

**MANHEIM TOWNSHIP
SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2012

CONTENTS

FINANCIAL SECTION

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14 - 15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	21 - 22
Statement of Net Assets - Proprietary Fund - Food Service	23
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund - Food Service	24
Statement of Cash Flows - Proprietary Fund - Food Service	25 - 26
Statement of Fiduciary Net Assets	27
Statement of Changes in Fiduciary Net Assets - Private-Purpose Trust Fund	28
Notes to Financial Statements	29 - 57

CONTENTS (Continued)

SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Capital Projects Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds	59
Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund	60 - 62
Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund	63 - 68

REQUIRED SUPPLEMENTARY INFORMATION

Post-Employment Benefits Plan	69
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70 - 71
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	72 - 73
Schedule of Findings and Questioned Costs	74 - 75
Schedule of Expenditures of Federal Awards	76 - 79
Notes to Schedule of Expenditures of Federal Awards	80
Summary Schedule of Prior Year's Audit Findings	81

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Manheim Township School District
Lancaster, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manheim Township School District, as of and for the year ended June 30, 2012, which collectively comprise the Manheim Township School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Manheim Township School District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Manheim Township School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall, financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the Manheim Township School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 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 which 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.

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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Camp Hill, Pennsylvania
December 6, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2012**

The management 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, 2012. 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

Key financial highlights for the year ended June 30, 2012, are as follows:

With current and delinquent real estate taxes as well as earned income tax collections exceeding amounts budgeted by \$1.1 million and various expenditures coming in under budget, the District ended the fiscal year with an increase in the general fund balances of \$3 million. Some of the variances in budgeted revenues and expenditures were as follows:

- ❖ Current Earned Income Tax collections exceeded budget by approximately \$560,000
- ❖ Current and Delinquent Real Estate Taxes exceeded budget by approximately \$600,000
- ❖ Salaries and Benefits expenditures under final budget by approximately \$550,000
- ❖ Debt Service expenditures under original budget by approximately \$570,000
- ❖ Utilities expenditures under original budget by approximately \$285,000
- ❖ Transportation expenditures over original budget by approximately \$510,000
- ❖ Building budgets, curriculum and instruction, staff development and technology departments under original budget by approximately \$758,000

The food service program, operated as a business-type activity, had another successful year as reflected in the \$173,000 increase in net assets for the year ended June 30, 2012.

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, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets 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 in the financial statements, 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

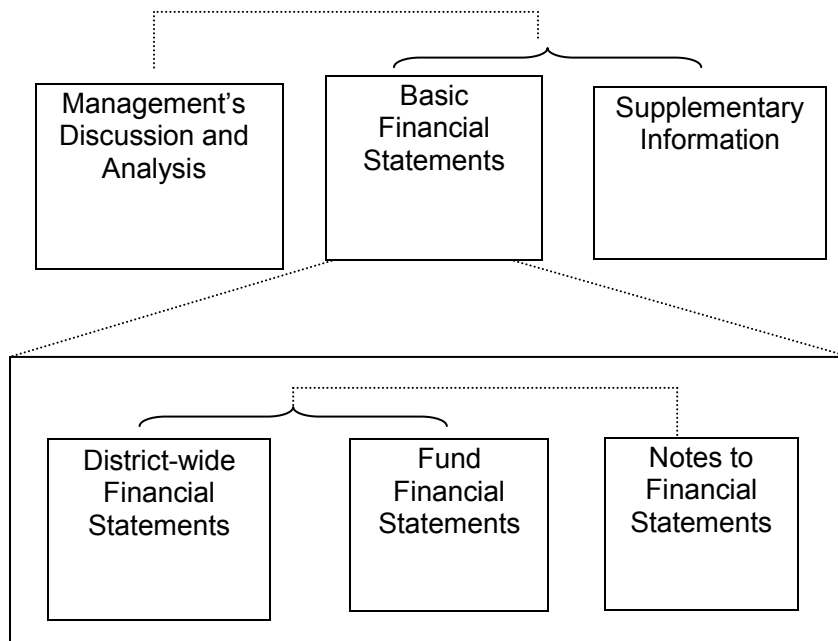


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of 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 Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Financial Statements

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets 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 assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net assets 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 basic 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 Assets 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 activities that are similar to business operations in the private sector; or where the reporting 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, but with more detail and additional information, such as a Statement of Cash Flows.

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 Assets. 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 assets were \$51,493,387 at June 30, 2012, and \$48,281,998 at June 30, 2011.

Table A-1
Statements of Net Assets
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 19,465,420	\$ 16,148,241	\$ 1,569,878	\$ 1,247,421	\$ 21,035,298	\$ 17,395,662
Noncurrent assets						
Capital assets	175,373,205	156,310,866	1,028,229	999,784	176,401,434	157,310,650
Other	7,749,048	35,408,116	-	-	7,749,048	35,408,116
Total assets	\$ 202,587,673	\$ 207,867,223	\$ 2,598,107	\$ 2,247,205	\$ 205,185,780	\$ 210,114,428
Current liabilities	\$ 17,607,413	\$ 19,297,359	\$ 176,799	\$ (891)	\$ 17,784,212	\$ 19,296,468
Noncurrent liabilities	135,908,181	142,535,962	-	-	135,908,181	142,535,962
Total liabilities	\$ 153,515,594	\$ 161,833,321	\$ 176,799	\$ (891)	\$ 153,692,393	\$ 161,832,430
Net Assets						
Invested in capital assets - net of related debt	\$ 37,817,469	\$ 38,396,452	\$ 1,028,229	\$ 999,784	\$ 38,845,698	\$ 39,396,236
Restricted	2,284,868	83,997	-	-	2,284,868	83,997
Unrestricted	8,969,742	7,553,453	1,393,079	1,248,312	10,362,821	8,801,765
Total net assets	\$ 49,072,079	\$ 46,033,902	\$ 2,421,308	\$ 2,248,096	\$ 51,493,387	\$ 48,281,998

Most of the District's net assets are invested in capital assets (land and land improvements, site improvements, building and building improvements, furniture and equipment and construction-in-progress). The remaining restricted and unrestricted net assets are a combination of designated and undesignated amounts as well as reserves for capital projects. Capital assets increased approximately \$19 million with the continued construction of the new grade 5/6 building (Landis Run Intermediate School). The decrease in other noncurrent assets of approximately \$27.7 million is a combination of the reduction in Capital Projects Fund investments for the \$19 million of construction expenditures as well as an approximately \$8.7 million reduction related to the accounting for the deferred outflows on derivative instruments and bond issuance costs. The net decrease in noncurrent liabilities of approximately \$6.6 million is a combination of the issuance of General Obligation Bonds, Series of 2012, in the amount of \$7.8 million as well as the reclassification of \$13 million of deferred outflow costs to deferred charges on refunding in combination with the termination of the swap agreements and further described in Note 7 to the financial statements.

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 Assets
Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 682,121	\$ 1,086,990	\$ 1,475,477	\$ 1,539,599	\$ 2,157,598	\$ 2,626,589
Operating grants and contributions	8,209,133	9,258,430	1,030,505	904,283	9,239,638	10,162,713
Capital grants and contributions	594,571	777,072	-	-	594,571	777,072
General revenues						
Property taxes	52,009,892	51,095,792	-	-	52,009,892	51,095,792
Other taxes	6,773,526	6,039,147	-	-	6,773,526	6,039,147
Grants, subsidies and contributions not restricted	5,595,967	5,061,108	488.00	-	5,596,455	5,061,108
Other	344,742	334,575	(2,577)	2,504	342,165	337,079
Total revenues	74,209,952	73,653,114	2,503,893	2,446,386	76,713,845	76,099,500
Expenses						
Instruction	39,649,834	39,423,119	-	-	39,649,834	39,423,119
Instructional student support	5,894,239	7,227,030	-	-	5,894,239	7,227,030
Administrative and financial support	5,041,249	5,634,229	-	-	5,041,249	5,634,229
Operation and maintenance of plant	6,215,489	6,660,527	-	-	6,215,489	6,660,527
Pupil transportation	2,914,711	2,951,274	-	-	2,914,711	2,951,274
Student activities	1,068,884	1,495,892	-	-	1,068,884	1,495,892
Community services	5,340	4,050	-	-	5,340	4,050
Interest on long-term debt	5,672,371	4,601,662	-	-	5,672,371	4,601,662
Unallocated depreciation	4,709,658	5,138,866	-	-	4,709,658	5,138,866
Food service	-	-	2,330,681	2,253,751	2,330,681	2,253,751
Transfers	-	277,800	-	(277,800)	-	-
Total expenses	71,171,775	73,414,449	2,330,681	1,975,951	73,502,456	75,390,400
Changes in net assets	\$ 3,038,177	\$ 238,665	\$ 173,212	\$ 470,435	\$ 3,211,389	\$ 709,100

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 programs' 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
Statement of Total and Net Cost of Services
Governmental Activities
Years Ended June 30, 2012 and 2011

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 39,649,834	\$ 39,423,119	\$ 33,456,036	\$ 32,274,161
Instructional student support	5,894,239	7,227,030	5,370,898	6,431,356
Administrative and financial support	5,041,249	5,634,229	4,734,619	5,362,774
Operation and maintenance of plant	6,215,489	6,660,527	5,804,775	6,211,212
Pupil transportation	2,914,711	2,951,274	1,692,579	1,804,532
Student activities	1,068,884	1,495,892	839,143	1,308,705
Community services	5,340	4,050	442	(837)
Interest on long-term debt	5,672,371	4,601,662	5,077,800	3,483,388
Unallocated depreciation	4,709,658	5,138,866	4,709,658	5,138,866
Total governmental activities	\$ 71,171,775	\$ 73,136,649	61,685,950	62,014,157
Less: Grants, subsidies and contributions not restricted			<u>5,595,967</u>	<u>5,061,108</u>
Total needs from local taxes and other revenues			<u>\$ 56,089,983</u>	<u>\$ 56,953,049</u>

There was a decrease in the operating revenues of the Food Service Fund of \$64,122, an increase in operating expenses of \$76,930, and an increase of nonoperating revenues of \$121,629, resulting in a positive change in net assets.

THE DISTRICT'S FUNDS

At June 30, 2012, the District's governmental funds reported a combined fund balance of \$14,149,221 which is a decrease of \$14,315,460 from the prior year. The primary reasons for this balance are contained in three specific funds:

General Fund:

The District experienced a \$3 million increase in the General Fund balances. This was a result of current and delinquent real estate taxes as well as earned income tax collections exceeding amounts budgeted by \$1.1 million as well as expenditures coming in under budget in various areas as described previously under Financial Highlights. Our unassigned fund balance at June 30, 2012, increased to 5.2% of total budgeted expenditures and other financing uses for the 2011-12 fiscal year.

Capital Projects Fund:

The Capital Projects Fund balances decreased approximately \$18 million with the continued construction of the new grade 5/6 building project (Landis Run Intermediate School). The Landis Run Intermediate School was ready for occupancy for the start of school in September 2012.

Capital Reserve Fund:

The District continues to plan for unanticipated and proposed capital projects each year. In order to fund these projects without the need for additional borrowing, the District has established this fund. The balance available at June 30, 2012, was in excess of \$2 million.

General Fund Budget

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the District had \$176,401,434 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. This amount represents a net increase of approximately \$19 million due to the construction of the new grade 5/6 building (Landis Run Intermediate School) which continued during the year.

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	
	2012	2011	2012	2011	2012	2011
Land and land improvements	\$ 10,447,589	\$ 10,447,589	\$ -	\$ -	\$ 10,447,589	\$ 10,447,589
Site improvements	11,245,516	11,879,792	-	-	11,245,516	11,879,792
Building and building improvements	115,595,127	118,890,675	-	-	115,595,127	118,890,675
Furniture and equipment	5,092,038	5,617,477	1,028,229	999,784	6,120,267	6,617,261
Construction-in-progress	32,992,935	9,475,333	-	-	32,992,935	9,475,333
Total capital assets	\$ 175,373,205	\$ 156,310,866	\$ 1,028,229	\$ 999,784	\$ 176,401,434	\$ 157,310,650

DEBT ADMINISTRATION

As of July 1, 2011, the District had total outstanding bond principal of \$139,175,000. During the year, the District issued General Obligation Notes, Series of 2011, in the amount of \$61,350,000 which were used to currently refund four issues of General Obligation Bonds - Series of 2004, Series of 2005, Series of 2006 and Series of 2007. In addition, the District issued General Obligation Bonds, Series of 2012 in the amount of \$7,800,000 to finance the completion of the new 5/6 building and other miscellaneous capital projects. The District also made scheduled principal payments of \$6,475,000 resulting in outstanding debt as of June 30, 2012, of \$140,890,000.

Table A-5
Outstanding Debt

	2011	2012
General Obligation Bonds/Notes:		
General Obligation Bonds, Series of 2003	\$ 570,000	\$ -
General Obligation Bonds, Series of 2004	26,900,000	-
General Obligation Bonds, Series A of 2004	6,655,000	6,095,000
General Obligation Bonds, Series of 2005	15,680,000	-
General Obligation Bonds, Series of 2006	8,395,000	-
General Obligation Bonds, Series of 2007	9,985,000	-
General Obligation Bonds, Series of 2008	10,010,000	8,920,000
General Obligation Bonds, Series of 2009	9,900,000	9,895,000
General Obligation Bonds, Series A of 2009	14,680,000	12,365,000
General Obligation Bonds, Series B of 2009	6,400,000	5,775,000
General Obligation Bonds, Series of 2010	30,000,000	30,000,000
General Obligation Notes, Series of 2011	-	60,040,000
General Obligation Bonds, Series of 2012	-	7,800,000

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 2012-13 budgeted revenue is approximately \$3 million more than the 2011-12 budgeted revenue. The \$2.7 million increase in the budget for current real estate taxes is a result of a 3.96% millage increase for 2012-13 which was calculated using the 1.7% increase based on the approved index as well as an increase in allowable exceptions for special education and retirement contribution expenditure increases. The 2012-13 budgeted expenditures and other financing uses is approximately \$2.4 million more than the 2011-12 budgeted expenditures and other financing uses. Budgeted salaries decreased approximately \$1.6 million due to a reduction in staff, however approximately \$1.4 million was added to the fringe benefits budget to cover anticipated increases in medical, dental and other benefits. Budget amounts were increased to accommodate increased expenditures for charter school tuition, debt service payments, special education, transportation, operation and maintenance of plant services and utilities, while decreases were made across various other budget categories to balance the budget.

The comparison of revenue and expenditure categories are as follows:

Table A-6

BUDGETED REVENUES

	2011-2012 (actual)	2012-2013
Local	80.65%	81.55%
State	16.70%	17.54%
Federal/Other	2.65%	.91 %

BUDGETED EXPENDITURES AND OTHER FINANCING USES

	2011-2012 (actual)	2012-2013
Instruction	54.36%	52.95%
Support Services	27.11%	27.90%
Non-Instruction/Community	1.44%	1.48%
Facilities Acquisition/Fund Transfers/Other	17.09%	17.67%

Construction of the new grade 5/6 building (Landis Run Intermediate School) which began December 2010, will be completed in 2012-2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 14,825,947	\$ 1,353,033	\$ 16,178,980
Taxes receivable	565,133	-	565,133
Internal balances	7,059	(7,059)	-
Due from other governments	2,920,113	118,201	3,038,314
Other receivables	396,462	26,462	422,924
Inventories	-	79,241	79,241
Prepaid expenses	750,706	-	750,706
	<hr/>	<hr/>	<hr/>
Total current assets	19,465,420	1,569,878	21,035,298
Noncurrent Assets			
Capital Assets			
Land and land improvements	10,447,589	-	10,447,589
Site improvements - net	11,245,516	-	11,245,516
Building and building improvements - net	115,595,127	-	115,595,127
Furniture and equipment - net	5,092,038	1,028,229	6,120,267
Construction-in-progress	32,992,935	-	32,992,935
	<hr/>	<hr/>	<hr/>
Total capital assets	175,373,205	1,028,229	176,401,434
Amounts restricted for investment in capital assets:			
Cash and cash equivalents	110,233	-	110,233
Investments	5,200,966	-	5,200,966
Deferred outflows on derivative instruments	1,154,486	-	1,154,486
Bond-issuance costs - net	1,283,363	-	1,283,363
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	183,122,253	1,028,229	184,150,482
	<hr/>	<hr/>	<hr/>
Total assets	\$ 202,587,673	\$ 2,598,107	\$ 205,185,780

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	Governmental Activities	Business-Type Activities	Total
Current Liabilities			
Due to other governments	\$ 403,254	\$ 350	\$ 403,604
Accounts payable	3,175,588	120,321	3,295,909
Current maturities of long-term debt	6,860,000	-	6,860,000
Current maturities of lease-payable obligation	77,922	-	77,922
Accrued salaries and benefits	5,393,583	22,924	5,416,507
Payroll deductions and withholdings	343,909	-	343,909
Deferred revenues	137,753	32,248	170,001
Other current liabilities	1,215,404	956	1,216,360
Total current liabilities	17,607,413	176,799	17,784,212
Noncurrent Liabilities			
Long-term debt - net of current maturities	121,307,645	-	121,307,645
Lease-payable obligation - net of current maturities	116,331	-	116,331
Derivative instrument - interest-rate swaps	14,055,938	-	14,055,938
Compensated absences	428,267	-	428,267
Total noncurrent liabilities	135,908,181	-	135,908,181
Total liabilities	153,515,594	176,799	153,692,393
Net Assets			
Invested in capital assets - net of related debt	37,817,469	1,028,229	38,845,698
Restricted	2,284,868	-	2,284,868
Unrestricted	8,969,742	1,393,079	10,362,821
Total net assets	49,072,079	2,421,308	51,493,387
Total liabilities and net assets	\$ 202,587,673	\$ 2,598,107	\$ 205,185,780

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 39,649,834	\$ 214,090	\$ 5,979,708	\$ -	\$ (33,456,036)	\$ -	\$ (33,456,036)
Instructional student support	5,894,239	7,593	515,748	-	(5,370,898)	-	(5,370,898)
Administration and financial support	5,041,249	43,874	262,756	-	(4,734,619)	-	(4,734,619)
Operation and maintenance of plant	6,215,489	225,869	184,845	-	(5,804,775)	-	(5,804,775)
Pupil transportation	2,914,711	26,730	1,195,402	-	(1,692,579)	-	(1,692,579)
Student activities	1,068,884	163,965	65,776	-	(839,143)	-	(839,143)
Community services	5,340	-	4,898	-	(442)	-	(442)
Interest on long-term debt	5,672,371	-	-	594,571	(5,077,800)	-	(5,077,800)
Unallocated depreciation	4,709,658	-	-	-	(4,709,658)	-	(4,709,658)
Total governmental activities	71,171,775	682,121	8,209,133	594,571	(61,685,950)	-	(61,685,950)
Business-type activities:							
Food Service	2,330,681	1,475,477	1,030,505	-	-	175,301	175,301
Total primary government	\$ 73,502,456	\$ 2,157,598	\$ 9,239,638	\$ 594,571	\$ (61,685,950)	\$ 175,301	\$ (61,510,649)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 52,009,892	\$ -	\$ 52,009,892
Public utility realty, earned income, and other Sec 679 and Act 511 taxes					6,773,526	-	6,773,526
Grants, subsidies and contributions not restricted					5,595,967	488	5,596,455
Investment earnings					94,832	2,732	97,564
Loss on disposition of fixed assets					(3,085)	(5,309)	(8,394)
Miscellaneous income					252,995	-	252,995
Total general revenues					64,724,127	(2,089)	64,722,038
Changes in net assets					3,038,177	173,212	3,211,389
Net Assets - July 1, 2011					46,033,902	2,248,096	48,281,998
Net Assets - June 30, 2012					\$ 49,072,079	\$ 2,421,308	\$ 51,493,387

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,763,693	\$ 2,149,641	\$ 22,846	\$ 14,936,180
Investments	-	5,200,966	-	5,200,966
Taxes receivable	565,133	-	-	565,133
Due from other funds	68,299	49,373	-	117,672
Due from other governments	2,920,113	-	-	2,920,113
Other receivables	217,266	166,760	-	384,026
Prepaid expenses	70,660	-	-	70,660
Total assets	\$ 16,605,164	\$ 7,566,740	\$ 22,846	\$ 24,194,750
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ 75,331	\$ 22,846	\$ 98,177
Due to other governments	403,254	-	-	403,254
Accounts payable	943,014	2,232,574	-	3,175,588
Accrued salaries and benefits	5,393,583	-	-	5,393,583
Payroll deductions and withholdings	343,909	-	-	343,909
Deferred revenues	529,897	-	-	529,897
Other current liabilities	101,121	-	-	101,121
Total liabilities	7,714,778	2,307,905	22,846	10,045,529
Fund Balances				
Nonspendable	70,660	-	-	70,660
Restricted	-	5,258,835	-	5,258,835
Committed	2,534,844	-	-	2,534,844
Assigned	2,490,749	-	-	2,490,749
Unassigned	3,794,133	-	-	3,794,133
Total fund balances	8,890,386	5,258,835	-	14,149,221
Total liabilities and fund balances	\$ 16,605,164	\$ 7,566,740	\$ 22,846	\$ 24,194,750

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

June 30, 2012

Total fund balances - governmental funds	\$ 14,149,221
---	----------------------

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$228,961,894 and the accumulated depreciation is \$53,588,689.	175,373,205
--	-------------

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 Assets.	1,154,486
---	-----------

Property taxes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred revenues in the funds.	392,144
--	---------

Long-term liabilities, net of related assets, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable	(140,890,000)	
Lease payable	(194,253)	
Derivative instruments - interest-rate swaps	(14,055,938)	
Accrued interest	(1,114,283)	
Unamortized:		
Bond premiums	(499,097)	
Bond discounts	272,758	
Bond-issuance costs	1,283,363	
Deferred charges on bond refunding	12,948,694	
Compensated absences	(428,267)	(142,677,023)

Prepaid other post-employment benefits are not expended in the current period, and therefore, are not reported as an asset in the funds.	<u>680,046</u>
--	----------------

Total net assets - governmental activities	<u><u>\$ 49,072,079</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, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Current and interim real estate taxes	\$ 51,495,469	\$ -	\$ -	\$ 51,495,469
Other taxes	7,632,524	-	-	7,632,524
Investment earnings	61,746	33,085	1	94,832
Other local sources	1,959,327	23,052	-	1,982,379
State sources	12,660,932	-	-	12,660,932
Federal sources	667,825	-	-	667,825
Total revenues	74,477,823	56,137	1	74,533,961
Expenditures				
Instructional	39,545,325	-	-	39,545,325
Support services	19,719,465	123,011	368,486	20,210,962
Operation of noninstructional services	1,044,516	-	-	1,044,516
Capital outlay	69,756	24,141,405	-	24,211,161
Debt service	-	-	11,950,172	11,950,172
Refund of prior years' receipts	12,230	-	-	12,230
Total expenditures	60,391,292	24,264,416	12,318,658	96,974,366
Excess (deficiency) of revenues over expenditures	14,086,531	(24,208,279)	(12,318,657)	(22,440,405)
Other Financing Sources (Uses)				
Interfund transfers in	1,325,214	1,323,926	11,932,341	14,581,481
Interfund transfers out	(12,352,066)	(2,228,627)	-	(14,580,693)
Issuance of debt	-	7,800,000	-	7,800,000
Refunding bond	-	-	61,350,000	61,350,000
Payment to refunded-bond escrow agent	-	-	(60,963,717)	(60,963,717)
Bond discounts	-	(84,053)	-	(84,053)
Insurance recoveries	21,927	-	-	21,927
Total other financing sources (uses)	(11,004,925)	6,811,246	12,318,624	8,124,945
Net changes in fund balances	3,081,606	(17,397,033)	(33)	(14,315,460)
Fund Balances - July 1, 2011	5,808,780	22,655,868	33	28,464,681
Fund Balances - June 30, 2012	\$ 8,890,386	\$ 5,258,835	\$ -	\$ 14,149,221

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, 2012

Net changes in fund balances - all governmental funds \$ (14,315,460)

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

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

Capital outlays	24,914,708	
Less depreciation expense	<u>(5,849,284)</u>	19,065,424

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 tax revenues decreased by this amount this year. (334,209)

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. Accrued interest decreased by this amount this year. 306,081

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	(20,126)	
Other post-employment benefits	373,750	
Disposition of capital assets	<u>(3,085)</u>	350,539

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(69,334,817)	
Repayment of long-term debt	67,435,000	
Amortization of charges for bond refunding	(597,966)	
Amortization of bond premiums and discounts - net	37,997	
Payment of bond-issuance costs	486,445	
Payment of capital lease obligation	74,617	
Amortization of bond-issuance costs	<u>(135,474)</u>	<u>(2,034,198)</u>

Change in net assets of governmental activities \$ 3,038,177

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Current and interim real estate taxes	\$ 51,234,961	\$ 51,234,961	\$ 51,495,469	\$ 260,508
Other taxes	6,787,550	6,787,550	7,632,524	844,974
Investment earnings	100,000	100,000	61,746	(38,254)
Other local sources	1,974,425	1,974,425	1,959,327	(15,098)
State sources	12,465,291	12,465,291	12,660,932	195,641
Federal sources	749,825	749,825	667,825	(82,000)
Total revenues	73,312,052	73,312,052	74,477,823	1,165,771
Expenditures				
Instructional				
Regular programs	32,094,374	31,864,672	31,204,532	660,140
Special programs	7,194,915	7,650,763	7,328,403	322,360
Vocational programs	860,408	723,408	616,758	106,650
Other instructional programs	699,876	463,768	389,798	73,970
Nonpublic school programs	15,000	15,000	5,834	9,166
Total instructional	40,864,573	40,717,611	39,545,325	1,172,286
Support services				
Pupil personnel services	2,407,508	2,466,815	2,414,073	52,742
Instructional staff services	2,895,583	2,985,479	2,718,862	266,617
Administrative services	3,601,832	3,755,509	3,641,417	114,092
Pupil health	773,077	808,304	787,871	20,433
Business services	851,068	696,668	625,686	70,982
Operation and maintenance of plant services	6,329,293	6,477,476	6,104,465	373,011
Student transportation services	2,437,129	2,893,590	2,890,998	2,592
Central support services	599,366	539,791	484,250	55,541
Other support services	52,000	52,000	51,843	157
Total support services	19,946,856	20,675,632	19,719,465	956,167
Operation of noninstructional services				
Student activities	1,048,617	1,126,709	1,039,176	87,533
Community services	4,756	7,104	5,340	1,764
Total operation of noninstructional services	1,053,373	1,133,813	1,044,516	89,297

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Capital outlay	19,750	69,756	69,756	-
Refund of prior years' receipts	25,000	12,240	12,230	10
Total expenditures	61,909,552	62,609,052	60,391,292	2,217,760
Excess of revenues over expenditures	11,402,500	10,703,000	14,086,531	3,383,531
Other Financing Sources (Uses)				
Interfund transfers in	5,000	5,000	1,325,214	1,320,214
Interfund transfers out	(11,412,500)	(11,413,000)	(12,352,066)	(939,066)
Sale of fixed assets	5,000	5,000	-	(5,000)
Insurance recoveries	-	-	21,927	21,927
Budgetary reserve	(700,000)	-	-	-
Total other financing uses	(12,102,500)	(11,403,000)	(11,004,925)	398,075
Net change in fund balance	\$ (700,000)	\$ (700,000)	3,081,606	\$ 3,781,606
Fund Balance - July 1, 2011			5,808,780	
Fund Balance - June 30, 2012			<u>\$ 8,890,386</u>	

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUND - FOOD SERVICE

June 30, 2012

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,353,033
Due from other governments	118,201
Other receivables	26,462
Inventories	79,241
Total current assets	<u>1,576,937</u>
Noncurrent Assets	
Furniture and equipment - net	1,028,229
Total assets	<u>\$ 2,605,166</u>
LIABILITIES AND NET ASSETS	
Liabilities - all current	
Internal balances	\$ 7,059
Due to other governments	350
Accounts payable	120,321
Accrued salaries and benefits	22,924
Deferred revenues	32,248
Other current liabilities	956
Total liabilities - all current	<u>183,858</u>
Net Assets	
Invested in capital assets	1,028,229
Unrestricted	1,393,079
Total net assets	<u>2,421,308</u>
Total liabilities and net assets	<u>\$ 2,605,166</u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2012**

<hr/>	
Operating Revenues	
Food service revenues	\$ 1,413,557
Charges for services	61,263
Other operating revenues	657
Total operating revenues	<u>1,475,477</u>
 Operating Expenses	
Salaries	758,284
Employee benefits	341,472
Purchased professional and technical services	6,945
Purchased property services	19,445
Other purchased services	2,966
Supplies	1,054,878
Depreciation	143,332
Dues and fees	3,359
Total operating expenses	<u>2,330,681</u>
 Operating loss	 (855,204)
 Nonoperating Revenues (Expense)	
Investment earnings	2,732
Contributions and donations - private sources	488
Loss on disposition of fixed assets	(5,309)
State sources	143,308
Federal sources	887,197
Total nonoperating revenues	<u>1,028,416</u>
 Changes in net assets	 173,212
 Net Assets - July 1, 2011	 <u>2,248,096</u>
Net Assets - June 30, 2012	<u><u>\$ 2,421,308</u></u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2012**

<hr/>	
Cash Flows From Operating Activities	
Cash received from users	\$ 1,412,987
Cash received from other operating revenue	64,917
Cash payments to employees for services	(1,019,411)
Cash payments for goods and services	(972,208)
Cash payments for other operating expenses	(3,589)
Net cash used in operating activities	<u>(517,304)</u>
Cash Flows From Noncapital Financing Activities	
Local sources	488
State sources	143,260
Federal sources	769,203
Cash provided by noncapital financing activities	<u>912,951</u>
Cash Flows From Capital and Related Financing Activities	
Capital outlay	<u>(71,735)</u>
Cash Flows From Investing Activities	
Investment earnings	<u>2,732</u>
Net increase in cash and cash equivalents	326,644
Cash and Cash Equivalents:	
July 1, 2011	<u>1,026,389</u>
June 30, 2012	<u>\$ 1,353,033</u>

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE (Continued)
Year Ended June 30, 2012**

Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities:	
Operating loss	\$ (855,204)
Adjustments to reconcile operating loss to net	
cash used in operating activities:	
Depreciation	143,332
Value of donated commodities	117,398
Changes in assets:	
Decrease in receivables	74,150
Decrease in inventories	2,056
Changes in liabilities:	
Decrease in payables	(6,043)
Increase in accrued salaries and benefits	4,830
Increase in deferred revenues	2,177
Net cash used in operating activities	<u><u>\$ (517,304)</u></u>

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012**

	Private-Purpose Trust Fund	Agency Student Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,324	\$ 101,319	\$ 109,643
Investments	162,281	-	162,281
Other receivables	2,710	-	2,710
Inventory	-	8,450	8,450
Total assets	\$ 173,315	\$ 109,769	\$ 283,084
LIABILITIES AND NET ASSETS			
Liabilities			
Due to other funds	\$ -	\$ 12,436	\$ 12,436
Accounts payable	-	1,530	1,530
Other liabilities	500	-	500
Due to student groups	-	95,803	95,803
Total liabilities	500	109,769	110,269
NET ASSETS			
Held in trust for scholarships	172,815	-	172,815
Total net assets	172,815	-	172,815
Total liabilities and net assets	\$ 173,315	\$ 109,769	\$ 283,084

See Notes to Financial Statements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Private-Purpose Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 4,616
Contributions	2,485
Total additions	<u>7,101</u>
Deductions	
Scholarships awarded	<u>6,675</u>
Changes in net assets	426
Net Assets - July 1, 2011	<u>172,389</u>
Net Assets - June 30, 2012	<u>\$ 172,815</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 middle school and one high school, serving approximately 5,900 students.

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The significant effect of interfund activity has 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 GASB pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

Governmental fund financial statements are reported using the current financial-resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred 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 Funds - The private-purpose trust fund accounts for assets held by the District in a trustee capacity. It accounts for activities in various scholarship accounts, the sole purpose of which is to provide annual scholarships to students as prescribed by donor stipulations.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Equity

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

Investments: Investments are stated at fair value.

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

A physical inventory of the proprietary fund's food and supplies was taken as of June 30, 2012. 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 deferred 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 asset's estimated useful lives, costs, and the extent to which the assets are part of larger capital projects. Donated capital assets are recorded at their estimated fair market values at the dates of donation.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets and Depreciation (Continued):

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

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

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 Assets. Bond premiums and discounts are deferred and amortized over the lives of the bonds. Bond-issuance costs are reported as deferred charges and amortized over the terms of the related debt.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Derivative Instruments: Derivatives instruments used by the District are swap contracts that have a variable or fixed payment based on the price of an underlying interest rate or index. Hedging-derivative instruments are used to reduce financial risks, such as offsetting increases in interest costs by offsetting changes in cash flows of the debt, the hedged item. These derivative instruments are evaluated to determine if the derivative instruments are effective in significantly reducing the identified financial risk at year end. If the derivative instrument is determined to be an effective hedge, its fair value is an asset or liability with a corresponding debit or credit to deferred outflows or inflows on the Statement of Net Assets. 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 Assets and the change in fair value is recognized against investment revenue in the Statement of Activities.

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

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

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

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.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Fund Balance (Continued):

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

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

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

Encumbrances

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

Restricted Net Assets

Restricted classifies certain assets which were donated by third-parties who designated that those assets were to be used for specific purposes, and are therefore, restricted.

F. Other

Pension Plan: Substantially all full-time and part-time employees of the District participate in a cost-sharing, multiple-employer, defined-benefit pension plan. The District recognizes annual pension expenditures or expenses equal to its contractually-required contributions. The District made all required contributions for the year ended June 30, 2012, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 6, 2012, 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 full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or instrumentalities backed by the full faith and credit of the political subdivision
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policy of the District adheres 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 policy.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. As of June 30, 2012, \$16,338,511 of the District's total bank balances of \$16,663,364 was exposed to custodial-credit risk as follows:

	Amount
Uninsured and collateralized by assets maintained in conformity with Act 72 of 1971	\$ 16,338,511

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits: Custodial-Credit Risk (Continued)

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

Investments

As of June 30, 2012, the District had the following investments:

Investment	Months to Maturity				Fair Values
	0-3	4-6	7-12	13+	
PSDLAF Collateralized					
CD Pool	\$ 5,200,966	\$ -	\$ -	\$ -	\$ 5,200,966
PSDLAF/PSDMAX	68,589	-	-	-	68,589
Fulton MMF	22,846	-	-	-	22,846
Fulton CDs	17,850	5,100	18,973	45,505	87,428
Susquehanna CDs	-	-	9,853	65,000	74,853
	<u>\$ 5,310,251</u>	<u>\$ 5,100</u>	<u>\$ 28,826</u>	<u>\$ 110,505</u>	<u>\$ 5,454,682</u>

Interest-Rate Risk, Credit Risk, and Concentrations-of-Credit Risk

The District has a formal investment policy in accordance with the Pennsylvania School Code; however, the policy does not limit investment maturities as a means of managing the District's exposure to fair-value losses arising from increasing interest rates and does not limit the District's investment choices to certain credit ratings. The District also does not limit the amounts invested in any one issuer in a measure to limit credit risk.

As of June 30, 2012, the District's investments were allocated and rated by investment issuer and investment type as follows:

Investment	% of Total Investments	Rating
PSDLAF Collateralized CD Pool	95.35%	A-1+
PSDLAF/PSDMAX	1.26%	AAAm
Fulton MMF	0.42%	B/C
Fulton CDs	1.60%	A3 (OS)
Susquehanna CDs	1.37%	Baa2 (OS)

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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.

Note 3. Property Taxes

Property taxes are levied on July 1. Taxes are collected at a discount until August 31, at their face amount from September 1 until October 31, and include a penalty thereafter. The District tax rate for all purposes in 2011-2012 was 17.2680 mills (\$17.2680 per \$1,000 assessed valuation). Lancaster County Tax Claim Bureau collects delinquent taxes for the District.

Note 4. Taxes Receivable, Deferred Revenues and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2012, follows:

	Real Estate		
	Annual	Interim	Total
Gross taxes receivable			
2011	\$ 362,287	\$ 48,244	\$ 410,531
2010 and prior	154,602	-	154,602
Total taxes receivable	516,889	48,244	565,133
Collections received within 60 days recognized as revenue	138,402	34,587	172,989
Deferred tax revenues	\$ 378,487	\$ 13,657	\$ 392,144

Total governmental fund deferred revenues of \$529,897 include the above deferred tax revenues, deferred summer school tuition of \$5,278, Federal program deferred revenues of \$3,866 and other miscellaneous deferred revenues and reimbursements of \$128,609.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Accounts

Individual fund receivable and payable balances at June 30, 2012, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 68,299	\$ -
Capital Projects Fund	49,373	75,331
Debt Service Fund	-	22,846
Business-Type Activities - Food Service	-	7,059
Fiduciary Activities - Student Activities	-	12,436
	<u>\$ 117,672</u>	<u>\$ 117,672</u>

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, 2012, are as follows:

	Transfers in	Transfers out
Governmental Activities		
General Fund	\$ 1,325,214	\$ 12,352,066
Capital Projects Fund	1,323,926	2,228,627
Debt Service Fund	11,932,341	-
Fiduciary Activities - Student Activities	-	788
	<u>\$ 14,581,481</u>	<u>\$ 14,581,481</u>

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	July 1, 2011	Increases	Decreases	June 30, 2012
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,139,843	\$ -	\$ -	\$ 2,139,843
Land improvements	8,307,746	-	-	8,307,746
Construction-in-progress	9,475,332	24,200,670	(683,067)	32,992,935
Total capital assets not being depreciated	19,922,921	24,200,670	(683,067)	43,440,524
Capital assets being depreciated				
Site improvements	16,524,812	123,304	-	16,648,116
Buildings and building improvements	153,026,497	556,325	-	153,582,822
Furniture and equipment	15,107,854	717,476	(534,898)	15,290,432
Total capital assets being depreciated	184,659,163	1,397,105	(534,898)	185,521,370
Less accumulated depreciation				
Site improvements	4,645,020	757,580	-	5,402,600
Buildings and building improvements	34,135,822	3,851,873	-	37,987,695
Furniture and equipment	9,490,376	1,239,831	(531,813)	10,198,394
Total accumulated depreciation	48,271,218	5,849,284	(531,813)	53,588,689
Total capital assets being depreciated, net	136,387,945	(4,452,179)	(3,085)	131,932,681
Total Governmental Activities, Capital Assets - Net	\$ 156,310,866	\$ 19,748,491	\$ (686,152)	\$ 175,373,205
Business-Type Activities:				
Capital assets being depreciated, equipment	\$ 2,217,657	\$ 177,087	\$ (37,120)	\$ 2,357,624
Less accumulated depreciation, equipment	1,217,873	143,332	(31,810)	1,329,395
Total Business-Type Activities, Capital Assets - Net	\$ 999,784	\$ 33,755	\$ (5,310)	\$ 1,028,229

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets (Continued)

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

	Amount
Governmental Activities:	
Instruction	\$ 700,447
Instructional student support	155,601
Administration and financial support	65,355
Operation and maintenance of plant	141,416
Pupil transportation	15,866
Student activities	60,941
Unallocated depreciation	<u>4,709,658</u>
Total Governmental Activities	5,849,284
Business-Type Activities:	
Food Service	<u>143,332</u>
Total Primary Government	<u><u>\$ 5,992,616</u></u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

During the fiscal year ended June 30, 2012, general long-term obligations changed as follows:

	Balances			Balances	
	July 1, 2011	Increases	Decreases	June 30, 2012	Due within One Year
General Obligation Bonds					
Series of 2003	\$ 570,000	\$ -	\$ (570,000)	\$ -	\$ -
Series of 2004	26,900,000	-	(26,900,000)	-	-
Series A of 2004	6,655,000	-	(560,000)	6,095,000	585,000
Series of 2005	15,680,000	-	(15,680,000)	-	-
Series of 2006	8,395,000	-	(8,395,000)	-	-
Series of 2007	9,985,000	-	(9,985,000)	-	-
Series of 2008	10,010,000	-	(1,090,000)	8,920,000	1,120,000
Series of 2009	9,900,000	-	(5,000)	9,895,000	5,000
Series A of 2009	14,680,000	-	(2,315,000)	12,365,000	2,955,000
Series B of 2009	6,400,000	-	(625,000)	5,775,000	640,000
Series of 2010	30,000,000	-	-	30,000,000	145,000
Series 2012	-	7,800,000	-	7,800,000	-
Floating Rate Notes					
Series of 2011	-	61,350,000	(1,310,000)	60,040,000	1,410,000
Bond premiums (discounts), net of amortization					
	251,331	97,058	122,050	226,339	-
Deferred charges on bond refunding					
	(83,442)	(13,463,218)	597,966	(12,948,694)	-
Total General Obligation Debt	139,342,889	55,783,840	(66,714,984)	128,167,645	6,860,000
Lease-purchase obligation					
	-	268,870	(74,617)	194,253	77,922
Compensated absences					
	408,141	422,296	(402,170)	428,267	-
Total General Long-Term Obligations					
	\$ 139,751,030	\$ 56,475,006	\$ (67,191,771)	\$ 128,790,165	\$ 6,937,922

General Obligation Bonds - Series of 2003 - On February 13, 2003, the District issued General Obligation Bonds - Series of 2003, in the principal amount of \$9,655,000. The proceeds of the Bonds were used to currently refund the General Obligation Bonds - Series of 1998 and the General Obligation Bonds - Series A of 1998, and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 1.50% to 3.55%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$60,000 to \$1,340,000 through 2012. The bonds were fully satisfied in 2012.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2004 - On October 14, 2004, the District issued General Obligation Bonds - Series of 2004, in the principal amount of \$30,000,000. The proceeds of the Bonds were used to finance various capital projects and to pay for the costs of issuance. The bonds bore interest at a variable rate which was re-determined weekly by the remarketing agent. Interest was payable monthly, and the bonds matured serially in amounts ranging from \$5,000 to \$5,635,000 through 2021. The Bonds were refunded with the General Obligation Notes, Series of 2011.

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

General Obligation Bonds - Series of 2005 - On October 3, 2005, the District issued General Obligation Bonds - Series of 2005, in the principal amount of \$16,000,000. The proceeds of the Bonds were used to finance the planning, designing, constructing, equipping, and furnishing of renovations and additions to the existing senior high school, and for miscellaneous capital expenditures of the District and to pay for the costs of issuance. The bonds bore interest at a variable rate which was re-determined weekly by the remarketing agent. Interest was payable monthly, and the bonds matured serially in amounts ranging from \$5,000 to \$6,985,000 through 2023. The Bonds were refunded with the General Obligation Notes, Series of 2011.

General Obligation Bonds - Series of 2006 - On December 28, 2006, the District issued General Obligation Bonds - Series of 2006, in the principal amount of \$10,400,000. The proceeds of the Bonds were used to finance the planning, designing, constructing, equipping, and furnishing of renovations and additions to the existing senior high school, and for miscellaneous capital expenditures of the District and to pay for the costs of issuance. The bonds bore interest at a variable rate which was re-determined weekly by the remarketing agent. Interest was payable monthly, and the bonds matured serially in amounts ranging from \$485,000 to \$865,000 through 2023. The Bonds were refunded with the General Obligation Notes, Series of 2011.

General Obligation Bonds - Series of 2007 - On January 18, 2007, the District issued General Obligation Bonds - Series of 2007, in the principal amount of \$10,000,000. The proceeds of the Bonds were used to finance the planning, designing, constructing, equipping, and furnishing of renovations and additions to the existing senior high school, and for miscellaneous capital expenditures of the District and to pay for the costs of issuance. The bonds bore interest at a variable rate which was re-determined weekly by the remarketing agent. Interest was payable monthly, and the bonds matured serially in amounts ranging from \$5,000 to \$8,210,000 through 2025. The Bonds were refunded with the General Obligation Notes, Series of 2011.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

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

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

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

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

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

Derivative Instruments

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

The floating-to-fixed rate swaps are 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 a 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, 2012, classified type, and the change in the fair value of such derivative instruments for the fiscal year ended as reported in the 2012 financials are as follows:

	Change in Fair Value		Fair Value at June 30, 2012		Notional at June 30, 2012
	Classification	Amount	Classification	Amount	
Governmental Activities					
Cash-flow hedges:					
Pay-fixed, interest-rate swap	Deferred Outflows of Resources	\$ 4,796,006	Noncurrent Liabilities	\$ 14,055,938	\$ 59,650,000

The termination of the prior swaps resulted in the reclassification of \$12,901,452 of deferred outflow cost to deferred charges on bond refunding. This deferred charges on bond refunding is being amortized over the life of the new bonds.

Risks

Credit Risk: As of June 30, 2012, 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 7. 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 note 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	Obligations	
2012-2013	\$ 6,860,000	\$ 5,643,211	\$ 12,503,211
2013-2014	7,300,000	5,422,942	12,722,942
2014-2015	7,695,000	5,166,091	12,861,091
2015-2016	7,960,000	4,894,827	12,854,827
2016-2017	8,240,000	4,601,830	12,841,830
2017-2022	46,285,000	17,494,658	63,779,658
2022-2027	52,500,000	6,758,987	59,258,987
2027-2032	3,550,000	354,883	3,904,883
2032-2033	500,000	16,500	516,500
	<u>\$ 140,890,000</u>	<u>\$ 50,353,929</u>	<u>\$ 191,243,929</u>

To calculate the interest requirements for the Floating-Rate Note– Series 2011, the District used .89677%, which was the effective rate on the note at June 30, 2012.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

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

The assets acquired through capital leases are as follows:

Assets	Amount
Copiers	\$ 268,870
Less: accumulated depreciation	(53,774)
Total copier - net book value	<u>\$ 215,096</u>

The following is a schedule of the future, minimum-lease payments due under the lease-purchase obligations at June 30, 2012:

Years	Amount
2012-2013	\$ 84,816
2013-2014	84,816
2014-2015	<u>35,340</u>
Total minimum lease payments	204,972
Less: amount representing interest	(10,719)
Total present value of net minimum lease payments	<u>\$ 194,253</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.

Note 8. Lease-Rental Obligation

Lease-rental debt, Series of 1998, dated October 7, 1998, was issued by the Lancaster County Vo-Tech School Authority (the Authority) to advance refund the Authority's Series of 1995 - Lease Revenue Bonds. The 1995 bonds were issued to provide funds for the upgrading and modernization of the facilities of the Lancaster County Career and Technical Center (LCCTC). The LCCTC and the 16-member school districts entered into lease agreements with the Authority, and each school district paid its proportionate share of the lease rentals in order to fund the Series of 1998 debt. The final payments of the agreement were made in the 2009-2010 fiscal year. During 2011-2012, the District continued to make payments as part of a capital reserve-debt service continuation agreement to fund future capital improvements.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Lease-Rental Obligation (Continued)

On June 29, 2012, each of the sixteen public school districts in the county signed lease rental agreements with the Lancaster County Career and Technology Center Authority (the "Authority"). The Authority issued \$9,995,000 of lease revenue bonds for the purpose of renovations and additions to all the campuses of the Lancaster County Career and Technology Center and to pay the costs of issuing and insuring the bonds. 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.

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

Year	Amount
2013	\$ 133,892
2014	55,052
2015	54,798
2016	55,005
2017	55,182
2018-2022	274,760
2023-2027	275,695
2028-2032	274,778
2033-2037	275,480
	<u>\$ 1,454,642</u>

Note 9. Fund Balance Designations

Nonspendable

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

Restricted

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Fund Balance Designations (Continued)

Committed

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

<u>Description of committed</u>	<u>Amount</u>
Debt service on general obligation bonds	\$ 2,461,135
High school signage and other projects	48,932
Dental service fund	14,735
Social service fund	2,656
Bucher Garden	2,386
Schaeffer Garden	5,000
	<u>\$ 2,534,844</u>

Assigned

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

<u>Description of assigned</u>	<u>Amount</u>
Encumbrances	\$ 122,378
Future PSERS/Medical Benefits	2,300,000
Other assigned revenue	68,371
	<u>\$ 2,490,749</u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. 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, 2012, there were four participants covered under COBRA.

The District provides a retirement stipend for administrators retiring with at least 5 years of administrative service in the District and having reached 55 years of age. The maximum retirement stipend available was \$32,000. During the current year, one administrator retired and was paid a stipend which totaled \$27,000.

The District provides a retirement stipend for full-time teachers retiring with at least 20 years of PSERS-credited service. During the current year, twenty-seven teachers retired and were paid stipends which totaled \$270,000.

The District provides a retirement stipend for specialists retiring with at least 10 years of specialist service in the District and having reached 55 years of age. The maximum retirement stipend available was \$15,000. During the current year, two specialists retired and were paid stipends which totaled \$27,325.

The District provides a retirement stipend, based on a specified formula, for support staff retiring with at least 10 years of full-time service with the District and having reached 55 years of age. During the current year, three support-staff members that met qualifying criteria retired and were paid stipends which totaled \$8,400.

Note 11. Self-Insurance, Medical, and Dental Coverage

The District has third-party administrators for both medical and dental coverage. The medical program includes three plans: a traditional indemnity plan; a comprehensive plan; and point-of-service, managed-care plan. Under the medical and dental plans, the District reimburses the third-party administrators for actual claims paid, and additionally, incurs expenses for administrative, reinsurance and capitation fees and other fees associated with the administration of the program.

The District is reimbursed for medical claims in excess of \$138,000 per individual and for claims in the aggregate, the amount of which is determined on a yearly basis. The estimated maximum for 2011-2012 was \$8.8 million. The total paid during 2011-2012 before reinsurance reimbursements of \$163,556 was \$7,814,283.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Participation in Risk-Sharing Pools

The District is a member of a self-insurance pool for workers' compensation insurance. There were 18 members in 2011-2012. Each member is assessed an amount based on their 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 \$350,000 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 \$251,066 for the 2011-2012 year.

Note 13. Defined-Benefit Pension Plan

Plan Description

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

Type of plan: Governmental cost-sharing multiple-employer defined benefit plan

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

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

Annual Financial Report: The System issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. The CAFR is also available on the Publications page of the PSERS website and at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Defined-Benefit Pension Plan (Continued)

Contribution Rates

Member Contributions: Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2011, 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, 2012. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions: The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2012, the District's rate of contribution was 8.65% of covered payroll. The 8.65% rate is composed of a pension contribution rate of 8.00% for pension benefits and 0.65% 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, 2012, 2011, and 2010, were \$2,862,078, \$2,009,837, and \$1,667,910, respectively, and are equal to the required contributions for said years.

Note 14. Other Post-Employment Benefits (OPEB)

Plan Description

The District provides retiree health, dental-care and life-insurance benefits to eligible retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all administrators and teachers who meet the following requirements. Teachers must be of age 55 and have 15 years of service with the District. Support staff must be of age 55 and have 10 years of service with the District. Administrators must be of age 55 and have 5 years of administrative service with the District. Currently, the plan has approximately 745 members. The plan does not issue a separate, stand-alone financial statement.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Other Post-Employment Benefits (OPEB) (Continued)

Funding Policy

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

Funding Progress

For the year ended June 30, 2012, 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, 2010. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of twenty-five years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 1,148,938
Less adjustment to the annual required contribution	1,256
Annual OPEB cost	<u>1,150,194</u>
Amounts contributed:	
Payments of current premiums and claims	(1,523,944)
Advance funding	<u>-</u>
Decrease in net OPEB obligation	(373,750)
OPEB obligation (prepayment)- beginning of year	(306,296)
OPEB obligation (prepayment)- end of year	<u><u>\$ (680,046)</u></u>

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14. Other Post-Employment Benefits (OPEB) (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 1,150,194	132.5%	\$ (373,750)
June 30, 2011	1,141,521	121.7%	(248,016)
June 30, 2012	1,140,816	104.2%	(47,414)

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, 2010, actuarial valuation, the Entry-Age Normal Cost Method was used. The actuarial assumptions include an annual healthcare cost-trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after eight years. Both rates included a 4% inflation assumption. The UAAL is being amortized over twenty-five years as a level percentage of projected payroll on an open basis, with 24 years remaining.

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15. Joint Ventures

The District participates with 16 other school districts in Lancaster County and the municipalities represented by those school districts, for the collection of earned income taxes which is 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 member distributions at a budget rate of 2.4%. Member 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, 2012, the District paid \$616,758 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 to their pro-rata share of the Academy's expenses. During the year ended June 30, 2012, the District paid \$30,000 for its allotted ten slots and purchased an additional slot for \$5,368.

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. 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
2012-2013	\$ 598,406
2013-2014	565,602
2014-2015	532,797
2015-2016	499,993
2016-2017	467,188
2017-2018	434,384
	<u>\$ 3,098,370</u>

Note 17. Commitments

Brightbill Transportation, Inc.

Effective July 1, 2009, the District entered into a new agreement with Brightbill Transportation, Inc. (Brightbill) for the transportation of students residing within the District. The new agreement expires on June 30, 2019. Current-year expenditures for basic transportation amounted to approximately \$2.3 million with pricing for subsequent years to increase by the Pennsylvania Department of Education transportation-cost index, but not less than 2.5%.

Capital Projects

As of June 30, 2011, the District had entered into numerous contracts related to school renovations; approximately \$2.4 million of these total contracts remain in progress at June 30, 2012.

Note 18. 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 the three prior years. During the year ended June 30, 2012, this District did not incur any significant losses that were not covered by insurance.

SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS

June 30, 2012

	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 110,233	\$ 2,039,408	\$ 2,149,641
Investments	5,200,966	-	5,200,966
Due from other funds	-	49,373	49,373
Other receivables	166,760	-	166,760
Total assets	\$ 5,477,959	\$ 2,088,781	\$ 7,566,740
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 75,331	\$ -	\$ 75,331
Accounts payable	2,232,574	-	2,232,574
Total liabilities	2,307,905	-	2,307,905
Fund Balances - Restricted	3,170,054	2,088,781	5,258,835
Total liabilities and fund balances	\$ 5,477,959	\$ 2,088,781	\$ 7,566,740

MANHEIM TOWNSHIP SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CAPITAL PROJECTS FUNDS
Year Ended June 30, 2012**

	Capital Projects Fund	Capital Reserve Fund	Total Capital Projects Fund
Revenues			
Investment earnings	\$ 30,329	\$ 2,756	\$ 33,085
Other local sources	22,952	100	23,052
Total revenues	53,281	2,856	56,137
Expenditures			
Support services	123,007	4	123,011
Capital outlay	23,676,015	465,390	24,141,405
Total expenditures	23,799,022	465,394	24,264,416
Deficiency of revenues over expenditures	(23,745,741)	(462,538)	(24,208,279)
Other Financing Sources (Uses)			
Issuance of debt	7,800,000	-	7,800,000
Bond discount	(84,053)	-	(84,053)
Interfund transfers in	-	1,323,926	1,323,926
Interfund transfers out	(2,228,627)	-	(2,228,627)
Total other financing sources	5,487,320	1,323,926	6,811,246
Net changes in fund balances	(18,258,421)	861,388	(17,397,033)
Fund Balances - July 1, 2011	21,428,475	1,227,393	22,655,868
Fund Balances - June 30, 2012	\$ 3,170,054	\$ 2,088,781	\$ 5,258,835

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local Sources				
Current real estate taxes	\$ 50,809,961	\$ 50,809,961	\$ 51,233,247	\$ 423,286
Interim real estate taxes	425,000	425,000	262,222	(162,778)
Public utility realty tax	15,000	15,000	77,287	62,287
Payment in lieu of taxes	172,550	172,550	171,413	(1,137)
Current act 511 taxes				
Local services tax	200,000	200,000	201,690	1,690
Earned income	5,100,000	5,100,000	5,658,770	558,770
Real estate transfer	950,000	950,000	835,779	(114,221)
Delinquent taxes	350,000	350,000	687,585	337,585
Investment earnings	100,000	100,000	61,746	(38,254)
Revenue from student activities	161,325	161,325	174,125	12,800
Revenue from intermediate sources				
State fund	-	-	9,176	9,176
Federal funds	850,000	850,000	844,100	(5,900)
Rentals	215,000	215,000	186,763	(28,237)
Contributions, donations and grants				
from private sources	2,500	2,500	146,248	143,748
Tuition from patrons	95,000	95,000	107,345	12,345
Receipts from other LEAs	85,000	85,000	102,975	17,975
Services provided other LEAs	20,000	20,000	26,730	6,730
Miscellaneous revenues	545,600	545,600	361,865	(183,735)
Total revenues from local sources	60,096,936	60,096,936	61,149,066	1,052,130

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -

BUDGET AND ACTUAL - GENERAL FUND (Continued)

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues (Continued)				
State Sources				
Basic instructional subsidy	4,496,286	4,496,286	4,499,598	3,312
Tuition for orphans and children placed in private homes (Sec 1305 and 1306)	60,000	60,000	90,657	30,657
Homebound instruction	600	600	-	(600)
Migratory children	300	300	120	(180)
Special education of exceptional pupils	2,221,183	2,221,183	2,255,633	34,450
Transportation	1,100,000	1,100,000	1,167,502	67,502
Rental and sinking fund payments	840,000	840,000	594,571	(245,429)
Health services	124,000	124,000	123,190	(810)
State property tax reduction allocation	1,097,944	1,097,944	1,097,944	-
Accountability block grant	-	-	125,849	125,849
Extra grants	5,000	5,000	-	(5,000)
Revenue for social security payments	1,025,610	1,025,610	1,256,735	231,125
Revenue for retirement payments	1,494,368	1,494,368	1,449,133	(45,235)
Total revenues from state sources	12,465,291	12,465,291	12,660,932	195,641

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues (Continued)				
Federal Sources				
Title I improving academic achievement	458,000	458,000	399,305	(58,695)
Title II improving teacher quality	107,750	107,750	90,573	(17,177)
Title III language instruction for limited English proficient	59,075	59,075	45,447	(13,628)
ARRA - Education Jobs Fund	-	-	5,043	5,043
Medical assistance	125,000	125,000	127,457	2,457
Total revenues from Federal sources	749,825	749,825	667,825	(82,000)
Total revenues	73,312,052	73,312,052	74,477,823	1,165,771
Other Financing Sources				
Interfund transfers in	5,000	5,000	1,325,214	1,320,214
Sale of fixed assets	5,000	5,000	-	(5,000)
Insurance recoveries	-	-	21,927	21,927
Total revenues from other financing sources	10,000	10,000	1,347,141	1,337,141
Total revenues and other financing sources	\$ 73,322,052	\$ 73,322,052	\$ 75,824,964	\$ 2,502,912

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -

BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Instructional				
Regular programs				
Salaries	\$ 21,317,599	\$ 20,555,477	\$ 20,555,477	\$ -
Employee benefits	7,882,119	8,133,249	8,133,228	21
Purchased professional and technical services	513,715	633,004	618,173	14,831
Purchased property services	232,996	234,406	181,357	53,049
Other purchased services	520,997	752,270	705,960	46,310
Supplies	1,366,096	1,300,392	807,105	493,287
Property	241,027	227,119	179,040	48,079
Other objects	19,825	28,755	24,192	4,563
Total regular programs	32,094,374	31,864,672	31,204,532	660,140
Special programs				
Salaries	3,941,157	4,004,143	3,759,407	244,736
Employee benefits	1,346,118	1,356,118	1,348,148	7,970
Purchased professional and technical services	1,600,053	1,890,472	1,860,687	29,785
Purchased property services	10,750	10,750	5,728	5,022
Other purchased services	241,630	330,742	329,870	872
Supplies	31,439	34,271	14,568	19,703
Property	23,368	23,867	9,726	14,141
Other objects	400	400	269	131
Total special programs	7,194,915	7,650,763	7,328,403	322,360
Vocational programs				
Purchased professional and technical services	137,000	-	-	-
Purchased property services	135,400	-	-	-
Other purchased services	588,008	723,408	616,758	106,650
Total vocational programs	860,408	723,408	616,758	106,650

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Instructional (Continued)				
Other instructional programs				
Salaries	126,983	126,983	118,927	8,056
Employee benefits	29,793	42,477	39,171	3,306
Purchased professional and technical services	240,200	239,990	208,148	31,842
Other purchased services	50,500	50,500	20,084	30,416
Supplies	2,000	3,418	3,418	-
Other objects	250,400	400	50	350
Total other instructional programs	699,876	463,768	389,798	73,970
Nonpublic school programs				
Purchased professional and technical services	15,000	15,000	5,834	9,166
Total nonpublic school programs	15,000	15,000	5,834	9,166
Total instructional	40,864,573	40,717,611	39,545,325	1,172,286
Support services				
Pupil personnel services				
Salaries	1,672,735	1,672,735	1,657,398	15,337
Employee benefits	596,561	644,901	644,575	326
Purchased professional and technical services	59,650	66,226	49,963	16,263
Purchased property services	1,500	3,481	3,215	266
Other purchased services	13,175	13,175	8,842	4,333
Supplies	57,212	59,622	47,132	12,490
Property	5,175	5,175	2,118	3,057
Other objects	1,500	1,500	830	670
Total pupil personnel services	2,407,508	2,466,815	2,414,073	52,742

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Instructional staff services				
Salaries	1,750,618	1,750,618	1,678,422	72,196
Employee benefits	662,799	678,682	601,289	77,393
Purchased professional and technical services	76,140	82,367	51,568	30,799
Purchased property services	11,556	22,405	17,329	5,076
Other purchased services	100,925	86,692	52,712	33,980
Supplies	181,544	186,366	166,707	19,659
Property	84,351	150,821	148,085	2,736
Other objects	27,650	27,528	2,750	24,778
Total instructional staff services	2,895,583	2,985,479	2,718,862	266,617
Administrative services				
Salaries	2,373,239	2,440,485	2,419,915	20,570
Employee benefits	877,151	938,793	923,256	15,537
Purchased professional and technical services	210,800	235,821	182,166	53,655
Purchased property services	2,719	3,103	2,963	140
Other purchased services	50,100	43,544	41,368	2,176
Supplies	54,673	57,656	42,605	15,051
Property	7,950	10,149	7,717	2,432
Other objects	25,200	25,958	21,427	4,531
Total administrative services	3,601,832	3,755,509	3,641,417	114,092
Pupil health				
Salaries	503,297	485,367	474,076	11,291
Employee benefits	121,258	127,438	127,437	1
Purchased professional and technical services	120,700	167,039	162,771	4,268
Purchased property services	650	650	455	195
Other purchased services	300	300	99	201
Supplies	9,462	8,834	4,724	4,110
Property	17,410	18,676	18,309	367
Total pupil health	773,077	808,304	787,871	20,433

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Business services				
Salaries	417,317	385,914	376,980	8,934
Employee benefits	123,326	146,986	146,981	5
Purchased professional and technical services	31,825	40,742	38,573	2,169
Purchased property services	3,000	5,811	5,807	4
Other purchased services	16,500	15,325	12,632	2,693
Supplies	8,650	7,948	3,021	4,927
Property	28,950	26,820	5,188	21,632
Other objects	221,500	67,122	36,504	30,618
Total business services	851,068	696,668	625,686	70,982
Operation and maintenance of plant services				
Salaries	1,936,247	1,901,564	1,874,526	27,038
Employee benefits	833,956	921,211	921,211	-
Purchased professional and technical services	110,276	193,402	190,762	2,640
Purchased property services	1,933,692	1,909,389	1,758,051	151,338
Other purchased services	357,225	386,808	386,808	-
Supplies	1,128,447	1,053,689	864,247	189,442
Property	11,750	78,713	77,513	1,200
Other objects	17,700	32,700	31,347	1,353
Total operation and maintenance of plant services	6,329,293	6,477,476	6,104,465	373,011
Student transportation services				
Salaries	74,437	79,384	79,100	284
Employee benefits	29,492	33,364	33,359	5
Purchased professional and technical services	1,200	5,800	5,800	-
Purchased property services	39,800	38,310	37,411	899
Other purchased services	2,274,300	2,714,327	2,713,327	1,000
Supplies	12,400	20,053	19,649	404
Property	5,000	2,040	2,040	-
Other objects	500	312	312	-
Total student transportation services	2,437,129	2,893,590	2,890,998	2,592

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Support services (Continued)				
Central support services				
Salaries	335,994	274,488	274,232	256
Employee benefits	103,253	101,282	94,428	6,854
Purchased professional and technical services	61,410	67,666	59,361	8,305
Purchased property services	5,850	7,479	7,479	-
Other purchased services	70,459	66,024	39,251	26,773
Supplies	14,700	14,853	7,967	6,886
Property	5,000	5,000	304	4,696
Other objects	2,700	2,999	1,228	1,771
Total central support services	599,366	539,791	484,250	55,541
Other support services				
Other purchased services	52,000	52,000	51,843	157
Total other support services	52,000	52,000	51,843	157
Total support services	19,946,856	20,675,632	19,719,465	956,167
Operation of noninstructional services				
Student activities				
Salaries	568,134	568,134	539,911	28,223
Employee benefits	124,436	129,710	129,710	-
Purchased professional and technical services	99,900	99,560	91,250	8,310
Purchased property services	27,525	26,073	21,574	4,499
Other purchased services	54,850	106,337	102,651	3,686
Supplies	129,814	130,511	93,476	37,035
Property	14,335	34,571	32,677	1,894
Other objects	29,623	31,813	27,927	3,886
Total student activities	1,048,617	1,126,709	1,039,176	87,533

(Continued)

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Operation of noninstructional services (Continued)				
Community services				
Salaries	500	500	-	500
Employee benefits	56	56	-	56
Purchased professional and technical services	500	1,565	1,365	200
Other purchased services	1,800	1,800	802	998
Supplies	1,900	3,183	3,173	10
Total community services	4,756	7,104	5,340	1,764
Total operation of noninstructional services	1,053,373	1,133,813	1,044,516	89,297
Capital outlay				
Purchased professional and technical services	19,750	44,058	44,058	-
Purchased property services	-	25,698	25,698	-
Total capital outlay	19,750	69,756	69,756	-
Refund of prior years' receipts	25,000	12,240	12,230	10
Total expenditures	61,909,552	62,609,052	60,391,292	2,217,760
Other Financing Uses				
Interfund transfers out	11,412,500	11,413,000	12,352,066	(939,066)
Budgetary reserve	700,000	-	-	-
Total other financing uses	12,112,500	11,413,000	12,352,066	(939,066)
Total expenditures and other financing uses	\$ 74,022,052	\$ 74,022,052	\$ 72,743,358	\$ 1,278,694

REQUIRED SUPPLEMENTARY INFORMATION

MANHEIM TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2012

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

**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manheim Township School District as of and for the year ended June 30, 2012, which collectively comprise the Manheim Township School District's basic financial statements and have issued our report thereon dated December 6, 2012. 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.

Internal Control over Financial Reporting

Management of the Manheim Township School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Manheim Township School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Manheim Township School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Manheim Township School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the School Directors, management and Federal-awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Camp Hill, Pennsylvania
December 6, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of School Directors
Manheim Township School District
Lancaster, Pennsylvania

Compliance

We have audited the compliance of the Manheim Township School District with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal programs is the responsibility of the Manheim Township School District's management. Our responsibility is to express an opinion on the Manheim Township School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Manheim Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Manheim Township School District's compliance with those requirements.

In our opinion, the Manheim Township School District complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of the Manheim Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the Manheim Township School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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 the 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of School Directors, management and Federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties

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

Camp Hill, Pennsylvania
December 6, 2012

MANHEIM TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I -- Summary of Auditor's Results

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements
noted? ___ Yes X No

Federal Awards

Internal control over major programs:

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

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

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

MANHEIM TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
10.553	Child Nutrition Cluster - National School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.555	Child Nutrition Cluster - National School Lunch Program - Food Donation

Dollar threshold used to distinguish between type A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

X Yes ___ No

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

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

B. Compliance Findings

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

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

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

B. Significant Deficiency(ies) in Internal Control

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Education					
Passed through the Pennsylvania					
Department of Education:					
Title I - Improving Basic Programs	I	84.010	13-100237	7/1/09-9/30/11	\$ 396,149
Title I - Improving Basic Programs	I	84.010	13-110237	7/1/10-9/30/12	\$ 444,596
Title I - Improving Basic Programs	I	84.010	13-120237	8/5/11-9/30/13	\$ 422,416
ARRA - Title I - Improving Basic Programs	I	84.389	RA-127-100237	5/15/09-9/30/11	\$ 224,588
Title II - Improving Teacher Quality	I	84.367	20-110237	7/1/10-9/30/11	\$ 117,098
Title II - Improving Teacher Quality	I	84.367	20-120237A	8/5/11-9/30/12	\$ 90,573
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	10-110237	8/31/10-9/30/12	\$ 58,960
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	10-120237A	8/5/11-9/30/13	\$ 79,748
Education Jobs Fund	I	84.410	S410A10039	7/1/11-6/30/12	\$ 5,043
ARRA - State Fiscal Stabilization Fund - Basic Education	I	84.394	126-110237	7/1/10-6/30/11	\$ 549,393
Total passed through the Pennsylvania					
Department of Education					
Passed through the Allegheny					
Intermediate Unit:					
IDEA, Part B	I	84.027	062-120032	7/1/11-6/30/12	\$ 4,955
IDEA, Part B	I	84.027	062-120032	7/1/11-6/30/12	\$ 5,000
IDEA, Part B	I	84.027	062-100032	8/1/10-6/30/11	\$ 9,998
Total passed through the Allegheny					
Intermediate Unit					
Passed through the Lancaster-Lebanon					
Intermediate Unit No. 13:					
IDEA, Part B On-Behalf Services	I	84.027	062-120013	7/1/11-9/30/12	\$ 154,411
IDEA, Part B Pass-Thru	I	84.027	062-120013	7/1/11-9/30/12	\$ 658,449
IDEA, Early Intervention	I	84.173	131-110013	7/1/11-6/30/12	\$ 7,555
IDEA, Part B Pass-Thru, Recovery Act	I	84.391	128-100013	2/17/09-9/30/11	\$ 891,482
Total passed through the Lancaster-Lebanon Intermediate Unit No. 13					
Total U.S. Department of Education					

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2011	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2012
\$ (110)	\$ (2,115)	\$ 2,005	\$ 2,005	\$ -
81,804	50,486	31,318	31,318	-
306,923	-	365,982	365,982	59,059
13,180	13,180	-	-	-
(709)	(709)	-	-	-
90,573	-	90,573	90,573	-
16,846	2,346	14,500	14,500	-
34,812	-	30,946	30,946	(3,866)
-	-	5,043	5,043	5,043
45,783	45,783	-	-	-
589,102	108,971	540,367	540,367	60,236
-	-	4,565	4,565	4,565
-	-	5,000	5,000	5,000
9,742	9,742	-	-	-
9,742	9,742	9,565	9,565	9,565
154,411	-	154,411	154,411	-
658,449	-	658,449	658,449	-
7,555	-	7,555	7,555	-
142,952	142,952	-	-	-
963,367	142,952	820,415	820,415	-
1,562,211	261,665	1,370,347	1,370,347	69,801

MANHEIM TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 Year Ended June 30, 2012

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
U. S. Department of Health and Human Services					
Passed through the Pennsylvania Department of Public Welfare:					
Medical Assistance Reimbursement for Administration	I	93.778	N/A	10/1/11-9/30/12	\$ 1,017
Total U.S. Department of Health and Human Services					
U.S. Department of Agriculture					
Passed through the Pennsylvania Department of Education:					
School Breakfast Program	I	10.553	N/A	7/1/10-6/30/11	N/A
School Breakfast Program	I	10.553	N/A	7/1/11-6/30/12	N/A
National School Lunch Program	I	10.555	N/A	7/1/10-6/30/11	N/A
National School Lunch Program	I	10.555	N/A	7/1/11-6/30/12	N/A
Total passed through the Pennsylvania Department of Education					
Passed through the Pennsylvania Department of Agriculture:					
National School Lunch Program - Food Donation	I	10.555	N/A	7/1/11-6/30/12	N/A
Total U.S. Department of Agriculture					
Total Expenditures of Federal Awards					
D - Direct Funding					
I - Indirect Funding					
Test of 25% Rule:					
Total Federal Expenditures			\$	2,258,561	
Programs selected for testing major programs:					
School Breakfast Program			\$	142,258	
National School Lunch Program				627,541	
National School Lunch Program - Food Donation				117,398	
			\$	887,197	/ 2,258,561 = 39.28%

See Notes to Schedule of Expenditures of Federal Awards.

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2011	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2012
1,017	-	1,017	1,017	-
1,017	-	1,017	1,017	-
17,365	17,365	-	-	-
123,958	-	142,258	142,258	18,300
78,696	78,696	-	-	-
549,184	-	627,541	627,541	78,357
769,203	96,061	769,799	769,799	96,657
117,398	-	117,398	117,398	-
886,601	96,061	887,197	887,197	96,657
<u>\$ 2,449,829</u>	<u>\$ 357,726</u>	<u>\$ 2,258,561</u>	<u>\$ 2,258,561</u>	<u>\$ 166,458</u>

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, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Manheim Township School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Manheim Township School District.

Note 2. Significant Accounting Policies

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

MANHEIM TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2012

There were no prior-year audit findings.