
Increase in payables	38,327
Increase in accrued salaries and benefits	10,632
Increase in unearned revenues	3,363
Net cash used in operating activities	<u><u>\$ (699,198)</u></u>
 Noncash Investing, Capital and Financing Activities:	
Contribution of capital assets from the capital projects fund	<u><u>\$ 182,428</u></u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013**

	Private-Purpose Trust Fund	Agency Student Activities	Total
Assets			
Cash and cash equivalents	\$ 7,068	\$ 102,651	\$ 109,719
Investments	165,536	-	165,536
Other receivables	2,473	1,577	4,050
Inventory	-	8,646	8,646
Total assets	\$ 175,077	\$ 112,874	\$ 287,951
Liabilities			
Due to other funds	\$ -	\$ 11,900	\$ 11,900
Accounts payable	-	17,495	17,495
Other liabilities	500	-	500
Due to student groups	-	83,479	83,479
Total liabilities	\$ 500	\$ 112,874	\$ 113,374
Net Position			
Held in trust for scholarships	\$ 174,577	\$ -	\$ 174,577
Total net position	\$ 174,577	\$ -	\$ 174,577

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 4,187
Contributions	4,360
Total additions	<u>8,547</u>
Deductions	
Scholarships awarded	<u>6,785</u>
Changes in net position	1,762
Net Position - July 1, 2012	<u>172,815</u>
Net Position - June 30, 2013	<u>\$ 174,577</u>

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 5,900 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. GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, generally is followed in both the government-wide and proprietary-fund financial statements to the extent that those standards do not conflict with or contradict guidance provided by the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 alter the total revenues and expenditures of any fund, must be approved by the Board.
5. Budgetary data is included in the District's management-information system and is employed as a management-control device during the year.
6. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of fund balance in a like amount.
7. The budget for the General Fund is adopted on the modified-accrual basis of accounting, which is consistent with generally accepted accounting principles.
8. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effects of approved budget amendments.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value.

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

A physical inventory of the proprietary fund's food and supplies was taken as of June 30, 2013. The inventory consisted of government-donated commodities which were valued at their estimated fair market values, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. The District has adopted a single inventory-recordkeeping system which does not distinguish between donated and purchased commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets and Depreciation (Continued):

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

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balance:

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

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

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

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

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

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

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

Encumbrances

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

Restricted Net Position

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other

Pension Plan: Substantially all full-time and part-time employees of the District participate in a cost-sharing, multiple-employer, defined-benefit pension plan. The District recognizes annual pension expenditures or expenses equal to its contractually-required contributions. The District made all required contributions for the year ended June 30, 2013, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

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

Implementation of New Accounting Principle: GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources. The requirements of this statement improve financial reporting by standardizing the presentation of deferred outflows and inflows of resources and their effects on the government's net position. This standard was adopted for fiscal year ended June 30, 2013. The adoption of this Statement reclassified Net Assets to Net Position, and identified two new elements to make up a Statement of Net Position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, sets forth criteria to properly classify previously-reported assets and liabilities as deferred outflows or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows or inflows of resources. The Standard was issued in March 2012, and is effective for the period beginning after December 15, 2012. This Standard was adopted for the year ended June 30, 2013.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 6, 2013, 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. As of June 30, 2013, \$24,026,175 of the District's total bank balances of \$24,341,175 was exposed to custodial-credit risk as follows:

	Amount
Uninsured and collateralized by assets maintained in conformity with Act 72 of 1971	\$ 24,026,175

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, 2013, the District had the following investments:

Investment	Months to Maturity				Fair Values
	0-3	4-6	7-12	13+	
PSDLAF Collateralized					
CD Pool	\$ 900,000	\$ -	\$ -	\$ -	\$ 900,000
PSDLAF/PSDMAX	51,289	-	-	-	51,289
Fulton CDs	-	12,000	38,505	50,031	100,536
Susquehanna CDs	50,000	15,000	-	-	65,000
	<u>\$ 1,001,289</u>	<u>\$ 27,000</u>	<u>\$ 38,505</u>	<u>\$ 50,031</u>	<u>\$ 1,116,825</u>

Interest-Rate Risk, Credit Risk, and Concentrations-of-Credit 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 and does not limit the District's investment choices to certain credit ratings. The District also does not limit the amounts invested in any one issuer in a measure to limit credit risk.

As of June 30, 2013, the District's investments were allocated and rated by investment issuer and investment type as follows:

Investment	% of Total Investments	Rating
PSDLAF Collateralized CD Pool	80.59%	A-1+
PSDLAF/PSDMAX	4.59%	AAAm
Fulton CDs	9.00%	A3 (OS)
Susquehanna CDs	5.82%	Baa2 (OP)

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.

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 tax rate for all purposes in 2012-2013 was 17.9525 mills (\$17.9525 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, 2013, follows:

	Real Estate		
	Annual	Interim	Total
Gross taxes receivable			
2012	\$ 387,641	\$ 55,453	\$ 443,094
2011 and prior	159,215	-	159,215
Total taxes receivable	546,856	55,453	602,309
Collections received within 60 days recognized as revenue	143,572	27,426	170,998
Unearned tax revenues	\$ 403,284	\$ 28,027	\$ 431,311

Note 5. Interfund Accounts

Individual fund receivable and payable balances at June 30, 2013, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 35,911	\$ 2,903,895
Capital Projects	2,900,000	-
Business-Type Activities - Food Service	-	20,116
Fiduciary Activities - Student Activities	-	11,900
	\$ 2,935,911	\$ 2,935,911

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.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Accounts

Individual fund transfers during the fiscal year ended June 30, 2013, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ -	\$ 15,888,989
Capital Projects Fund	3,900,000	-
Debt Service Fund	11,988,989	-
	<u>\$ 15,888,989</u>	<u>\$ 15,888,989</u>

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	July 1, 2012	Increases	Decreases	June 30, 2013
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,139,843	\$ 309,327	\$ -	\$ 2,449,170
Land improvements	8,307,746	902,910	-	9,210,656
Construction-in-progress	32,992,935	2,753,352	(35,582,762)	163,525
Total capital assets not being depreciated	43,440,524	3,965,589	(35,582,762)	11,823,351
Capital assets being depreciated				
Site improvements	16,648,116	1,673,007	-	18,321,123
Buildings and building improvements	153,582,822	31,338,273	-	184,921,095
Furniture and equipment	15,290,432	1,625,246	(213,624)	16,702,054
Total capital assets being depreciated	185,521,370	34,636,526	(213,624)	219,944,272
Less accumulated depreciation				
Site improvements	5,402,600	829,431	-	6,232,031
Buildings and building improvements	37,987,695	4,521,200	-	42,508,895
Furniture and equipment	10,198,394	1,181,289	(213,130)	11,166,553
Total accumulated depreciation	53,588,689	6,531,920	(213,130)	59,907,479
Total capital assets being depreciated, net	131,932,681	28,104,606	(494)	160,036,793
Total Governmental Activities, Capital Assets - Net	\$ 175,373,205	\$ 32,070,195	\$ (35,583,256)	\$ 171,860,144
Business-Type Activities:				
Capital assets being depreciated, equipment				
	\$ 2,357,624	\$ 201,108	\$ (10,738)	\$ 2,547,994
Less accumulated depreciation, equipment				
	1,329,395	153,286	(8,908)	1,473,773
Total Business-Type Activities, Capital Assets - Net	\$ 1,028,229	\$ 47,822	\$ (1,830)	\$ 1,074,221

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
<hr/>	
Governmental Activities:	
Instruction	\$ 619,614
Instructional student support	218,000
Administration and financial support	62,102
Operation and maintenance of plant	162,416
Pupil transportation	13,867
Student activities	62,659
Unallocated depreciation	5,393,262
Total Governmental Activities	<hr/> 6,531,920
Business-Type Activities:	
Food Service	153,286
Total Primary Government	<hr/> <hr/> \$ 6,685,206

Note 7. Deferred Outflows of Resources

During the fiscal year ended June 30, 2013, deferred outflows of resources are as follows:

Deferred Outflow of Resources	Amount
Deferred Amounts on Swap Refunding	\$ 11,172,651
Swap Fair Value-At-the-Market	(847,493)
Deferred outflows related to cash-flow hedge	<hr/> 10,325,158
Deferred Amounts on Refunding Debt	188,766
Total Deferred Outflows of Resources	<hr/> <hr/> \$ 10,513,924

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations

During the fiscal year ended June 30, 2013, general long-term obligations changed as follows:

	Balances			Balances	
	July 1,			June 30,	Due within
	2012	Increases	Decreases	2013	One Year
General Obligation Bonds					
Series A of 2004	\$ 6,095,000	\$ -	\$ (6,095,000)	\$ -	\$ -
Series of 2008	8,920,000	-	(1,120,000)	7,800,000	1,160,000
Series of 2009	9,895,000	-	(5,000)	9,890,000	5,000
Series A of 2009	12,365,000	-	(2,955,000)	9,410,000	3,045,000
Series B of 2009	5,775,000	-	(640,000)	5,135,000	665,000
Series of 2010	30,000,000	-	(145,000)	29,855,000	155,000
Series of 2012	7,800,000	-	-	7,800,000	200,000
Series of 2013	-	5,930,000	(150,000)	5,780,000	665,000
Floating Rate Notes					
Series of 2011	60,040,000	-	(1,410,000)	58,630,000	1,465,000
Bond premiums (discounts), net of amortization					
	226,339	345,536	(8,190)	563,685	-
Total General Obligation Debt	141,116,339	6,275,536	(12,528,190)	134,863,685	7,360,000
Derivative instrument - interest-rate swap					
	14,055,938	-	(3,730,780)	10,325,158	-
Lease-purchase obligation	194,253	-	(84,568)	109,685	74,725
Compensated absences	428,267	443,673	(439,514)	432,426	-
Total General Long-Term Obligations	\$ 155,794,797	\$ 6,719,209	\$ (16,783,052)	\$ 145,730,954	\$ 7,434,725

General Obligation Bonds - Series A of 2004 - On December 15, 2004, the District issued General Obligation Bonds - Series A of 2004, in the principal amount of \$9,750,000. The proceeds of the Bonds were used to advance refund the General Obligation Bonds - Series of 2001, and to pay for the costs of issuance. The economic gain on the refunding of the bonds was \$439,195. The bonds bore annual interest rates ranging from 1.85% to 4.25%. Interest was payable semi-annually, and the bonds matured serially in amounts ranging from \$50,000 to \$785,000 through 2021. These bonds were refunded with the General Obligation Bonds - Series of 2013.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

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

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

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.

Derivative Instruments

On December 14, 2011, the District terminated four swap agreements and replaced them with an interest-rate swap agreement, which was outstanding as of June 30, 2012. The agreement is a floating-to-fixed rate swap requiring the District pay a fixed interest rate of 4.02650 percent and Royal Bank of Canada (RBC) to pay to the District a floating rate equal to 68 percent of the one-month London Interbank Offered Rate (LIBOR). RBC's credit rating is Aa3 as determined by Moody's and AA - as determined by Standard & Poor's. The 2011 bonds and the related swap agreement will mature May 1, 2025.

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

The fair value balances and notional amounts of the derivative instrument outstanding at June 30, 2013, classification, and the change in the fair value of such derivative instrument for the fiscal year ended as reported in the 2012 financials are as follows:

	Change in Fair Value		Fair Value at June 30, 2013		Notional at June 30, 2013
	Classification	Amount	Classification	Amount	
Governmental Activities					
Cash-flow hedge:					
Pay-fixed, interest-rate swap	Deferred Outflows of Resources	\$ (3,730,780)	Noncurrent Assets	\$ 10,325,158	\$ 58,290,000

Risks

Credit Risk: As of June 30, 2013, 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	Principal	Interest/ Swap Obligation	Total
2013-2014	\$ 7,360,000	\$ 5,361,020	\$ 12,721,020
2014-2015	7,745,000	5,113,017	12,858,017
2015-2016	8,000,000	4,851,667	12,851,667
2016-2017	8,275,000	4,563,386	12,838,386
2017-2018	8,605,000	4,222,522	12,827,522
2018-2023	48,160,000	15,455,120	63,615,120
2023-2028	43,810,000	4,626,748	48,436,748
2028-2033	2,345,000	230,430	2,575,430
	<u>\$ 134,300,000</u>	<u>\$ 44,423,910</u>	<u>\$ 178,723,910</u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Prior Period Adjustment - GASB 65 Implementation: Implementation of GASB 65 recognizes cost of issuance as an expense; therefore, the adoption of this Statement resulted in a decrease of bond-issuance costs and net position of \$977,039 as of July 1, 2012.

The unrealized loss on the bond refunding was reclassified from bonds payable to deferred inflows of resources. Beginning balances were changed to reflect this as of July 1, 2012.

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

The assets acquired through capital leases are as follows:

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

The following is a schedule of the future, minimum-lease payments due under the lease-purchase obligations at June 30, 2013:

Years	Amount
2013-2014	\$ 77,748
2014-2015	35,340
Total minimum lease payments	<u>113,088</u>
Less: amount representing interest	(3,403)
Total present value of net minimum lease payments	<u>\$ 109,685</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 pro-rated share of the Authority’s debt service. Each district’s prorated shares are calculated annually based on assessed market value.

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

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

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

Year	Amount
2014	\$ 131,186
2015	108,355
2016	108,421
2017	109,368
2018	121,951
2019-2023	609,544
2024-2028	609,601
2029-2033	608,935
2034-2037	488,094
	<u>\$ 2,895,455</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, including those amounts under bond-agreement and capital-reserve statutory restrictions.

Committed

The District has committed certain portions of the General Fund balance as follows:

<u>Description of committed</u>	<u>Amount</u>
Debt service on general obligation bonds	\$ 2,461,135
Future PSERS/Medical benefits	2,300,000
High school signage and other projects	49,203
Dental service fund	17,383
Social service fund	4,376
Bucher Garden	2,316
Schaeffer Garden	3,833
	<u>\$ 4,838,246</u>

Assigned

The District has assigned certain portions of the General Fund balance as follows:

<u>Description of assigned</u>	<u>Amount</u>
Encumbrances	\$ 74,806
Future PSERS/Medical Benefits	1,000,000
Debt service on general obligation bonds	1,000,000
Other assigned revenue	8,792
	<u>\$ 2,083,598</u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Termination Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health-care benefits to eligible former employees and their dependents. Requirements are outlined by the Federal government for this coverage. The premium plus a 2% administrative fee is paid in full by the eligible participant. This program is offered for durations of up to 18 to 36 months after an employee's termination date, or for dependents, the date that they are no longer eligible to be covered as such. At June 30, 2013, there were four participants covered under COBRA.

The District provides a retirement stipend for administrators retiring with at least 5 years of administrative service in the District and having reached 55 years of age. The maximum retirement stipend available was \$32,000. During the current year, one administrator retired and was paid a stipend which totaled \$29,964.

The District provides a retirement stipend for full-time teachers retiring with at least 20 years of PSERS-credited service. During the current year, one full-time teacher retired and was paid a stipend which totaled \$5,000.

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

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. During the current year, two support-staff members that met qualifying criteria retired and were paid stipends which totaled \$2,300.

Note 12. Self-Insurance, Medical and Dental Coverage

The District has third-party administrators for both medical and dental coverage. The medical program includes three plans: a traditional indemnity plan; a comprehensive plan; and 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 \$150,000 per individual and for claims in the aggregate, the amount of which is determined on a yearly basis. The estimated maximum for 2012-2013 was \$8.8 million. The total paid during 2012-2013 before reinsurance reimbursements of \$483,062 was \$8,561,054.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Participation in Risk-Sharing Pools

The District is a member of a self-insurance pool for workers' compensation insurance. There were 18 members in 2012-2013. Each member is assessed an amount based on its covered payroll and prior experience of workers' compensation claims. All claims are then paid from the pool with reinsurance being purchased by the pool for claims in excess of \$400,000 per occurrence. Claims are paid on an aggregate basis, and separate accounts for each member are not maintained. Upon withdrawal by a member from the pool, the terminating member has either a right to a pro-rata share of any surplus funds for any fiscal year in which the member participated (withdrawal may occur only at the end of any year) or an obligation to pay for the member's share of a deficiency in the fund for the year of withdrawal. The District's expense for this coverage was \$266,216 for the 2012-2013 year.

Note 14. Defined-Benefit Pension Plan

Plan Description

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

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

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

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

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

Funding Policy

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Defined-Benefit Pension Plan (Continued)

Contribution Rates

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

Employer Contributions: The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the District's rate of contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and 0.86% for healthcare insurance-premium assistance

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, were \$3,789,069, \$2,862,078, and \$2,009,837, respectively, and are equal to the required contributions for said years.

Note 15. Other Post-Employment Benefits (OPEB)

Plan Description

The District provides retiree-health, dental-care and life-insurance benefits to eligible retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all administrators and teachers who meet the following requirements. Teachers must be of age 55 and have 15 years of service with the District. Support staff must be of age 55 and have 10 years of service with the District. Administrators must be of age 55 and have 5 years of administrative service with the District. Currently, the plan has approximately 597 members. The plan does not issue a separate, stand-alone financial statement.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Funding Policy

The District's medical plans are self-funded, and each plan's premiums are updated annually based on actual claims. The cost of medical and dental coverage for administrative employees and their spouses is paid 100% by the District. For eligible administrators, the district also pays for the continuance of the employees' life insurance policies until age 65. At age 65, the policies are reduced to \$25,000 until the employees reach age 70, at which point, the policies are terminated. Eligible teachers are responsible for paying the greater of the increase in the cost of coverage or the PSERS premium-assistance rate. Teachers who are not eligible (part-time teachers), and who choose to participate in the medical plan must pay 100% of the cost of such coverage for themselves and any dependents. Eligible teachers who retired prior to the 2001-2002 fiscal year must pay for an increase in the cost of coverage. Eligible teachers who retired after June 30, 2009 must pay the cost above \$400 for selected premium coverage at the dates of their retirements, plus any future annual cost increases. The District offered an Early Retirement Incentive (ERI) for teachers who retired at the end of the 2012-2013 fiscal year. Under the ERI, teachers are responsible for paying their monthly respective 2012 employee-contribution rate in effect at retirement for single, two-party or family coverage; said rate increases \$5 per month for the next two years and remains at that level for the following two years. The District funds OPEB on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

Funding Progress

For the year ended June 30, 2013, the District has estimated the cost (annual expense) of providing retiree-health, dental-care and life-insurance benefits through an actuarial valuation as of July 1, 2012. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of twenty-five years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 1,083,731
Plus adjustment to the annual required contribution	14,655
Annual OPEB cost	<u>1,098,386</u>
Amounts contributed:	
Payments of current premiums and claims	(1,332,599)
Advance funding	-
Decrease in net OPEB obligation	<u>(234,213)</u>
OPEB obligation (prepayment) - beginning of year	(680,046)
OPEB obligation (prepayment) - end of year	<u><u>\$ (914,259)</u></u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 1,141,521	121.7%	\$ (306,296)
June 30, 2012	\$ 1,150,194	132.5%	\$ (680,046)
June 30, 2013	\$ 1,098,386	121.3%	\$ (914,259)

Actuarial Methods and Assumptions

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. Joint Ventures

The District participates with 16 other school districts in Lancaster County, and the municipalities represented by those school districts, in the collection of earned income taxes performed by the Lancaster County Tax Collection Bureau (the Bureau). Each public school district appoints one member to serve on the joint operating committee, in addition to the 16 members appointed by the participating municipalities. The Bureau's operating expenses are deducted from members' distributions at a budget rate of 2.4%. 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, 2013, the District paid \$588,031 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, 2013, the District paid \$32,000 for its allotted ten 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 17. Real Estate Annexation

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

Payments to be received by the District are as follows:

Years	Amount
2013-2014	\$ 565,602
2014-2015	532,797
2015-2016	499,993
2016-2017	467,188
2017-2018	434,384
	<u>\$ 2,499,964</u>

Note 18. Commitments

Brightbill Transportation, Inc.

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

Capital Projects

As of June 30, 2013, the District has entered into numerous contracts related to school repairs approximating \$800,000.

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, 2013, the District did not incur any significant losses that were not covered by insurance.

SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS

June 30, 2013

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 63,008	\$ 2,964,099	\$ 3,027,107
Investments	900,000	-	900,000
Due from other funds	-	2,900,000	2,900,000
Total assets	\$ 963,008	\$ 5,864,099	\$ 6,827,107
Liabilities			
Accounts payable	\$ 170,372	\$ -	\$ 170,372
Total liabilities	170,372	-	170,372
Fund Balances			
Restricted	792,636	5,864,099	6,656,735
Total fund balances	792,636	5,864,099	6,656,735
Total liabilities and fund balances	\$ 963,008	\$ 5,864,099	\$ 6,827,107

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CAPITAL PROJECTS FUNDS
Year Ended June 30, 2013**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
Revenues			
Investment earnings	\$ 3,503	\$ 4,095	\$ 7,598
Other local sources	5,985	-	5,985
Total revenues	9,488	4,095	13,583
Expenditures			
Support services	-	1	1
Capital outlay	2,422,996	128,776	2,551,772
Total expenditures	2,422,996	128,777	2,551,773
Deficiency of revenues over expenditures	(2,413,508)	(124,682)	(2,538,190)
Other Financing Sources			
Interfund transfers in	-	3,900,000	3,900,000
Capital contribution	36,090	-	36,090
Total other financing sources	36,090	3,900,000	3,936,090
Net changes in fund balances	(2,377,418)	3,775,318	1,397,900
Fund Balances - July 1, 2012	3,170,054	2,088,781	5,258,835
Fund Balances - June 30, 2013	\$ 792,636	\$ 5,864,099	\$ 6,656,735

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local Sources				
Current real estate taxes	\$ 53,490,324	\$ 53,490,324	\$ 53,456,384	\$ (33,940)
Interim real estate taxes	400,000	400,000	470,813	70,813
Public utility realty tax	15,000	15,000	77,640	62,640
Payment in lieu of taxes	173,000	173,000	178,208	5,208
Current Act 511 taxes				
Local services tax	185,000	185,000	214,795	29,795
Earned income	5,000,000	5,000,000	6,455,298	1,455,298
Real estate transfer	735,000	735,000	1,076,833	341,833
Delinquent taxes	350,000	350,000	373,936	23,936
Investment earnings	50,000	50,000	74,539	24,539
Revenue from student activities	205,000	205,000	272,419	67,419
Revenue from intermediate sources				
State fund	-	-	4,288	4,288
Federal funds	850,000	850,000	854,357	4,357
Rentals	175,000	175,000	188,545	13,545
Contributions, donations and grants				
from private sources	2,500	2,500	151,964	149,464
Tuition from patrons	95,000	95,000	58,678	(36,322)
Receipts from other LEAs	85,000	85,000	25,463	(59,537)
Services provided other LEAs	20,000	20,000	41,530	21,530
Miscellaneous revenues	472,300	472,300	481,863	9,563
Total revenues from local sources	62,303,124	62,303,124	64,457,553	2,154,429

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues (Continued)				
State Sources				
Basic instructional subsidy	4,499,598	4,499,598	4,495,783	(3,815)
Tuition for orphans and children placed in private homes (Sec 1305 and 1306)	60,000	60,000	78,911	18,911
Migratory children	120	120	160	40
Special education of exceptional pupils	2,221,183	2,221,183	2,220,105	(1,078)
Transportation	1,278,926	1,278,926	1,133,370	(145,556)
Rental and sinking fund payments	609,367	609,367	605,369	(3,998)
Health services	124,000	124,000	123,936	(64)
State property tax reduction allocation	1,099,028	1,099,028	1,099,028	-
Accountability block grant	-	-	125,849	125,849
Revenue for social security payments	1,469,664	1,469,664	1,164,021	(305,643)
Revenue for retirement payments	2,037,623	2,037,623	1,921,948	(115,675)
Total revenues from state sources	13,399,509	13,399,509	12,968,480	(431,029)
Federal Sources				
Title I improving academic achievement	400,000	400,000	456,825	56,825
Title II improving teacher quality	90,000	90,000	108,426	18,426
Title III language instruction for limited English proficient	70,000	70,000	81,791	11,791
Medical assistance	125,000	125,000	156,144	31,144
Total revenues from Federal sources	685,000	685,000	803,186	118,186
Total revenues	76,387,633	76,387,633	78,229,219	1,841,586
Other Financing Sources				
Interfund transfers in	5,000	5,000	-	(5,000)
Sale of capital assets	9,673	9,673	-	(9,673)
Insurance recoveries	-	-	6,428	6,428
Total revenues from other financing sources	14,673	14,673	6,428	(8,245)
Total revenues and other financing sources	\$ 76,402,306	\$ 76,402,306	\$ 78,235,647	\$ 1,833,341

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Expenditures				
Instructional				
Regular programs				
Salaries	\$ 20,289,296	\$ 19,242,362	\$ 18,997,105	\$ 245,257
Employee benefits	8,635,380	8,617,115	8,259,918	357,197
Purchased professional and technical services	558,783	734,081	713,081	21,000
Purchased property services	193,403	192,254	187,158	5,096
Other purchased services	706,762	684,845	680,252	4,593
Supplies	819,746	758,382	656,887	101,495
Property	120,176	289,520	289,520	-
Other objects	13,675	26,936	26,188	748
Total regular programs	31,337,221	30,545,495	29,810,109	735,386
Special programs				
Salaries	3,838,190	3,520,269	3,403,774	116,495
Employee benefits	1,541,023	1,451,950	1,381,004	70,946
Purchased professional and technical services	1,932,800	1,978,075	1,749,195	228,880
Purchased property services	10,000	3,253	3,253	-
Other purchased services	290,650	429,359	427,645	1,714
Supplies	66,571	74,790	30,810	43,980
Property	14,900	25,739	25,446	293
Other objects	76,700	72,300	-	72,300
Total special programs	7,770,834	7,555,735	7,021,127	534,608
Vocational programs				
Other purchased services	625,064	588,032	588,031	1
Total vocational programs	625,064	588,032	588,031	1

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Instructional (Continued)				
Other instructional programs				
Salaries	128,109	137,348	103,199	34,149
Employee benefits	37,331	37,331	36,475	856
Purchased professional and technical services	250,500	134,889	114,862	20,027
Other purchased services	20,500	80,180	79,679	501
Supplies	3,200	2,426	1,751	675
Property	16,800	13,655	13,655	-
Other objects	250,000	-	-	-
Total other instructional programs	706,440	405,829	349,621	56,208
Nonpublic school programs				
Purchased professional and technical services	15,000	15,000	4,341	10,659
Total nonpublic school programs	15,000	15,000	4,341	10,659
Total instructional	40,454,559	39,110,091	37,773,229	1,336,862
Support services				
Pupil personnel services				
Salaries	1,501,169	1,464,557	1,454,690	9,867
Employee benefits	653,450	653,450	602,307	51,143
Purchased professional and technical services	82,550	98,420	98,420	-
Purchased property services	4,200	4,200	3,464	736
Other purchased services	11,475	10,485	6,868	3,617
Supplies	48,329	49,567	35,771	13,796
Property	1,500	1,500	-	1,500
Other objects	1,275	1,275	808	467
Total pupil personnel services	2,303,948	2,283,454	2,202,328	81,126

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Instructional staff services				
Salaries	1,520,730	1,551,974	1,493,725	58,249
Employee benefits	710,875	710,875	582,212	128,663
Purchased professional and technical services	67,249	72,073	64,952	7,121
Purchased property services	16,407	24,943	14,973	9,970
Other purchased services	61,191	60,138	40,584	19,554
Supplies	154,150	150,138	132,785	17,353
Property	117,190	109,696	92,915	16,781
Other objects	5,000	5,000	3,272	1,728
Total instructional staff services	2,652,792	2,684,837	2,425,418	259,419
Administrative services				
Salaries	2,349,233	2,247,929	2,243,815	4,114
Employee benefits	1,011,185	1,012,045	1,006,717	5,328
Purchased professional and technical services	205,300	228,933	209,773	19,160
Purchased property services	5,200	4,164	3,847	317
Other purchased services	53,500	53,007	43,768	9,239
Supplies	23,897	29,164	25,146	4,018
Property	1,000	7,021	6,949	72
Other objects	22,246	22,877	21,101	1,776
Total administrative services	3,671,561	3,605,140	3,561,116	44,024
Pupil health				
Salaries	482,523	473,941	460,786	13,155
Employee benefits	140,856	168,007	164,649	3,358
Purchased professional and technical services	178,500	196,348	194,641	1,707
Purchased property services	755	755	98	657
Other purchased services	300	432	321	111
Supplies	9,547	9,696	9,051	645
Property	1,775	1,883	1,883	-
Total pupil health	814,256	851,062	831,429	19,633

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Business services				
Salaries	408,234	416,376	401,051	15,325
Employee benefits	142,258	173,587	169,942	3,645
Purchased professional and technical services	46,250	43,550	31,837	11,713
Purchased property services	3,500	3,500	3,291	209
Other purchased services	16,000	16,000	9,210	6,790
Supplies	8,500	8,500	4,860	3,640
Property	5,500	5,500	451	5,049
Other objects	1,500	1,500	940	560
Total business services	631,742	668,513	621,582	46,931
Operation and maintenance of plant services				
Salaries	1,920,058	1,922,521	1,861,644	60,877
Employee benefits	934,822	1,139,496	1,108,741	30,755
Purchased professional and technical services	145,866	207,553	207,553	-
Purchased property services	2,360,441	2,319,238	1,529,278	789,960
Other purchased services	431,625	530,701	486,641	44,060
Supplies	1,255,702	1,261,226	1,254,834	6,392
Property	45,424	64,438	44,616	19,822
Other objects	31,509	31,905	31,805	100
Total operation and maintenance of plant services	7,125,447	7,477,078	6,525,112	951,966
Student transportation services				
Salaries	78,679	80,042	79,542	500
Employee benefits	34,905	38,624	38,548	76
Purchased professional and technical services	1,000	1,000	-	1,000
Purchased property services	44,200	47,886	37,509	10,377
Other purchased services	3,291,000	3,291,000	2,946,991	344,009
Supplies	76,350	50,850	16,981	33,869
Property	-	25,500	25,500	-
Other objects	500	500	337	163
Total student transportation services	3,526,634	3,535,402	3,145,408	389,994

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Central support services				
Salaries	280,806	280,806	275,807	4,999
Employee benefits	109,260	126,104	123,317	2,787
Purchased professional and technical services	60,745	60,745	55,138	5,607
Purchased property services	7,500	8,000	7,992	8
Other purchased services	57,495	59,664	38,261	21,403
Supplies	14,150	16,874	4,952	11,922
Property	5,000	5,000	-	5,000
Other objects	2,400	2,699	1,823	876
Total central support services	537,356	559,892	507,290	52,602
Other support services				
Other purchased services	52,000	53,215	53,215	-
Total other support services	52,000	53,215	53,215	-
Total support services	21,315,736	21,718,593	19,872,898	1,845,695
Operation of noninstructional services				
Student activities				
Salaries	637,706	622,130	602,433	19,697
Employee benefits	163,080	172,389	168,754	3,635
Purchased professional and technical services	93,850	87,496	80,082	7,414
Purchased property services	24,215	24,103	22,289	1,814
Other purchased services	94,750	97,249	93,000	4,249
Supplies	84,189	111,476	78,870	32,606
Property	4,075	12,978	12,628	350
Other objects	21,906	28,212	24,823	3,389
Total student activities	1,123,771	1,156,033	1,082,879	73,154

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Operation of noninstructional services (Continued)				
Community services				
Salaries	500	500	-	500
Employee benefits	69	69	-	69
Purchased professional and technical services	2,500	2,500	412	2,088
Other purchased services	1,800	1,800	183	1,617
Supplies	4,900	4,900	375	4,525
Total community services	9,769	9,769	970	8,799
Total operation of noninstructional services	1,133,540	1,165,802	1,083,849	81,953
Capital outlay				
Purchased professional and technical services	-	84,771	84,771	-
Purchased property services	-	4,841	4,841	-
Total capital outlay	-	89,612	89,612	-
Refund of prior years' receipts	25,000	627,947	627,947	-
Total expenditures	62,928,835	62,712,045	59,447,535	3,264,510
Other Financing Uses				
Interfund transfers out	12,773,471	13,690,261	15,888,989	(2,198,728)
Budgetary reserve	700,000	-	-	-
Total other financing uses	13,473,471	13,690,261	15,888,989	(2,198,728)
Total expenditures and other financing uses	\$ 76,402,306	\$ 76,402,306	\$ 75,336,524	\$ 1,065,782

REQUIRED SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
POST-EMPLOYMENT BENEFITS PLAN**

Year Ended June 30, 2013

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

**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, 2013, and the related notes to the financial statements, which collectively comprise Manheim Township School District's basic financial statements, and have issued our report thereon dated November 6, 2013.

Internal Control over Financial Reporting

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

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

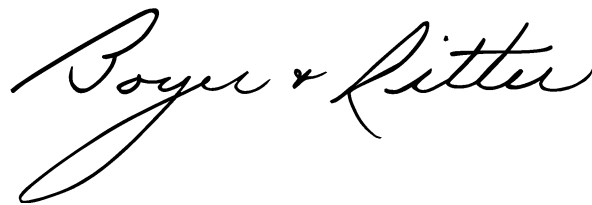
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

Camp Hill, Pennsylvania
November 6, 2013

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

Board of School Directors
Manheim Township School District
Lancaster, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Manheim Township School District's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of Manheim Township School District's major Federal programs for the year ended June 30, 2013. Manheim Township School District's major Federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Manheim Township School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Manheim Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Manheim Township School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Manheim Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Manheim Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Manheim Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manheim Township School District's internal control over compliance.

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

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

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

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

Camp Hill, Pennsylvania
November 6, 2013

MANHEIM TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
84.027	IDEA, Part B
84.173	IDEA, Early Intervention

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

Auditee qualified as low-risk auditee? X Yes No

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

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

B. Compliance Findings

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

Section III -- Federal-Award Findings and Questioned Costs

A. Compliance Findings

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

B. Significant Deficiency(ies) in Internal Control

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Education					
Passed through the Pennsylvania Department of Education:					
Title I - Improving Basic Programs	I	84.010	13-120237	8/5/11-9/30/13	\$ 422,416
Title I - Improving Basic Programs	I	84.010	13-130237B	7/1/12-9/30/14	\$ 426,487
Title II - Improving Teacher Quality	I	84.367	20-130237B	7/1/12-9/30/14	\$ 108,426
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	10-120237A	8/5/11-9/30/13	\$ 79,748
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	10-130237B	7/1/12-9/30/14	\$ 66,369
ARRA - Education Jobs Fund	I	84.410	S410A10039	7/1/11-6/30/12	\$ 5,043
Total passed through the Pennsylvania Department of Education					
Passed through the Allegheny Intermediate Unit:					
IDEA, Part B	I	84.027	062-120032	7/1/11-6/30/12	\$ 4,955
IDEA, Part B	I	84.027	062-120032	7/1/11-6/30/12	\$ 5,000
IDEA, Part B	I	84.027	062-130032	7/1/12-6/30/13	\$ -
IDEA, Part B	I	84.027	062-130032	7/1/12-6/30/13	\$ -
Total passed through the Allegheny Intermediate Unit					
Passed through the Lancaster-Lebanon Intermediate Unit No. 13:					
IDEA, Part B On-Behalf Services	I	84.027	062-130013	7/1/12-9/30/13	\$ 154,226
IDEA, Part B Pass-Thru	I	84.027	062-130013	7/1/12-9/30/13	\$ 675,456
IDEA, Early Intervention	I	84.173	131-120013	7/1/12-6/30/13	\$ 3,657
Race to the Top - Phase 3 (RTT3)	I	84.413A	B413A12004	7/1/12-9/30/15	\$ 29,474
Total passed through the Lancaster-Lebanon Intermediate Unit No. 13					
Total U.S. Department of Education					

(Continued)

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2012	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2013
\$ 115,493	\$ 59,059	\$ 56,434	\$ 56,434	\$ -
347,581	-	400,391	400,391	52,810
91,791	-	108,426	108,426	16,635
44,038	(3,866)	48,802	48,802	898
26,548	-	32,989	32,989	6,441
5,043	5,043	-	-	-
630,494	60,236	647,042	647,042	76,784
4,565	4,565	-	-	-
5,000	5,000	-	-	-
-	-	4,647	4,647	4,647
-	-	4,870	4,870	4,870
9,565	9,565	9,517	9,517	9,517
154,226	-	154,226	154,226	-
675,456	-	675,456	675,456	-
-	-	3,657	3,657	3,657
-	-	6,012	6,012	6,012
829,682	-	839,351	839,351	9,669
1,469,741	69,801	1,495,910	1,495,910	95,970

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2013

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
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U. S. Department of Health and Human Services

Passed through the Pennsylvania Department of Public Welfare:

Medical Assistance Reimbursement for Administration	I	93.778	N/A	10/1/12-9/30/13	\$ 4,501
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Total U.S. Department of Health and Human Services

U.S. Department of Agriculture

Passed through the Pennsylvania

Department of Education:

School Breakfast Program	I	10.553	N/A	7/1/11-6/30/12	N/A
School Breakfast Program	I	10.553	N/A	7/1/12-6/30/13	N/A
National School Lunch Program	I	10.555	N/A	7/1/11-6/30/12	N/A
National School Lunch Program	I	10.555	N/A	7/1/12-6/30/13	N/A

Total passed through the Pennsylvania Department of Education

Passed through the Pennsylvania

Department of Agriculture:

National School Lunch Program - Food Donation	I	10.555	N/A	7/1/12-6/30/13	N/A
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Total U.S. Department of Agriculture

Total Expenditures of Federal Awards

D - Direct Funding

I - Indirect Funding

Test of 25% Rule:

Total Federal Expenditures	\$ 2,350,045
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Programs selected for testing major programs:

IDEA, Part B On-Behalf Services	\$ 154,226
IDEA, Part B Pass-Thru	675,456
IDEA, Early Intervention	3,657
	<u>\$ 833,339</u>
	<u>\$ 833,339 / \$2,350,045 = 35.46%</u>

See Notes to Schedule of Expenditures of Federal Awards.

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2012	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2013
4,501	-	-	-	(4,501)
4,501	-	-	-	(4,501)
18,300	18,300	-	-	-
99,783	-	146,471	146,471	46,688
78,357	78,357	-	-	-
435,306	-	616,523	616,523	181,217
631,746	96,657	762,994	762,994	227,905
91,141	-	91,141	91,141	-
722,887	96,657	854,135	854,135	227,905
\$ 2,197,129	\$ 166,458	\$ 2,350,045	\$ 2,350,045	\$ 319,374

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, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Manheim Township School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Manheim Township School District.

Note 2. Significant Accounting Policies

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2013

There were no prior-year audit findings.