

**MANHEIM TOWNSHIP
SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Manheim Township School District
Lancaster, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manheim Township School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manheim Township School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

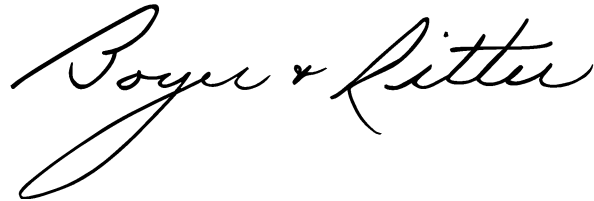
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manheim Township School District's basic financial statements. The Combining Balance Sheet - Capital Projects Funds, Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds, Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund, Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents as Supplementary Information, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, 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 29, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2017**

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, 2017. 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, 2017, are as follows:

With total revenue exceeding the amount budgeted, various expenditures under budget, and a fund transfer to the Capital Reserve Fund to cover future unanticipated and proposed capital projects, the District ended the fiscal year with an increase in the general fund balances of \$353 thousand. Some of the variances in budgeted revenues were as follows:

- ❖ Rental Subsidy Revenue exceeded budget by approximately \$1,283,000
- ❖ Realty Transfer Taxes exceeded budget by approximately \$330,000
- ❖ Interest Revenue exceeded budget by approximately \$156,000
- ❖ Receipts Received from Other LEA's exceeded budget by approximately \$154,000

Various expenditure categories were under original budgeted amounts. Salaries and corresponding benefits were under budget for the fiscal year as well as contracted services and supplies. Revenue exceeded original expectations for state rental reimbursements by \$1.3 million. The board authorized additional computer purchases for this amount. The additional revenue and savings allowed the district to transfer \$2.5 million to the Capital Reserve fund.

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

The food service program, operated as a business-type activity, reflected a decrease in net position of \$24,177 for the year ended June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

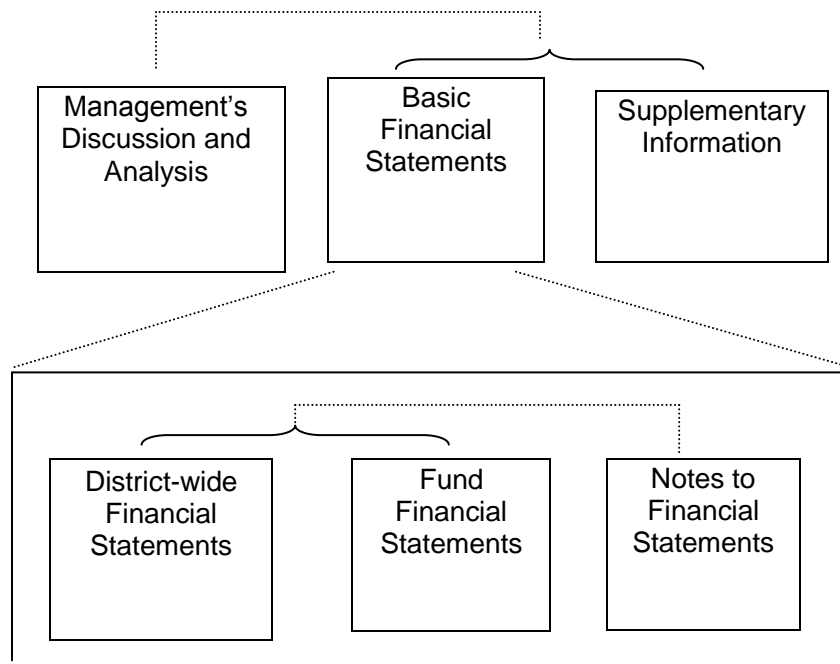


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$(24,798,250) at June 30, 2017, and \$(25,385,835) at June 30, 2016.

Table A-1
Statements of Net Position
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 41,682,902	\$ 39,623,204	\$ 1,723,440	\$ 1,393,629	\$ 43,406,342	\$ 41,016,833
Noncurrent assets						
Capital assets	154,782,708	157,786,398	666,830	797,301	155,449,538	158,583,699
Total assets	\$ 196,465,610	\$ 197,409,602	\$ 2,390,270	\$ 2,190,930	\$ 198,855,880	\$ 199,600,532
Deferred Outflows of Resources	\$ 35,724,076	\$ 21,553,812	\$ 657,000	\$ 286,000	\$ 36,381,076	\$ 21,839,812
Current liabilities	\$ 11,632,308	\$ 11,558,978	\$ 88,904	\$ 12,387	\$ 11,721,212	\$ 11,571,365
Noncurrent liabilities	244,207,994	232,085,814	2,982,000	2,474,000	247,189,994	234,559,814
Total liabilities	\$ 255,840,302	\$ 243,644,792	\$ 3,070,904	\$ 2,486,387	\$ 258,911,206	\$ 246,131,179
Deferred Inflows of Resources	\$ 1,099,000	\$ 680,000	\$ 25,000	\$ 15,000	\$ 1,124,000	\$ 695,000
Net Position						
Net investment in capital assets	\$ 48,919,575	\$ 45,494,836	\$ 666,830	\$ 797,301	\$ 49,586,405	\$ 46,292,137
Restricted	9,890,852	8,295,267	-	-	9,890,852	8,295,267
Unrestricted	(83,560,043)	(79,151,481)	(715,464)	(821,758)	(84,275,507)	(79,973,239)
Total net position	\$ (24,749,616)	\$ (25,361,378)	\$ (48,634)	\$ (24,457)	\$ (24,798,250)	\$ (25,385,835)

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, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 1,211,669	\$ 1,163,787	\$ 1,163,919	\$ 1,283,292	\$ 2,375,588	\$ 2,447,079
Operating grants and contributions	13,157,444	11,839,795	1,475,018	1,131,426	14,632,462	12,971,221
Capital grants and contributions	1,982,638	605,162	-	-	1,982,638	605,162
General revenues						
Property taxes	59,946,695	58,151,531	-	-	59,946,695	58,151,531
Other taxes	8,872,277	8,259,254	-	-	8,872,277	8,259,254
Grants, subsidies and contributions not restricted	6,769,779	6,179,048	-	5,002	6,769,779	6,184,050
Other	580,535	315,828	9,979	4,557	590,514	320,385
Total revenues	92,521,037	86,514,405	2,648,916	2,424,277	95,169,953	88,938,682
Expenses						
Instruction	52,668,236	46,569,824	-	-	52,668,236	46,569,824
Instructional student support	8,888,466	8,209,650	-	-	8,888,466	8,209,650
Administrative and financial support	7,149,630	6,461,535	-	-	7,149,630	6,461,535
Operation and maintenance of plant	7,725,759	7,498,975	-	-	7,725,759	7,498,975
Pupil transportation	3,518,175	3,466,635	-	-	3,518,175	3,466,635
Student activities	1,613,095	1,332,884	-	-	1,613,095	1,332,884
Community services	2,506	2,162	-	-	2,506	2,162
Interest on long-term debt	4,702,249	4,211,369	-	-	4,702,249	4,211,369
Unallocated depreciation	5,641,159	5,604,932	-	-	5,641,159	5,604,932
Food service	-	-	2,673,093	2,670,486	2,673,093	2,670,486
Total expenses	91,909,275	83,357,966	2,673,093	2,670,486	94,582,368	86,028,452
Changes in net position	611,762	3,156,439	(24,177)	(246,209)	587,585	2,910,230
Net Position - beginning	(25,361,378)	(28,517,817)	(24,457)	221,752	(25,385,835)	(28,296,065)
Net Position - ending	\$ (24,749,616)	\$ (25,361,378)	\$ (48,634)	\$ (24,457)	\$ (24,798,250)	\$ (25,385,835)

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, 2017 and 2016

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 52,668,236	\$ 46,569,824	\$ 42,896,386	\$ 37,851,855
Instructional student support	8,888,466	8,209,650	7,659,035	7,209,285
Administrative and financial support	7,149,630	6,461,535	6,485,431	5,886,532
Operation and maintenance of plant	7,725,759	7,498,975	6,631,741	6,409,435
Pupil transportation	3,518,175	3,466,635	2,220,060	2,207,302
Student activities	1,613,095	1,332,884	1,301,595	979,278
Community services	2,506	2,162	2,506	(5,604)
Interest on long-term debt	4,702,249	4,211,369	2,719,611	3,606,207
Unallocated depreciation	5,641,159	5,604,932	5,641,159	5,604,932
Total governmental activities	\$ 91,909,275	\$ 83,357,966	75,557,524	69,749,222
Less: Grants, subsidies and contributions not restricted			6,769,779	6,179,048
Total needs from local taxes and other revenues			\$ 68,787,745	\$ 63,570,174

THE DISTRICT'S FUNDS

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$28,995,568 which is an increase of \$1.9 million from the prior year. The primary reasons for this net increase are contained in two specific funds:

General Fund:

The District experienced a \$353 thousand increase in the General Fund's fund balances. This was a result of local and state revenue exceeding amounts budgeted as well as expenditures coming in under budget in various areas as described previously under Financial Highlights. The unassigned fund balance at June 30, 2017, is 7.76% of total 2016-2017 expenditures and other financing uses. More detail regarding the fund balances can be found in the notes to the financial statements.

Capital Projects Fund:

The District's Capital Projects Funds are comprised of construction funds used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities as well as the District's Capital Reserve Fund. With continued planning for unanticipated and proposed capital projects each year, additional funds in the amount of \$2.5 million were transferred to the Capital Reserve Fund. This fund was established to finance capital projects without the need for additional borrowing. The Capital Reserve Fund's fund balance reflected a net increase of approximately \$1,586,000. More detail on these funds can be found in the Combining Capital Projects Funds' statements.

General Fund Budget

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2017, the District had \$155,449,538 invested in a broad range of capital assets, including land and land improvements, site improvements, building and building improvements, furniture and equipment and construction-in-progress. While there were additional capital assets purchased during the year, there was a net decrease in Capital Assets as the annual depreciation expense exceeded asset additions.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and land improvements	\$ 11,779,101	\$ 11,779,101	\$ -	\$ -	\$ 11,779,101	\$ 11,779,101
Site improvements	11,146,402	11,585,017	-	-	11,146,402	11,585,017
Building and building improvements	125,332,378	128,561,485	-	-	125,332,378	128,561,485
Furniture and equipment	6,338,712	4,975,113	666,830	797,301	7,005,542	5,772,414
Construction-in-progress	186,115	885,682	-	-	186,115	885,682
Total capital assets	\$ 154,782,708	\$ 157,786,398	\$ 666,830	\$ 797,301	\$ 155,449,538	\$ 158,583,699

DEBT ADMINISTRATION

As of July 1, 2016, the District had total outstanding bond principal of \$111,615,000. The District issued General Obligation Notes - Series 2016 and 2017 in the amount totaling \$18,755,000 to refund a portion of General Obligation Bond - Series 2010. In addition to scheduled principal payments, for a total of \$7,400,000 resulting in outstanding debt as of June 30, 2017, of \$104,215,000.

Table A-5
Outstanding Debt

	2017	2016
General Obligation Bonds, Series of 2010	\$ 11,750,000	\$ 29,340,000
General Obligation Bonds, Series of 2012	6,575,000	6,920,000
General Obligation Bonds, Series of 2013	3,050,000	3,755,000
General Obligation Bonds, Series of 2014	9,980,000	9,985,000
General Obligation Bonds, Series A of 2014	49,010,000	54,245,000
General Obligation Bonds, Series of 2015	5,240,000	7,370,000
General Obligation Notes, Series of 2016	9,580,000	-
General Obligation Notes, Series of 2017	9,030,000	-
	\$ 104,215,000	\$ 111,615,000

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 2017-18 budgeted revenue is approximately \$3.2 million more than the 2016-17 budgeted revenue. The 2017-18 budget included a millage tax increase of 1.9%. This tax increase, along with additional taxable assessments resulted in an increase in budgeted real estate taxes of \$1.5 million. The remaining major increases in budgeted revenue is a result of an increase in budgeted Basic Educational Subsidy of \$209 thousand and the state share of the PSERS reimbursement of \$633 thousand. The 2017-18 budgeted expenditures and other financing uses is approximately \$5.4 million more than the 2016-17 budgeted expenditures and other financing uses. While there were increases and decreases in various categories, this net increase is mainly a result of an increase in budgeted salaries and an increase in retirement contributions due to the increase in the PSERS contribution rate from 30.03% to 32.57%. The comparisons of revenue and expenditure categories follow:

Table A-6
BUDGETED REVENUES AND OTHER FINANCING SOURCES

	2016-2017 (actual)	2017-2018
Local	77.47%	78.19%
State	21.62%	20.98%
Federal	.87%	.82%
Other Financing Sources	.04%	.01%

BUDGETED EXPENDITURES AND OTHER FINANCING USES

	2016-2017 (actual)	2017-2018
Instructional	53.28%	55.68%
Support Services	28.49%	28.62%
Non-Instructional	1.67%	1.55%
Facilities Acquisition/Fund Transfers/Other	16.56%	14.15%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 34,170,811	\$ 1,592,008	\$ 35,762,819
Internal balances	98,792	(98,792)	-
Receivables	6,108,910	191,205	6,300,115
Inventories	-	39,019	39,019
Prepaid expenses	1,304,389	-	1,304,389
Capital assets			
Land, improvements and construction-in-progress	11,965,216	-	11,965,216
Other capital assets, net of depreciation	142,817,492	666,830	143,484,322
Total capital assets	154,782,708	666,830	155,449,538
Total assets	\$ 196,465,610	\$ 2,390,270	\$ 198,855,880
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 29,925,000	\$ 657,000	\$ 30,582,000
Deferred amounts on refunding debt	114,354	-	114,354
Deferred amounts on cash flow hedge	5,684,722	-	5,684,722
Total deferred outflows of resources	\$ 35,724,076	\$ 657,000	\$ 36,381,076
Liabilities			
Accounts payable and accrued expenses	\$ 11,602,323	\$ 29,476	\$ 11,631,799
Unearned revenues	29,985	59,428	89,413
Long-term liabilities			
Due within one year	9,285,647	-	9,285,647
Due in more than 1 year	234,922,347	2,982,000	237,904,347
Total long-term liabilities	244,207,994	2,982,000	247,189,994
Total liabilities	\$ 255,840,302	\$ 3,070,904	\$ 258,911,206
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 1,099,000	\$ 25,000	\$ 1,124,000
Net Position			
Net investment in capital assets	\$ 48,919,575	\$ 666,830	\$ 49,586,405
Restricted	9,890,852	-	9,890,852
Unrestricted	(83,560,043)	(715,464)	(84,275,507)
Total net position	\$ (24,749,616)	\$ (48,634)	\$ (24,798,250)

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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	\$ 52,668,236	\$ 281,125	\$ 9,490,725	\$ -	\$ (42,896,386)	\$ -	\$ (42,896,386)
Instructional student support	8,888,466	-	1,229,431	-	(7,659,035)	-	(7,659,035)
Administration and financial support	7,149,630	-	664,199	-	(6,485,431)	-	(6,485,431)
Operation and maintenance of plant	7,725,759	721,087	372,931	-	(6,631,741)	-	(6,631,741)
Pupil transportation	3,518,175	30,920	1,267,195	-	(2,220,060)	-	(2,220,060)
Student activities	1,613,095	178,537	132,963	-	(1,301,595)	-	(1,301,595)
Community services	2,506	-	-	-	(2,506)	-	(2,506)
Interest on long-term debt	4,702,249	-	-	1,982,638	(2,719,611)	-	(2,719,611)
Unallocated depreciation	5,641,159	-	-	-	(5,641,159)	-	(5,641,159)
Total governmental activities	91,909,275	1,211,669	13,157,444	1,982,638	(75,557,524)	-	(75,557,524)
Business-Type Activities:							
Food Service	2,673,093	1,163,919	1,475,018	-	-	(34,156)	(34,156)
Total primary government	\$ 94,582,368	\$ 2,375,588	\$ 14,632,462	\$ 1,982,638	(75,557,524)	(34,156)	(75,591,680)
General Revenues:							
Property taxes, levied for general purposes, net					59,946,695	-	59,946,695
Public utility, realty transfer, earned income, and other taxes for general purposes, net					8,872,277	-	8,872,277
Grants, subsidies and contributions not restricted					6,769,779	-	6,769,779
Investment earnings					355,215	9,979	365,194
Miscellaneous income					225,320	-	225,320
Total general revenues					76,169,286	9,979	76,179,265
Changes in net position					611,762	(24,177)	587,585
Net Position - July 1, 2016					(25,361,378)	(24,457)	(25,385,835)
Net Position - June 30, 2017					\$ (24,749,616)	\$ (48,634)	\$ (24,798,250)

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 26,107,032	\$ 8,055,507	\$ 8,272	\$ 34,170,811
Due from other funds	111,454	2,000,000	-	2,111,454
Due from other governments	4,911,331	-	-	4,911,331
Taxes receivable	815,279	-	-	815,279
Other receivables	369,638	-	-	369,638
Prepaid expenses	46,577	-	-	46,577
Total assets	\$ 32,361,311	\$ 10,055,507	\$ 8,272	\$ 42,425,090
Liabilities				
Due to other funds	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Due to other governments	269,577	-	-	269,577
Accounts payable	1,332,595	259,655	-	1,592,250
Accrued salaries and benefits	8,408,385	-	-	8,408,385
Payroll deductions and withholdings	425,717	-	-	425,717
Unearned revenues	29,985	-	-	29,985
Other current liabilities	113,856	-	-	113,856
Total liabilities	12,580,115	259,655	-	12,839,770
Deferred Inflows of Resources				
Delinquent property taxes	589,752	-	-	589,752
Fund Balances				
Nonspendable	46,577	-	-	46,577
Restricted	-	9,795,852	-	9,795,852
Committed	12,007,644	-	-	12,007,644
Assigned	-	-	8,272	8,272
Unassigned	7,137,223	-	-	7,137,223
Total fund balances	19,191,444	9,795,852	8,272	28,995,568
Total liabilities, deferred inflows of resources and fund balances	\$ 32,361,311	\$ 10,055,507	\$ 8,272	\$ 42,425,090

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017**

Total fund balances - governmental funds		\$ 28,995,568
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$239,674,133, and the accumulated depreciation is \$84,891,425.		154,782,708
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.		5,684,722
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.		589,752
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.		114,354
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail):		
Deferred outflows		29,925,000
Deferred inflows		(1,099,000)
Long-term liabilities and related items are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities and related items at year-end consist of:		
Bonds and notes payable	(104,215,000)	
Lease-purchase obligation	(1,385,121)	
Derivative instruments - interest-rate swaps	(5,684,722)	
Accrued interest	(792,538)	
Unamortized:		
Bond premiums	(467,745)	
Bond discounts	88,870	
Net pension liability	(131,961,000)	
Compensated absences	(583,276)	(245,000,532)
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.		72,066
Prepaid other post-employment benefits are not expended in the current period, and therefore, are not reported as an asset in the funds.		1,185,746
Total net position - governmental activities		<u><u>\$(24,749,616)</u></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, 2017**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Current and interim real estate taxes	\$ 59,247,630	\$ -	\$ -	\$ 59,247,630
Other taxes	9,498,885	-	-	9,498,885
Investment earnings	306,172	49,043	-	355,215
Other local sources	2,508,471	25,000	-	2,533,471
State sources	19,968,214	-	-	19,968,214
Federal sources	806,602	-	-	806,602
Total revenues	92,335,974	74,043	-	92,410,017
Expenditures				
Instructional	49,021,493	-	-	49,021,493
Support services	26,218,874	-	197,243	26,416,117
Operation of noninstructional services	1,541,213	-	-	1,541,213
Capital outlay	91,368	987,913	-	1,079,281
Debt service	-	-	12,646,450	12,646,450
Total expenditures	76,872,948	987,913	12,843,693	90,704,554
Excess (deficiency) of revenues over expenditures	15,463,026	(913,870)	(12,843,693)	1,705,463
Other Financing Sources (Uses)				
Interfund transfers in	-	2,500,000	12,648,102	15,148,102
Interfund transfers out	(15,148,102)	-	-	(15,148,102)
Refunding debt proceeds	-	-	18,755,000	18,755,000
Payment to refunded-bond escrow agent	-	-	(18,551,137)	(18,551,137)
Insurance recoveries	38,562	-	-	38,562
Total other financing sources (uses)	(15,109,540)	2,500,000	12,851,965	242,425
Net changes in fund balances	353,486	1,586,130	8,272	1,947,888
Fund Balances - July 1, 2016	18,837,958	8,209,722	-	27,047,680
Fund Balances - June 30, 2017	\$ 19,191,444	\$ 9,795,852	\$ 8,272	\$ 28,995,568

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, 2017**

Net changes in fund balances - all governmental funds	\$ 1,947,888
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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 depreciation exceeds capital outlays in the period.

Capital outlays	3,898,980	
Less depreciation expense	<u>(6,902,670)</u>	(3,003,690)

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

72,456

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.

194,510

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions		10,741,000
Cost of benefits earned net of employee contributions (pension expense)		<u>(15,501,000)</u>

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	(38,290)	
Change in other post-employment benefits	<u>(219,571)</u>	(257,861)

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

Issuance of general obligation debt	(18,755,000)	
Refunding of general obligation debt	17,585,000	
Repayment of long-term debt	8,570,000	
Amortization of bond-insurance premiums	(8,915)	
Amortization of charges for bond refunding	11,157	
Amortization of bond premiums and discounts - net	134,671	
Issuance of lease-purchase obligation	(1,891,050)	
Payment of lease-purchase obligation	<u>772,596</u>	<u>6,418,459</u>

Change in net position of governmental activities	<u>\$ 611,762</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Current and interim real estate taxes	\$ 59,435,595	\$ 59,435,595	\$ 59,247,630	\$ (187,965)
Other taxes	9,008,953	9,008,953	9,498,885	489,932
Investment earnings	150,000	150,000	306,172	156,172
Other local sources	2,356,321	2,356,321	2,508,471	152,150
State sources	18,339,763	18,339,763	19,968,214	1,628,451
Federal sources	772,000	772,000	806,602	34,602
Total revenues	90,062,632	90,062,632	92,335,974	2,273,342
Expenditures				
Instructional				
Regular programs	39,020,067	39,056,186	38,887,336	168,850
Special programs	9,863,355	9,297,227	9,219,284	77,943
Vocational programs	590,262	639,462	638,895	567
Other instructional programs	668,043	314,798	270,386	44,412
Nonpublic school programs	6,000	6,000	5,592	408
Total instructional	50,147,727	49,313,673	49,021,493	292,180
Support services				
Pupil personnel services	3,400,584	3,582,731	3,562,097	20,634
Instructional staff services	4,027,510	4,257,438	4,163,500	93,938
Administrative services	4,561,970	4,797,095	4,766,512	30,583
Pupil health	1,057,442	1,057,647	1,047,291	10,356
Business services	771,962	730,662	710,818	19,844
Operation and maintenance of plant services	7,898,447	7,656,662	7,504,626	152,036
Student transportation services	3,495,409	3,525,009	3,518,669	6,340
Central support services	873,871	927,135	894,925	32,210
Other support services	52,000	52,000	50,436	1,564
Total support services	26,139,195	26,586,379	26,218,874	367,505
Operation of noninstructional services				
Student activities	1,373,346	1,574,816	1,538,707	36,109
Community services	6,960	7,860	2,506	5,354
Total operation of noninstructional services	1,380,306	1,582,676	1,541,213	41,463
Capital outlay	-	93,500	91,368	2,132
Total expenditures	77,667,228	77,576,228	76,872,948	703,280
Excess of revenues over expenditures	12,395,404	12,486,404	15,463,026	1,570,062
Other Financing Sources (Uses)				
Interfund transfers out	(12,857,233)	(13,148,233)	(15,148,102)	(1,999,869)
Sale of capital assets	5,000	5,000	-	(5,000)
Insurance recoveries	-	-	38,562	38,562
Budgetary reserve	(200,000)	-	-	-
Total other financing uses	(13,052,233)	(13,143,233)	(15,109,540)	(1,966,307)
Net changes in fund balance	\$ (656,829)	\$ (656,829)	353,486	\$ (396,245)
Fund Balance - July 1, 2016			18,837,958	
Fund Balance - June 30, 2017			<u>\$ 19,191,444</u>	

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2017

Assets	
Cash and cash equivalents	\$ 1,592,008
Receivables	
State sources	10,558
Federal sources	168,514
Other	12,133
Inventories	39,019
Capital assets, net of depreciation	666,830
Total assets	<u><u>\$ 2,489,062</u></u>
Deferred Outflows of Resources	
Deferred amounts on pension liability	<u><u>\$ 657,000</u></u>
Liabilities	
Internal balances	\$ 98,792
Accounts payable	13,420
Accrued salaries and benefits	15,886
Unearned revenues	59,428
Other current liabilities	170
Net pension liability	2,982,000
Total liabilities	<u><u>\$ 3,169,696</u></u>
Deferred Inflows of Resources	
Deferred amounts on pension liability	<u><u>\$ 25,000</u></u>
Net Position	
Net investment in capital assets	\$ 666,830
Unrestricted	(715,464)
Total net position	<u><u>\$ (48,634)</u></u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2017**

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Operating Revenues	
Food service revenues	\$ 1,099,572
Charges for services	64,347
Total operating revenues	<u>1,163,919</u>
Operating Expenses	
Salaries	783,152
Employee benefits	589,377
Purchased professional and technical services	41,145
Purchased property services	59,053
Other purchased services	5,630
Supplies	1,040,841
Depreciation	153,309
Dues and fees	586
Total operating expenses	<u>2,673,093</u>
Operating loss	(1,509,174)
Nonoperating Revenues	
Investment earnings	9,979
State sources	215,027
Federal sources	1,259,991
Total nonoperating revenues	<u>1,484,997</u>
Change in net position	(24,177)
Net Position - July 1, 2016	(24,457)
Net Position - June 30, 2017	<u>\$ (48,634)</u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2017**

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Cash Flows From Operating Activities	
Cash received from users	\$ 1,130,649
Cash received from other operating revenue	64,321
Cash payments to employees for services	(1,071,117)
Cash payments for goods and services	(954,732)
Cash payments for other operating expenses	(416)
Net cash used in operating activities	<u>(831,295)</u>
Cash Flows From Noncapital Financing Activities	
State sources	213,369
Federal sources	1,145,751
Net cash provided by noncapital financing activities	<u>1,359,120</u>
Cash Flows From Capital and Related Financing Activities	
Capital outlay	<u>(22,838)</u>
Cash Flows From Investing Activities	
Investment earnings	<u>9,979</u>
Net increase in cash and cash equivalents	514,966
Cash and Cash Equivalents:	
July 1, 2016	1,077,042
June 30, 2017	<u>\$ 1,592,008</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (1,509,174)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	153,309
Value of donated commodities	162,028
(Increase) decrease in:	
Receivables	97,695
Inventories	22,466
Deferred outflows of resources	(371,000)
(Decrease) increase in:	
Payables	90,913
Accrued salaries and benefits	(3,663)
Unearned revenues	8,131
Net pension liability	508,000
Deferred inflows of resources	10,000
Net cash used in operating activities	<u>\$ (831,295)</u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
Year Ended June 30, 2017**

	Private-Purpose Trust Fund	Agency Student Activities	Total
Assets			
Cash and cash equivalents	\$ 10,423	\$ 111,479	\$ 121,902
Investments	166,792	-	166,792
Other receivables	-	101	101
Inventory	-	6,550	6,550
Total assets	\$ 177,215	\$ 118,130	\$ 295,345
Liabilities			
Due to other funds	\$ -	\$ 12,662	\$ 12,662
Accounts payable	39	7,457	7,496
Due to student groups	-	98,011	98,011
Total liabilities	\$ 39	\$ 118,130	\$ 118,169
Net Position			
Held in trust for scholarships	\$ 177,176	\$ -	\$ 177,176
Total net position	\$ 177,176	\$ -	\$ 177,176

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2017

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 1,657
Contributions	7,384
Total additions	<u>9,041</u>
Deductions	
Scholarships awarded	8,677
Total deductions	<u>8,677</u>
Changes in net position	364
Net Position - July 1, 2016	176,812
Net Position - June 30, 2017	<u>\$ 177,176</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 5,754 students.

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

A physical inventory of the proprietary fund's food and supplies was taken as of June 30, 2017. The inventory consisted of government-donated commodities which were valued at their estimated fair market values, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. The District has adopted a single inventory-recordkeeping system which does not distinguish between donated and purchased commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

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

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows of Resources - Pensions: The District recognizes the changes in assumptions in the pension plan, net difference between projected and actual investment earnings, changes in proportions in the pension plan, the difference between employer contributions and proportionate share of total contributions, and the contributions subsequent to the measurement date June 30, 2016, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 Chief Operating Officer.

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

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an unassigned general fund balance of not less than 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 No. 54 provides additional guidance on the classification within the net-position section of amounts that have been encumbered. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements.

Restricted Net Position

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other

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

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 29, 2017, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

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

- U. S. Treasury Bills
- Short-term obligations of the U. S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of the political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits as of June 30, 2017, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	Fulton Bank
Insured (FDIC)	5,000	5,000	BB&T Bank
Uninsured, collateralized in accordance with Act 72	35,786,000	36,582,979	Fulton Bank
Uninsured, collateralized in accordance with Act 72	8,272	8,272	TD Bank
	<u>\$ 36,049,272</u>	<u>\$ 36,846,251</u>	

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

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the District does not hold any investments subject to fair value measurements and valuation input classifications.

Interest-Rate Risk

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

Credit Risk

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

Concentrations-of-Credit Risk

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Property Taxes

Property taxes are levied on July 1. Taxes are collected at a discount until August 31, at their face amount from September 1 until October 31, and include a penalty thereafter. The District's tax rate for all purposes in 2016-2017 was 19.0509 mills (\$19.0509 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, 2017, follows:

	Real Estate		
	Annual	Interim	Total
Gross taxes receivable			
2016	\$ 636,295	\$ 9,540	\$ 645,835
2015 and prior	169,444	-	169,444
Total taxes receivable	805,739	9,540	815,279
Collections received within 60 days recognized as revenue	220,011	5,516	225,527
Unearned tax revenues	\$ 585,728	\$ 4,024	\$ 589,752

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2017, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ 111,454	\$ 2,000,000
Capital Projects	2,000,000	-
Proprietary Fund		
Food Service	-	98,792
Fiduciary Fund		
Student Activities	-	12,662
	\$ 2,111,454	\$ 2,111,454

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

Individual fund transfers during the fiscal year ended June 30, 2017, are as follows:

Fund	Transfers In	Transfers Out
Governmental Funds		
General	\$ -	\$ 15,148,102
Capital Projects	2,500,000	-
Debt Service	12,648,102	-
	\$ 15,148,102	\$ 15,148,102

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,449,170	\$ -	\$ -	\$ 2,449,170
Land improvements	9,329,931	-	-	9,329,931
Construction-in-progress	885,682	67,430	(766,997)	186,115
Total capital assets not being depreciated	<u>12,664,783</u>	<u>67,430</u>	<u>(766,997)</u>	<u>11,965,216</u>
Capital assets being depreciated				
Site improvements	20,441,286	497,957	-	20,939,243
Buildings and building improvements	184,229,999	1,489,563	-	185,719,562
Furniture and equipment	18,439,085	2,611,027	-	21,050,112
Total capital assets being depreciated	<u>223,110,370</u>	<u>4,598,547</u>	<u>-</u>	<u>227,708,917</u>
Less accumulated depreciation				
Site improvements	8,856,269	936,572	-	9,792,841
Buildings and building improvements	55,668,514	4,718,670	-	60,387,184
Furniture and equipment	13,463,972	1,247,428	-	14,711,400
Total accumulated depreciation	<u>77,988,755</u>	<u>6,902,670</u>	<u>-</u>	<u>84,891,425</u>
Total capital assets being depreciated, net	<u>145,121,615</u>	<u>(2,304,123)</u>	<u>-</u>	<u>142,817,492</u>
Total Governmental Activities, Capital Assets - Net	<u>\$ 157,786,398</u>	<u>\$ (2,236,693)</u>	<u>\$ (766,997)</u>	<u>\$ 154,782,708</u>
Business-Type Activities:				
Capital assets being depreciated, equipment				
	\$ 2,732,516	\$ 22,838	\$ -	\$ 2,755,354
Less accumulated depreciation, equipment				
	<u>1,935,215</u>	<u>153,309</u>	<u>-</u>	<u>2,088,524</u>
Total Business-Type Activities, Capital Assets - Net	<u>\$ 797,301</u>	<u>\$ (130,471)</u>	<u>\$ -</u>	<u>\$ 666,830</u>

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	\$ 601,021
Instructional student support	274,277
Administration and financial support	87,276
Operation and maintenance of plant	223,963
Pupil transportation	14,629
Student activities	60,345
Unallocated depreciation	5,641,159
Total Governmental Activities	<hr/> 6,902,670
Business-Type Activities:	
Food Service	153,309
Total Primary Government	<hr/> <hr/> \$ 7,055,979

Note 7. Deferred Outflows Related to Cash Flow Hedge

During the fiscal year ended June 30, 2017, deferred outflows related to cash-flow hedge are as follows:

	Amount
Deferred Amounts on Swap Refunding	\$ 5,589,251
Swap Fair Value-At-the-Market	95,471
Deferred outflows related to cash-flow hedge	<hr/> <hr/> \$ 5,684,722

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations

During the fiscal year ended June 30, 2017, general long-term obligations changed as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017	Due within One Year
General Obligation Bonds					
Series of 2010	\$ 29,340,000	\$ -	\$ (17,590,000)	\$ 11,750,000	\$ 10,000
Series of 2012	6,920,000	-	(345,000)	6,575,000	350,000
Series of 2013	3,755,000	-	(705,000)	3,050,000	730,000
Series of 2014	9,985,000	-	(5,000)	9,980,000	5,000
Series A of 2014	54,245,000	-	(5,235,000)	49,010,000	5,450,000
Series of 2015	7,370,000	-	(2,130,000)	5,240,000	2,185,000
General Obligation Notes					
Series of 2016	-	9,725,000	(145,000)	9,580,000	55,000
Series of 2017	-	9,030,000	-	9,030,000	5,000
Bond premiums (discounts), net of amortization	513,546	-	(134,671)	378,875	-
Total General Obligation Debt	112,128,546	18,755,000	(26,289,671)	104,593,875	8,790,000
Derivative instrument - interest-rate swap	8,653,615		(2,968,893)	5,684,722	-
Lease-purchase obligation	266,667	1,891,050	(772,596)	1,385,121	495,647
Compensated absences	544,986	38,290	-	583,276	-
Net pension liability	112,966,000	21,977,000	-	134,943,000	-
Total General Long-Term Obligations	\$ 234,559,814	\$ 42,661,340	\$ (30,031,160)	\$ 247,189,994	\$ 9,285,647

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. In the year ended June 30, 2017, the District issued General Obligation Notes - Series of 2016 and Series of 2017 to partially refund this obligation.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

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

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

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Derivative Instruments

On December 14, 2011, the District entered into an interest- rate swap agreement, which is outstanding as of June 30, 2017. The agreement is a floating-to-fixed rate swap requiring the District pay a fixed interest rate of 4.02650 percent and the Royal Bank of Canada (RBC) to pay to the District a floating rate equal to 68 percent of the one-month London Interbank Offered Rate (LIBOR). RBC’s credit rating is Aa3 as determined by Moody’s and AA - as determined by Standard & Poor’s. The General Obligation Bonds - Series A of 2014 and the related swap agreement will mature May 1, 2025.

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

The fair value balances and notional amounts of the derivative instrument outstanding at June 30, 2017, classification, and the change in the fair value of such derivative instrument for the fiscal year ended as reported in the 2017 financials are as follows:

	Change in Fair Value		Fair Value at June 30, 2017		Notional at June 30, 2017
	Classification	Amount	Classification	Amount	
Governmental Activities					
Cash-flow hedge:					
Pay-fixed, interest-rate swap	Deferred Outflows of Resources	\$ (2,968,893)	Noncurrent Assets	\$ 5,684,722	\$ 48,765,000

Fair Values

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

Credit Risk

As of June 30, 2017, the District was not exposed to credit risk on its outstanding swap since the swap had a negative value. Had the fair value of the swap been positive, the District would be exposed to credit risk in the amount of the derivative’s fair value.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Basis Risk

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

Tax Risk

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

Termination Risk

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

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

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

Years	Interest/ Swap		Total
	Principal	Obligation	
2017-2018	\$ 8,790,000	\$ 3,817,325	\$ 12,607,325
2018-2019	9,065,000	3,527,647	12,592,647
2019-2020	9,285,000	3,174,446	12,459,446
2020-2021	9,715,000	2,814,174	12,529,174
2021-2022	10,135,000	2,406,133	12,541,133
2022-2027	53,170,000	5,379,914	58,549,914
2027-2032	3,555,000	350,620	3,905,620
2032-2033	500,000	16,500	516,500
	<u>\$ 104,215,000</u>	<u>\$ 21,486,759</u>	<u>\$ 125,701,759</u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Lease-Purchase Obligations

The District leases copiers which are located throughout the District. Additionally, the district leases computer equipment for both students and staff that are located throughout the district. The related lease agreements qualify as capital leases, and accordingly, these transactions are recorded at the present values of related future, minimum lease payments as of the inception date. All lease-purchase obligations are funded by the General Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Amount</u>
Copiers	\$ 326,996
Less: accumulated depreciation	(130,798)
Total copiers - net book value	<u>\$ 196,198</u>
Computer equipment	\$ 1,891,050
Less: accumulated depreciation	(68,527)
Total computer equipment - net book value	<u>\$ 1,822,523</u>

The following is a schedule of the future, minimum-lease payments due under the lease-purchase obligation as June 30, 2017:

<u>Years</u>	<u>Amount</u>
2017-2018	\$ 502,551
2018-2019	502,551
2019-2020	392,718
Total minimum lease payments	<u>1,397,820</u>
Less: amount representing interest	(12,699)
Total present value of net minimum lease payments	<u>\$ 1,385,121</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.

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

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

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

Year	Amount
2018	\$ 139,134
2019	139,093
2020	139,240
2021	139,253
2022	139,084
2023-2027	696,121
2028-2032	695,082
2033-2037	695,047
	<u>\$ 2,782,054</u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Fund Balance Designations

Nonspendable

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

Restricted

The District has third-party restrictions on amounts reported in the Capital Projects Fund related to capital-reserve statutory restrictions.

Committed

The District, through formal Board action, has committed portions of the General Fund balance to be used only for specific purposes. At June 30, 2017, the committed funds are as follows:

<u>Description of committed</u>	<u>Amount</u>
General Obligation Bonds debt service reserve	\$ 4,661,135
PSERS/Medical benefits cost reserve	5,150,000
Technology	2,100,000
High school signage and other projects	50,182
Dental service fund	24,039
Social service fund	8,477
Bucher Garden	2,177
Athletic camps	8,802
Schaeffer Garden	2,832
	<u>\$ 12,007,644</u>

Assigned

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

Unassigned

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2017, the District's rate of contribution was 30.03% of covered payroll. The 30.03% rate is composed of a pension contribution rate of 29.20% for pension benefits and 0.83% 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, 2017, 2016 and 2015, were \$11,271,882, \$9,167,503, and \$7,215,581 respectively, and are equal to the required contributions for said years. For the year ended June 30, 2017 the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$5,640,286.

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

At June 30, 2017, the District reported a liability of \$134,943,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .2723 percent, which was an increase of 0.0115 from its proportion measured as of June 30, 2015.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$15,782,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,124,000
Changes in assumptions	4,871,000	-
Net difference between projected and actual investment earnings	7,521,000	-
Changes in proportion	6,942,000	-
Difference between employer contributions and proportionate share of total contributions	287,000	-
Contributions subsequent to the measurement date	10,961,000	-
	<u>\$ 30,582,000</u>	<u>\$ 1,124,000</u>

\$10,961,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years	Amount
2018	\$ 4,352,000
2019	4,352,000
2020	5,913,000
2021	3,876,000
2022	4,000
	<u>\$ 18,497,000</u>

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016, valuation were based on the experience study that was performed for the five-year period ended June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016, Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	100.0%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 165,072,000	\$ 134,943,000	\$ 109,626,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Plan Payables

At June 30, 2017, the District has payables to the PSERS pension plan of \$4,248,646. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2017.

Note 12. Self-Insurance, Medical and Dental Coverage

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

The District is reimbursed for medical claims in excess of \$175,000 per individual and for claims in the aggregate, the amount of which is determined on a yearly basis. The total paid during 2016-2017 before reinsurance reimbursements of \$397,264 was \$8,018,619.

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 19 members in 2016-2017. Each member is assessed an amount based on its covered payroll and prior experience of workers' compensation claims. All claims are then paid from the pool with reinsurance being purchased by the pool for claims in excess of \$450,000 per occurrence. Claims are paid on an aggregate basis, and separate accounts for each member are not maintained. Upon withdrawal by a member from the pool, the terminating member has either a right to a pro-rata share of any surplus funds for any fiscal year in which the member participated (withdrawal may occur only at the end of any year) or an obligation to pay for the member's share of a deficiency in the fund for the year of withdrawal. The District's expense for this coverage was \$235,054 for the 2016-2017 year.

Note 14. Termination Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health-care benefits to eligible former employees and their dependents. Requirements are outlined by the Federal government for this coverage. The premium plus a 2% administrative fee is paid in full by the eligible participant. This program is offered for durations of up to 18 to 36 months after an employee's termination date, or for dependents, the date that they are no longer eligible to be covered as such. At June 30, 2017, there were two participants covered under COBRA.

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

The District provides a retirement stipend for full-time teachers retiring with at least 20 years of PSERS credited service. During the current year, fourteen full-time teachers retired and were paid stipends which totaled \$70,000.

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

The District provides a retirement stipend, based on a specified formula, for support staff retiring with at least 10 years of full-time service with the District and having reached 55 years of age. Two support staff members meeting the requirement retired during the current year and were paid stipends which totaled \$5,000.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Post-Employment Benefits (OPEB)

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

Medical Coverage

Description	Self-insured Medical and Dental
Eligibility	<p>Employees who retire from active service:</p> <ul style="list-style-type: none"> • Administrators who are at least 55 years old with at least 5 years of service with Manheim Township School District • Teachers with at least 15 years of PSERS credited service with Manheim Township School District • Specialists what are at least 58 years old with at least 5 years of service with Manheim Township School District • Support Staff who are at least 55 years old with at least 10 years of service with Manheim Township School District
Period of Coverage	
Retiree	Until Age 65
Spouse	Until Retiree's Age 65 or Spouse's Age 65, whichever is first
Dependents	Until Retiree's Age 65 or Dependents Age 26, whichever is first
Coverage	
Until Age 65	<ul style="list-style-type: none"> • Administrators - Medical and dental coverage provided to active employees is continued for eligible retirees, spouses and dependents • All Others - Medical coverage provided to active employees is continued for eligible retirees, spouses and dependents
Over Age 65	None
Contributions	
Employer	<ul style="list-style-type: none"> • Administrators – School district pays full cost of medical and dental • Teachers – School district pays full cost of medical less retiree payment (\$100 per month for single coverage, \$130 per month for 2-party coverage and \$160 per month for family coverage, plus the increase in premium before implicit rate subsidy). Effective for teachers who retired on or after July 1, 2009, the District shall contribute \$400 per month (\$4,800 annually) toward the retiree’s coverage. • Specialist - Effective for employees who retire on or after July 1, 2009 the District shall contribute \$400 per month (\$4,800 annually) toward the retiree’s coverage. • Support Staff – No employer contributions
Employees	<ul style="list-style-type: none"> • Administrators – No employee contributions • Teachers – Monthly payments of \$100 per month for single coverage, \$130 for 2-party coverage and \$160 for family coverage, plus the increase in premium before implicit rate subsidy adjustment. Effective for employees who retire on or after July 1, 2009, the retiree shall contribute any costs in excess of \$400 per month (\$4,800 annually). • Specialist - Effective for employees who retire on or after July 1, 2009, the retiree shall contribute any costs in excess of \$400 per month (\$4,800 annually). • Support Staff – Employee pays full cost of medical

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Life Insurance Coverage

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

Funding Policy

The District funds OPEB on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

Funding Progress

For the year ended June 30, 2017, 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, 2016. 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 (ARC)	\$ 915,573
Plus adjustment to the annual required contribution	30,284
Annual OPEB cost	<u>945,857</u>
Amounts contributed:	
Payments of current premiums and claims	<u>(726,286)</u>
Decrease in net OPEB prepayment	219,571
Net OPEB obligation (prepayment) - beginning of year	<u>(1,405,317)</u>
Net OPEB obligation (prepayment) - end of year	<u><u>\$ (1,185,746)</u></u>

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Annual OPEB Cost

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 925,480	108.6%	\$ (1,341,122)
June 30, 2016	\$ 925,491	106.9%	\$ (1,405,317)
June 30, 2017	\$ 945,857	76.8%	\$ (1,185,746)

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, 2016 actuarial valuation, the Unit Credit Actuarial Cost Method was used. Under this method the benefits (projected or unprojected) of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial assumptions include an annual healthcare cost-trend rate of 10% initially, reduced by decrements to an ultimate rate of 8% after three years. Both rates included a 4% inflation assumption. The UAAL is being amortized over twenty-five years under the level dollar method over a weighted average of the average future service of active employees for similar plans.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. Joint Ventures

The District participates with 16 other school districts in Lancaster County, and the municipalities represented by those school districts, in the collection of earned income taxes performed by the Lancaster County Tax Collection Bureau (the Bureau). Each public school district appoints one member to serve on the joint operating committee, in addition to the 16 members appointed by the participating municipalities. The Bureau's operating expenses are deducted from members' distributions at a budget rate of 2.2%. Members' distributions, which had been made quarterly, are now distributed monthly with the implementation of ACT 32 and are based on actual collections. Act 32 became effective on January 1, 2012.

The Lancaster County Career and Technical Center (LCCTC) is a separate legal entity providing vocational-technical education to students within the participating districts. The District pays a pro-rata portion of the annual operating expenses based on an average of student enrollment for the prior three years. The District also pays a pro-rata portion of the LCCTC's capital expenses based on districts' comparative market values. During the year ended June 30, 2017, the District paid \$595,427 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, 2017, the District paid \$42,713 for its allotted twelve slots.

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

Note 17. Real Estate Annexation

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

Payments to be received by the District are as follows:

Years	Amount
2017-2018	\$ 434,384
	<u>\$ 434,384</u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 18. Commitments

Brightbill Transportation, Inc.

Effective July 1, 2009, the District entered into an agreement with Brightbill Transportation, Inc. (Brightbill) for the transportation of students residing within the District. The agreement expires on June 30, 2019. Current-year expenditures for basic transportation amounted to approximately \$3.0 million with pricing for subsequent years to increase by the Pennsylvania Department of Education transportation-cost index, but not less than 2.5%.

Note 19. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Most significant losses are covered by commercial insurance for major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years. During the year ended June 30, 2017, the District did not incur any significant losses that were not covered by insurance.

Note 20. Subsequent Event

On November 6, 2017, the District issued General Obligation Notes - Series A of 2017, in the amount of \$49,295,000 for the purpose of currently refunding the General Obligation Bonds - Series A of 2014 and to pay the cost of issuance of the notes. The District also approved a resolution to adopt an Interest Rate Management Plan and authorize the transfer of obligations under the existing swap agreements related to General Obligation Bonds - Series of 2014 to the new Series A of 2017 Notes.

The District entered into a lease purchase agreement with Apple, Inc. on November 16, 2017, for the lease of Apple iPads beginning in the 2017-2018 school year at an estimated cost of \$1,198,665. The lease begins in December 2017 with a payment due of \$399,555. Annual payments are required through December 2019

REQUIRED SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2017

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)
7/1/2016	\$ -	\$ 8,329,740	\$ 8,329,740	0.00%	\$31,221,024	26.68%
7/1/2014	\$ -	\$ 8,151,739	\$ 8,151,739	0.00%	\$30,329,144	26.88%
7/1/2012	\$ -	\$10,562,847	\$10,562,847	0.00%	\$28,609,494	36.92%

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

	2017	2016	2015
District's proportion of the net pension liability	0.3115%	0.2608%	0.2527%
District's proportionate share of the net pension liability	<u>\$ 134,943,000</u>	<u>\$ 112,966,000</u>	<u>\$ 100,020,000</u>
District's covered-employee payroll	<u>\$ 35,265,724</u>	<u>\$ 33,560,737</u>	<u>\$ 32,248,532</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	382.65%	336.60%	310.15%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

	2017	2016	2015
Contractually required contribution	\$ 10,960,339	\$ 8,662,259	\$ 6,712,710
Contributions in relation to the contractually required contribution	(10,960,339)	(8,662,259)	(6,712,710)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 37,500,987</u>	<u>\$ 33,374,247</u>	<u>\$ 33,513,122</u>
Contributions as a percentage of covered-employee payroll	29.23%	25.95%	20.03%

SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS

June 30, 2017

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 157,534	\$ 7,897,973	\$ 8,055,507
Due from other funds	-	2,000,000	2,000,000
Total assets	\$ 157,534	\$ 9,897,973	\$ 10,055,507
Liabilities			
Accounts payable	\$ 156,025	\$ 103,630	\$ 259,655
Total liabilities	156,025	103,630	259,655
Fund Balances			
Restricted	1,509	9,794,343	9,795,852
Total fund balances	1,509	9,794,343	9,795,852
Total liabilities and fund balances	\$ 157,534	\$ 9,897,973	\$ 10,055,507

MANHEIM TOWNSHIP SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CAPITAL PROJECTS FUNDS
Year Ended June 30, 2017**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
Revenues			
Investment earnings	\$ 1,055	\$ 47,988	\$ 49,043
Other local sources	-	25,000	25,000
Total revenues	1,055	72,988	74,043
Expenditures			
Capital outlay	-	987,913	987,913
Total expenditures	-	987,913	987,913
Other Financing Sources			
Interfund transfers in	-	2,500,000	2,500,000
Total other financing sources	-	2,500,000	2,500,000
Net changes in fund balances	1,055	1,585,075	1,586,130
Fund Balances - July 1, 2016	454	8,209,268	8,209,722
Fund Balances - June 30, 2017	\$ 1,509	\$ 9,794,343	\$ 9,795,852

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local Sources				
Current real estate taxes	\$ 59,035,595	\$ 59,035,595	\$ 58,996,269	\$ (39,326)
Interim real estate taxes	400,000	400,000	251,361	(148,639)
Public utility realty tax	74,000	74,000	73,423	(577)
Payment in lieu of taxes	189,953	189,953	196,525	6,572
Current Act 511 taxes				
Local services tax	270,000	270,000	271,936	1,936
Earned income	6,900,000	6,900,000	6,997,110	97,110
Real estate transfer	1,200,000	1,200,000	1,529,810	329,810
Delinquent taxes	375,000	375,000	430,081	55,081
Investment earnings	150,000	150,000	306,172	156,172
Revenue from student activities	168,500	168,500	164,597	(3,903)
Revenue from intermediate sources				
Federal funds	720,000	720,000	757,581	37,581
Rentals	608,675	608,675	698,486	89,811
Contributions, donations and grants				
from private sources	-	-	229,308	229,308
Tuition from patrons	45,000	45,000	81,744	36,744
Receipts from other LEAs	45,000	45,000	199,380	154,380
Services provided other LEAs	40,000	40,000	30,920	(9,080)
Miscellaneous revenues	729,146	729,146	346,455	(382,691)
Total revenues from local sources	70,950,869	70,950,869	71,561,158	610,289

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues (Continued)				
State Sources				
Basic instructional subsidy	5,989,375	5,515,338	5,515,508	170
Tuition for orphans and children placed in private homes (Sec 1305 and 1306)	11,000	11,000	123,989	112,989
Migratory children	40	40	-	(40)
Special education of exceptional pupils	2,346,401	2,346,401	2,488,149	141,748
Transportation	1,175,000	1,175,000	1,247,244	72,244
Rental and sinking fund payments	699,524	699,524	1,982,638	1,283,114
Health services	119,500	119,500	111,399	(8,101)
State property tax reduction allocation	1,106,114	1,106,114	1,106,114	-
Ready to learn grant	-	474,037	474,037	-
Revenue for social security payments	1,399,416	1,399,416	1,392,907	(6,509)
Revenue for retirement payments	5,493,393	5,493,393	5,526,229	32,836
Total revenues from state sources	18,339,763	18,339,763	19,968,214	1,628,451
Federal Sources				
Title I improving academic achievement	520,000	520,000	534,657	14,657
Title II improving teacher quality	85,000	85,000	81,623	(3,377)
Title III language instruction for limited English proficient	47,000	47,000	51,756	4,756
Medical assistance	120,000	120,000	138,566	18,566
Total revenues from Federal sources	772,000	772,000	806,602	34,602
Total revenues	90,062,632	90,062,632	92,335,974	2,273,342
Other Financing Sources				
Sale of capital assets	5,000	5,000	-	(5,000)
Insurance recoveries	-	-	38,562	38,562
Total revenues from other financing sources	5,000	5,000	38,562	33,562
Total revenues and other financing sources	\$ 90,067,632	\$ 90,067,632	\$ 92,374,536	\$ 2,306,904

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Instructional				
Regular programs				
Salaries	\$ 22,289,636	\$ 22,075,236	\$ 22,072,098	\$ 3,138
Employee benefits	13,682,405	13,182,405	13,181,528	877
Purchased professional and technical services	694,572	696,917	665,497	31,420
Purchased property services	179,669	178,612	143,262	35,350
Other purchased services	1,026,088	879,488	781,566	97,922
Supplies	771,455	889,666	1,992,963	(1,103,297)
Property	360,492	1,136,112	32,755	1,103,357
Other objects	15,750	17,750	17,667	83
Total regular programs	39,020,067	39,056,186	38,887,336	168,850
Special programs				
Salaries	3,772,790	3,826,790	3,826,675	115
Employee benefits	2,384,940	2,139,440	2,122,347	17,093
Purchased professional and technical services	2,548,133	1,994,633	1,976,800	17,833
Purchased property services	5,000	16,000	15,753	247
Other purchased services	925,570	1,217,570	1,199,666	17,904
Supplies	64,146	65,718	74,619	(8,901)
Property	85,776	30,576	-	30,576
Other objects	77,000	6,500	3,424	3,076
Total special programs	9,863,355	9,297,227	9,219,284	77,943
Vocational programs				
Purchased professional and technical services	-	44,000	43,468	532
Other purchased services	590,262	595,462	595,427	35
Total vocational programs	590,262	639,462	638,895	567

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Instructional (Continued)				
Other instructional programs				
Salaries	128,954	128,954	126,446	2,508
Employee benefits	64,875	64,875	55,683	9,192
Purchased professional and technical services	26,500	33,500	33,198	302
Other purchased services	50,500	35,500	16,241	19,259
Supplies	47,214	47,214	38,818	8,396
Property	-	3,150	-	3,150
Other objects	350,000	1,605	-	1,605
Total other instructional programs	668,043	314,798	270,386	44,412
Nonpublic school programs				
Purchased professional and technical services	6,000	6,000	5,592	408
Total nonpublic school programs	6,000	6,000	5,592	408
Total instructional	50,147,727	49,313,673	49,021,493	292,180
Support services				
Pupil personnel services				
Salaries	2,168,268	2,136,248	2,136,242	6
Employee benefits	1,020,488	1,195,488	1,194,709	779
Purchased professional and technical services	126,453	146,453	145,577	876
Purchased property services	3,500	4,000	3,932	68
Other purchased services	18,400	17,736	12,833	4,903
Supplies	54,625	55,183	55,659	(476)
Property	-	19,000	12,251	6,749
Other objects	8,850	8,623	894	7,729
Total pupil personnel services	3,400,584	3,582,731	3,562,097	20,634

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Instructional staff services				
Salaries	2,194,685	2,164,685	2,159,625	5,060
Employee benefits	1,264,467	1,532,967	1,529,842	3,125
Purchased professional and technical services	137,100	100,127	83,332	16,795
Purchased property services	13,300	11,640	5,070	6,570
Other purchased services	68,346	106,846	106,742	104
Supplies	191,332	209,238	262,967	(53,729)
Property	153,080	126,735	14,862	111,873
Other objects	5,200	5,200	1,060	4,140
Total instructional staff services	4,027,510	4,257,438	4,163,500	93,938
Administrative services				
Salaries	2,633,045	2,733,575	2,733,313	262
Employee benefits	1,554,109	1,657,109	1,659,697	(2,588)
Purchased professional and technical services	285,550	282,050	259,209	22,841
Purchased property services	2,850	6,350	6,252	98
Other purchased services	22,600	23,600	17,377	6,223
Supplies	32,791	36,194	64,436	(28,242)
Property	2,900	30,900	-	30,900
Other objects	28,125	27,317	26,228	1,089
Total administrative services	4,561,970	4,797,095	4,766,512	30,583
Pupil health				
Salaries	573,293	585,293	585,032	261
Employee benefits	293,334	308,834	308,804	30
Purchased professional and technical services	173,600	145,680	138,698	6,982
Purchased property services	715	1,135	1,131	4
Other purchased services	1,180	1,180	373	807
Supplies	13,460	12,565	13,253	(688)
Property	1,860	2,960	-	2,960
Total pupil health	1,057,442	1,057,647	1,047,291	10,356

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Business services				
Salaries	406,064	419,564	419,267	297
Employee benefits	256,877	243,377	233,283	10,094
Purchased professional and technical services	64,500	44,500	39,988	4,512
Purchased property services	2,800	2,800	1,324	1,476
Other purchased services	9,300	9,300	8,186	1,114
Supplies	6,145	6,145	7,600	(1,455)
Property	24,776	3,476	-	3,476
Other objects	1,500	1,500	1,170	330
Total business services	771,962	730,662	710,818	19,844
Operation and maintenance of plant services				
Salaries	2,044,309	2,044,309	2,011,811	32,498
Employee benefits	1,425,673	1,406,673	1,382,610	24,063
Purchased professional and technical services	237,880	274,880	274,468	412
Purchased property services	2,014,407	1,460,272	1,461,196	(924)
Other purchased services	391,757	296,757	282,368	14,389
Supplies	1,679,941	2,033,591	2,020,546	13,045
Property	102,860	137,760	69,289	68,471
Other objects	1,620	2,420	2,338	82
Total operation and maintenance of plant services	7,898,447	7,656,662	7,504,626	152,036
Student transportation services				
Salaries	105,586	107,686	107,628	58
Employee benefits	64,273	71,673	71,588	85
Purchased professional and technical services	2,000	3,700	3,695	5
Purchased property services	42,000	42,000	40,072	1,928
Other purchased services	3,176,500	3,255,200	3,255,125	75
Supplies	69,550	11,450	11,154	296
Property	35,000	32,800	29,043	3,757
Other objects	500	500	364	136
Total student transportation services	3,495,409	3,525,009	3,518,669	6,340

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Central support services				
Salaries	421,631	430,531	430,507	24
Employee benefits	218,190	308,190	308,115	75
Purchased professional and technical services	139,250	101,650	84,499	17,151
Purchased property services	2,000	7,700	7,633	67
Other purchased services	72,350	58,614	53,361	5,253
Supplies	14,350	14,350	7,883	6,467
Property	3,500	3,500	1,449	2,051
Other objects	2,600	2,600	1,478	1,122
Total central support services	873,871	927,135	894,925	32,210
Other support services				
Other purchased services	52,000	52,000	50,436	1,564
Total other support services	52,000	52,000	50,436	1,564
Total support services	26,139,195	26,586,379	26,218,874	367,505
Operation of noninstructional services				
Student activities				
Salaries	737,874	733,874	717,281	16,593
Employee benefits	277,886	317,186	317,113	73
Purchased professional and technical services	86,223	87,311	86,693	618
Purchased property services	24,915	72,021	70,858	1,163
Other purchased services	105,856	123,957	123,253	704
Supplies	91,727	130,719	120,847	9,872
Property	15,369	74,744	69,907	4,837
Other objects	33,496	35,004	32,755	2,249
Total student activities	1,373,346	1,574,816	1,538,707	36,109

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
 BUDGET AND ACTUAL - GENERAL FUND (Continued)
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Operation of noninstructional services (Continued)				
Community services				
Purchased professional and technical services	500	1,500	1,490	10
Other purchased services	5,000	4,900	265	4,635
Supplies	1,460	1,460	751	709
Total community services	6,960	7,860	2,506	5,354
Total operation of noninstructional services	1,380,306	1,582,676	1,541,213	41,463
Capital outlay				
Purchased professional and technical services	-	40,000	37,928	2,072
Purchased property services	-	53,500	53,440	60
Total capital outlay	-	93,500	91,368	2,132
Total expenditures	77,667,228	77,576,228	76,872,948	703,280
Other Financing Uses				
Interfund transfers out	12,857,233	13,148,233	15,148,102	(1,999,869)
Budgetary reserve	200,000	-	-	-
Total other financing uses	13,057,233	13,148,233	15,148,102	(1,999,869)
Total expenditures and other financing uses	\$ 90,724,461	\$ 90,724,461	\$ 92,021,050	\$ (1,296,589)

**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, 2017, 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 29, 2017

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 29, 2017

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

Board of School Directors
Manheim Township School District
Lancaster, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Manheim Township School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, that could have a direct and material effect on each of Manheim Township School District's major Federal programs for the year ended June 30, 2017. Manheim Township School District's major Federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Manheim Township School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Manheim Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Manheim Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

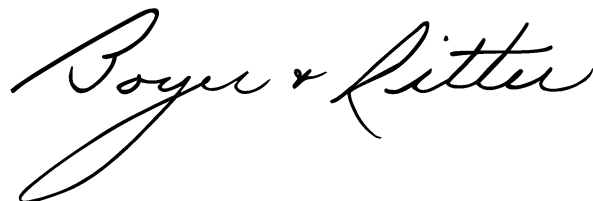
Report on Internal Control Over Compliance

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

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

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

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

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

Camp Hill, Pennsylvania
November 29, 2017

MANHEIM TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Identification of the major programs:

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

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

Auditee qualified as low-risk auditee? X Yes ___ No

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

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

B. Compliance Findings

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

Section III – Federal Award Findings and Questioned Costs

A. Compliance Findings

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

B. Significant Deficiency(ies) in Internal Control

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

	Federal	Pass-Through	Program	Total Received	Accrued (Deferred)	Accrued (Deferred)				
	C.F.D.A. Number	Grantor's Number	Grant Period	or Annual Award	(Refunded) for the Year	Revenue at 7/1/2016	Revenue Recognized	Expenditures Recognized	Revenue at 6/30/2017	Provided to Subrecipients
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I - Grants to Local Educational Agencies	84.010	13-150237	8/6/14-9/30/16	\$ 527,811	\$ (4,548)	\$ (4,666)	\$ 118	\$ 118	\$ -	\$ -
Title I - Grants to Local Educational Agencies	84.010	13-160237	9/1/15-9/30/17	\$ 516,628	82,208	40,393	36,796	36,796	(5,019)	-
Title I - Grants to Local Educational Agencies	84.010	13-170237	8/24/16-9/30/17	\$ 516,066	450,926	-	497,743	497,743	46,817	-
					<u>528,586</u>	<u>35,727</u>	<u>534,657</u>	<u>534,657</u>	<u>41,798</u>	<u>-</u>
Title II - Supporting Effective Instruction State Grants	84.367	20-170237	8/24/16-9/30/17	\$ 81,623	81,623	-	81,623	81,623	-	-
					<u>81,623</u>	<u>-</u>	<u>81,623</u>	<u>81,623</u>	<u>-</u>	<u>-</u>
Title III - English Language Acquisition State Grants	84.365	10-170237	9/1/16-9/30/17	\$ 53,500	53,500	-	51,756	51,756	(1,744)	-
					<u>53,500</u>	<u>-</u>	<u>51,756</u>	<u>51,756</u>	<u>(1,744)</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education					<u>663,709</u>	<u>35,727</u>	<u>668,036</u>	<u>668,036</u>	<u>40,054</u>	<u>-</u>
Passed through the Lancaster-Lebanon Intermediate unit No. 13: Special Education Cluster										
Special Education - Grants to States - On-Behalf Services	84.027	062-17-0013	7/1/16-9/30/17	\$ 182,368	182,368	-	182,368	182,368	-	-
Special Education - Grants to States - Pass-Thru	84.027	062-17-0013	7/1/16-9/30/17	\$ 546,283	546,283	-	546,283	546,283	-	-
					<u>728,651</u>	<u>-</u>	<u>728,651</u>	<u>728,651</u>	<u>-</u>	<u>-</u>
Special Education - Preschool Grants	84.173	131-16-0-013	7/1/16-6/30/17	\$ 2,577	2,577	-	2,577	2,577	-	-
Total Special Education Cluster					<u>731,228</u>	<u>-</u>	<u>731,228</u>	<u>731,228</u>	<u>-</u>	<u>-</u>
Total passed through the Lancaster-Lebanon Intermediate Unit No. 13					<u>731,228</u>	<u>-</u>	<u>731,228</u>	<u>731,228</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education					<u>1,394,937</u>	<u>35,727</u>	<u>1,399,264</u>	<u>1,399,264</u>	<u>40,054</u>	<u>-</u>
U.S. Department of Homeland Security										
Passed through the Pennsylvania Emergency Management Agency										
Public Assistance Grants	97.036	FEMA-4267-DR-PA-071	N/A	\$ 69,373	69,373	69,373	-	-	-	-
Total U.S. Department of Homeland Security					<u>69,373</u>	<u>69,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2017

	Federal	Pass-Through		Program	Total	Accrued		Accrued		
	C.F.D.A.	Grantor's	Grant	or Annual	(Refunded) for	Revenue at	Revenue	Expenditures	Accrued	
	Number	Number	Period	Award	the Year	7/1/2016	Recognized	Recognized	(Deferred)	
									Revenue at	
									6/30/2017	
									Provided to	
									Subrecipients	
U. S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare:										
Medicaid Cluster										
Medical Assistance Program; Title XIX	93.778	N/A	10/1/15-9/30/16	\$ 2,582	1,142	1,142	-	-	-	-
Medical Assistance Program; Title XIX	93.778	N/A	10/1/16-9/30/17	\$ 1,837	926	-	1,837	1,837	911	-
Total Medicaid Cluster					2,068	1,142	1,837	1,837	911	-
Total U.S. Department of Health and Human Services					2,068	1,142	1,837	1,837	911	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program *	10.555	N/A	7/1/15-6/30/16	N/A	169,262	169,262	-	-	-	-
National School Lunch Program *	10.555	N/A	7/1/16-6/30/17	N/A	738,742	-	867,546	867,546	128,804	-
					908,004	169,262	867,546	867,546	128,804	-
School Breakfast Program *	10.553	N/A	7/1/15-6/30/16	N/A	47,041	47,041	-	-	-	-
School Breakfast Program *	10.553	N/A	7/1/16-6/30/17	N/A	185,895	-	221,377	221,377	35,482	-
					232,936	47,041	221,377	221,377	35,482	-
Summer Food Service Program for Children *	10.559	N/A	7/1/16-6/30/17	N/A	4,812	-	9,040	9,040	4,228	-
Total passed through the Pennsylvania Department of Education					1,145,752	216,303	1,097,963	1,097,963	168,514	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donations *	10.555	N/A	7/1/16-6/30/17	N/A	162,028	-	162,028	162,028	-	-
Total U.S. Department of Agriculture					1,307,780	216,303	1,259,991	1,259,991	168,514	-
Total Expenditures of Federal Awards					\$ 2,774,158	\$ 322,545	\$ 2,661,092	\$ 2,661,092	\$ 209,479	\$ -

* Programs in the Child Nutrition Cluster

National School Lunch Program	\$ 867,546
School Breakfast Program	221,377
Summer Food Service Program	9,040
National School Lunch Program - Food Donations	162,028
	<u>\$ 1,259,991</u>

See Notes to Schedule of Expenditures of Federal Awards.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal-grant activity of the Manheim Township School District under programs of the Federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Manheim Township School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Manheim Township School District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District utilized an indirect cost rate approved by the PA Department of Education.

Note 3. Access Program

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule, for the year ended June 30, 2017, was \$136,729.

MANHEIM TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2017

There were no prior year audit findings.