



**Manheim Central School District**  
**Manheim, Pennsylvania**  
**Lancaster County**

Financial Statements  
Year Ended June 30, 2023



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Philadelphia, PA 19103

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# MANHEIM CENTRAL SCHOOL DISTRICT

## CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position (Deficit)</i>	15
<i>Statement of Activities</i>	16
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	17
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)</i>	18
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	19
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities</i>	20
<i>Statement of Net Position (Deficit) – Proprietary Funds</i>	21
<i>Statement of Revenues, Expenses and Changes in Net Position (Deficit) – Proprietary Funds</i>	22
<i>Statement of Cash Flows – Proprietary Funds</i>	23
<i>Statement of Net Position – Fiduciary Funds</i>	24
<i>Statement of Changes in Net Position – Fiduciary Funds</i>	25
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	51
<i>Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS</i>	52
<i>Schedule of the District's Pension Plan Contributions - PSERS</i>	53
<i>Schedule of Changes in OPEB Liability – Single Employer Plan</i>	54
<i>Schedule of the District's Proportionate Share of the Net OPEB Liability - PSERS</i>	55
<i>Schedule of the District's OPEB Plan Contributions - PSERS</i>	56

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# MANHEIM CENTRAL SCHOOL DISTRICT

## CONTENTS

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### SINGLE AUDIT

<i>Schedule of Expenditures of Federal Awards and Certain State Grants</i>	57
<i>Notes to Schedule of Expenditures of Federal Awards and Certain State Grants</i>	60
<i>Summary Schedule of Prior Audit Findings</i>	61
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	62
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	64
<i>Schedule of Findings and Questioned Costs</i>	67

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## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Manheim Central School District  
Manheim, Pennsylvania**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manheim Central School District, Manheim, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Manheim Central School District's basic financial statements as listed in the table of contents.

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 Manheim Central School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Manheim Central School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Manheim Central School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Manheim Central School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Manheim Central School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 14 and 51 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Report on Summarized Comparative Information**

We have previously audited Manheim Central School District's 2022 financial statements, and our report dated December 9, 2022 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manheim Central School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of Manheim Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manheim Central School District's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
December 15, 2023**

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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Management's discussion and analysis ("**MD&A**") of the financial performance of the Manheim Central School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2023. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### DISTRICT PROFILE

The District consists of two elementary schools, a middle school and a senior high school consisting of approximately 2,765 students. The District covers 78.2 square miles seven miles north of the City of Lancaster and is comprised of the Townships of Penn and Rapho and the Borough of Manheim. During 2022-2023, there were 421 employees in the District, consisting of 228 teachers, 18 administrators, including general administration, principals, and supervisors, and 175 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff, food service staff, technology staff, school monitors and staff nurses.

The mission of the District is "To prepare responsible citizens who are lifelong learners."

### FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a total net position at the close of the 2022-2023 fiscal year of \$2,513,164. During the 2022-2023 fiscal year, the District had an increase in total net position of \$7,492,823. The net position of governmental activities increased by \$8,026,526 and the net position of the business-type activities decreased by \$533,703.
- The General Fund reported an increase of fund balance of \$1,771,420, bringing the cumulative balance to \$27,124,696 at the conclusion of the 2022-2023 fiscal year.
- At June 30, 2023, the General Fund fund balance includes \$224,954 which is considered nonspendable, \$10,750,000 committed to capital projects, \$11,300,000 committed to debt service and unassigned amounts of \$4,849,742 or 7.19% of the \$67,444,814 2023-2024 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.
- Actual revenues and other financing sources were \$4,668,439 more than budgeted amounts and actual expenditures and other financing uses were \$2,457,839 more than budgeted amounts resulting in a net overall positive variance of \$2,210,600.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

### **Governmental Activities**

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

### **Business-Type Activities**

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 15 and 16 of this report.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### **Governmental Funds**

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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The District maintains three major individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 17 through 20 of this report.

### ***Proprietary Funds***

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its internal service fund to account for the District's self-funded healthcare program. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund.

The proprietary fund financial statements can be found on Pages 21 through 23 of this report.

### ***Fiduciary Funds***

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 24 and 25 of this report.

### ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 26 through 50 of this report.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 51 through 56 of this report.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2022-2023 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,513,164. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>ASSETS</b>						
Current assets	\$ 58,804,916	\$ 57,827,232	\$ (261,075)	\$ 24,110	\$ 58,543,841	\$ 57,851,342
Noncurrent assets	142,592,313	121,869,395	54,643	69,913	142,646,956	121,939,308
<b>Total assets</b>	<u>201,397,229</u>	<u>179,696,627</u>	<u>(206,432)</u>	<u>94,023</u>	<u>201,190,797</u>	<u>179,790,650</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>13,112,014</u>	<u>13,204,555</u>	<u>350,341</u>	<u>291,271</u>	<u>13,462,355</u>	<u>13,495,826</u>
<b>LIABILITIES</b>						
Current liabilities	10,961,175	9,078,766	74,008	73,136	11,035,183	9,151,902
Noncurrent liabilities	194,508,937	175,315,975	2,008,106	1,538,717	196,517,043	176,854,692
<b>Total liabilities</b>	<u>205,470,112</u>	<u>184,394,741</u>	<u>2,082,114</u>	<u>1,611,853</u>	<u>207,552,226</u>	<u>186,006,594</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>4,491,494</u>	<u>11,985,330</u>	<u>96,268</u>	<u>274,211</u>	<u>4,587,762</u>	<u>12,259,541</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	40,853,041	38,170,497	54,643	69,913	40,907,684	38,240,410
Restricted	2,880,021	1,448,496	-	-	2,880,021	1,448,496
Unrestricted (deficit)	<u>(39,185,425)</u>	<u>(43,097,882)</u>	<u>(2,089,116)</u>	<u>(1,570,683)</u>	<u>(41,274,541)</u>	<u>(44,668,565)</u>
<b>Total net position (deficit)</b>	<u>\$ 4,547,637</u>	<u>\$ (3,478,889)</u>	<u>\$ (2,034,473)</u>	<u>\$ (1,500,770)</u>	<u>\$ 2,513,164</u>	<u>\$ (4,979,659)</u>

The District's total assets as of June 30, 2023 were \$201,190,797 of which \$53,165,254 or 26.43% consisted of cash and investments and \$142,646,946 or 70.90% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2023 were \$207,552,226 of which \$120,870,933 or 58.23% consisted of general obligation debt used to acquire and construct capital assets and \$69,666,817 or 33.57% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$41,274,541 at June 30, 2023. The District's unrestricted net position increased by \$3,394,024 during 2022-2023 primarily due to the current year results of operations.

A portion of the District's net position reflects its restricted net position which totaled \$2,880,021 as of June 30, 2023. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2023, the District's net investment in capital assets, increased by \$2,667,274 because the debt used to acquire the capital assets is being repaid faster than capital assets were being depreciated and capital assets were acquired with other sources other than long-term debt.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

The following table presents condensed information for the *Statement of Activities* of the District for 2023 and 2022:

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 356,397	\$ 272,333	\$ 826,330	\$ 359,763	\$ 1,182,727	\$ 632,096
Operating grants and contributions	13,635,914	12,244,598	1,304,738	1,617,220	14,940,652	13,861,818
Capital grants and contributions	1,368,000	-	-	-	-	-
<b>General revenues</b>						
Property taxes levied for general purposes	36,762,198	35,413,087	-	-	36,762,198	35,413,087
Earned income taxes levied for general purposes	4,557,679	4,473,824	-	-	4,557,679	4,473,824
Other taxes	1,083,656	1,168,462	-	-	1,083,656	1,168,462
Grants and entitlements not restricted to specific programs	9,290,972	8,452,078	-	-	9,290,972	8,452,078
Gain on sale of capital assets	1,215,610	-	-	-	1,215,610	-
Investment earnings	2,225,223	123,845	297	15	2,225,520	123,860
<b>Total revenues</b>	<b>70,495,649</b>	<b>62,148,227</b>	<b>2,131,365</b>	<b>1,976,998</b>	<b>72,627,014</b>	<b>64,125,225</b>
<b>EXPENSES</b>						
Instruction	37,039,361	35,059,292	-	-	37,039,361	35,059,292
Instructional student support services	4,716,872	4,017,782	-	-	4,716,872	4,017,782
Administrative and financial support services	6,756,287	5,869,932	-	-	6,756,287	5,869,932
Operation and maintenance of plant services	5,065,573	3,978,239	-	-	5,065,573	3,978,239
Pupil transportation	3,937,504	3,352,160	-	-	3,937,504	3,352,160
Student activities	1,596,653	1,404,440	-	-	1,596,653	1,404,440
Community services	63,914	35,028	-	-	63,914	35,028
Interest and amortization expense related to non-current liabilities	3,292,959	1,942,696	-	-	3,292,959	1,942,696
Food service	-	-	2,665,068	1,907,582	2,665,068	1,907,582
<b>Total expenses</b>	<b>62,469,123</b>	<b>55,659,569</b>	<b>2,665,068</b>	<b>1,907,582</b>	<b>65,134,191</b>	<b>57,567,151</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 8,026,526</b>	<b>\$ 6,475,768</b>	<b>\$ (533,703)</b>	<b>\$ 82,306</b>	<b>\$ 7,492,823</b>	<b>\$ 6,558,074</b>

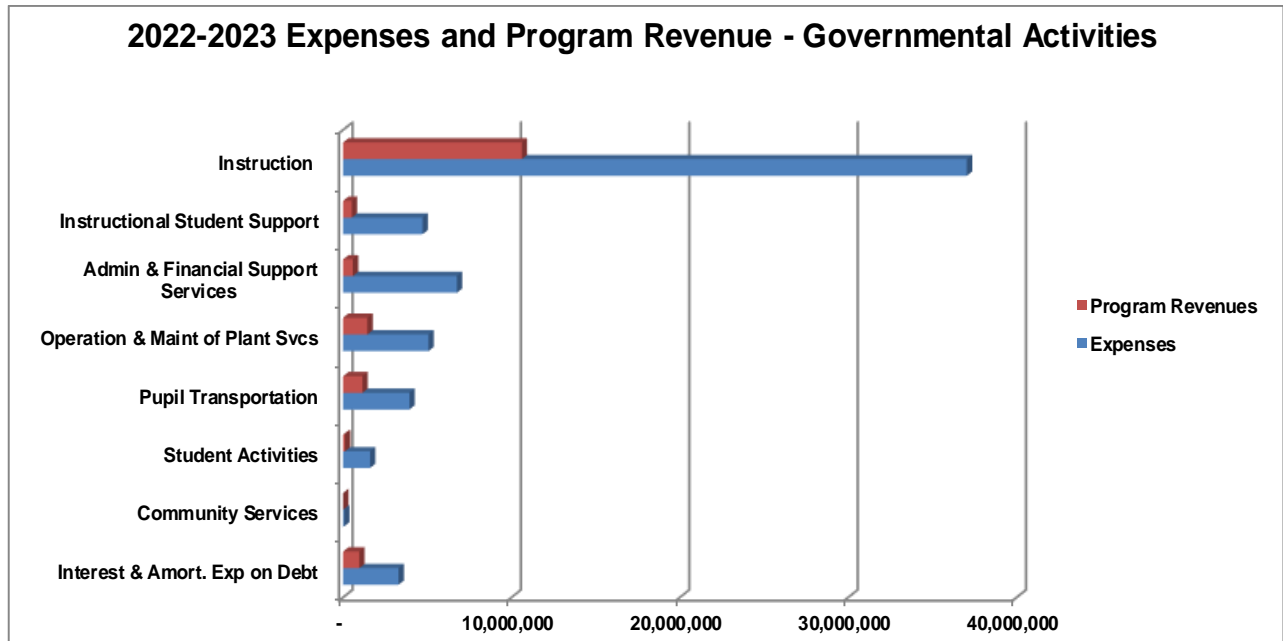
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.

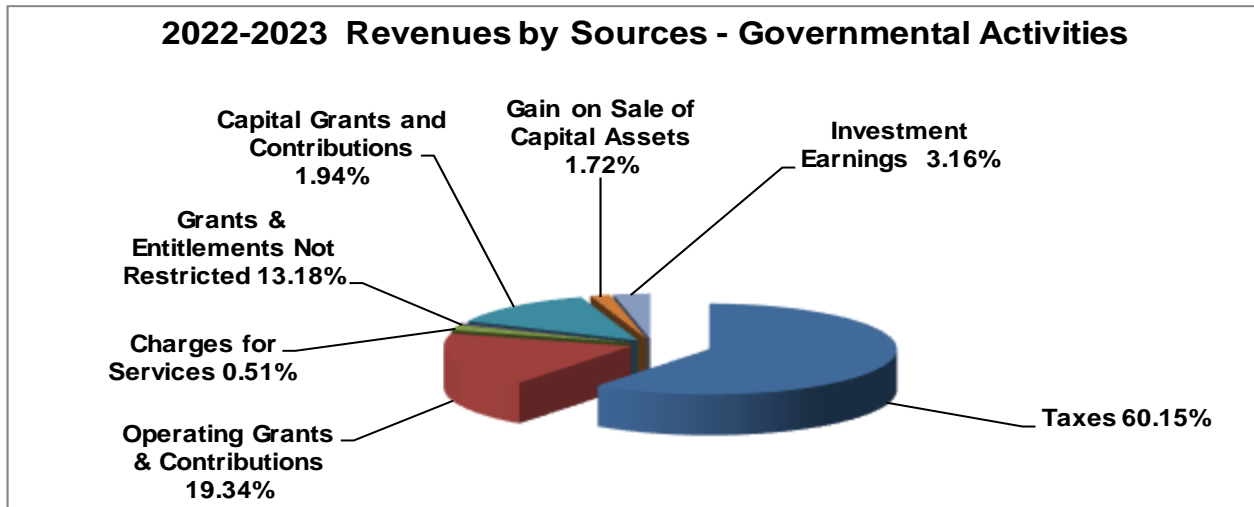
**MANHEIM CENTRAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

June 30, 2023



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



**GOVERNMENTAL FUNDS**

The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2023, the District's governmental funds reported a combined fund balance of \$49,725,769 which is an increase of \$110,773 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2023 and 2022 and the total 2023 change in governmental fund balances.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

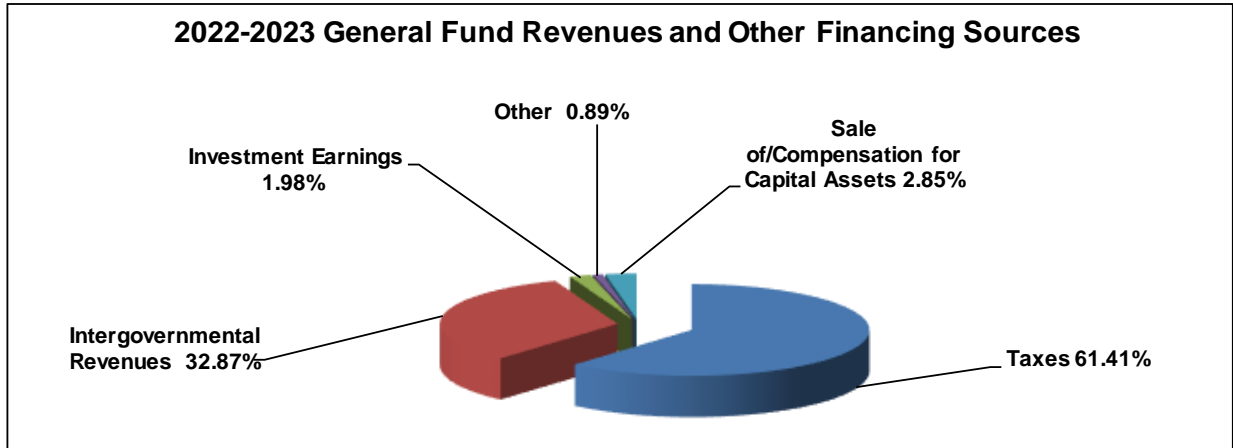
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General Fund	\$27,124,696	\$25,353,276	\$ 1,771,420
Capital Projects Fund	<u>22,601,073</u>	<u>24,261,720</u>	<u>(1,660,647)</u>
	<u>\$49,725,769</u>	<u>\$49,614,996</u>	<u>\$ 110,773</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$27,124,696 representing an increase of \$1,771,420 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 61.41% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$42,358,121	\$41,256,118	\$1,102,003	2.67
Intergovernmental revenues	22,669,630	20,421,199	2,248,431	11.01
Investment earnings	1,368,158	89,518	1,278,640	1,428.36
Other	613,652	547,807	65,845	12.02
Sale of/compensation for capital assets	<u>1,965,610</u>	<u>-</u>	<u>1,965,610</u>	<u>100.00</u>
	<u>\$68,975,171</u>	<u>\$62,314,642</u>	<u>\$6,660,529</u>	<u>10.69</u>

Net tax revenues increased by \$1,102,003 or 2.67% due to several factors. An increase in the District's millage rate of 3.4% offset by a decrease in delinquent real estate taxes account for this difference. The following table summarizes the changes in the District's tax revenues 2023 compared to 2022:

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$35,767,677	\$34,207,305	\$1,560,372	4.56
Interim real estate tax	183,538	280,526	(96,988)	(34.57)
PURTA tax	38,079	37,337	742	1.99
Payments in lieu of tax	227,982	221,613	6,369	2.87
Earned income tax	4,557,679	4,473,824	83,855	1.87
Realty transfer tax	817,596	909,512	(91,916)	(10.11)
Delinquent real estate tax	<u>765,570</u>	<u>1,126,001</u>	<u>(360,431)</u>	<u>(32.01)</u>
	<u>\$42,358,121</u>	<u>\$41,256,118</u>	<u>\$1,102,003</u>	<u>2.67</u>

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

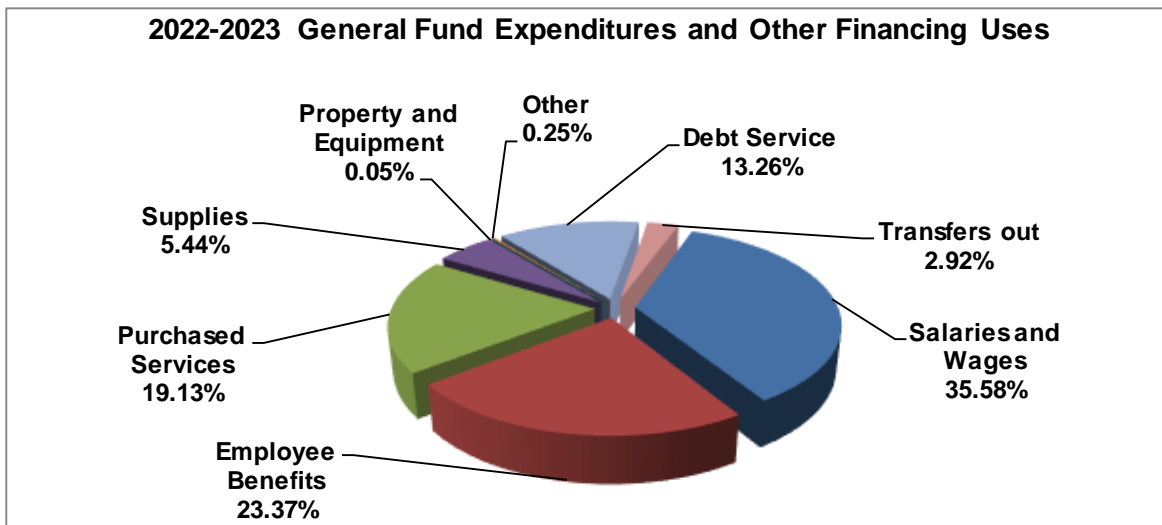
June 30, 2023

Intergovernmental revenues increased primarily due to federal funding through the Elementary and Secondary School Emergency Relief Fund ("**ESSER**") the purpose of which was to assist COVID-19 response efforts. The state budget allocation provided additional funding to public education which increased the basic and special education subsidies. In addition, the District had an increase in amounts received for rental and sinking fund subsidies.

Investment earnings increased commensurate with the prevailing market conditions.

In December, 2022, the Board approved the sale of two properties, including the 52-acre property on Prospect Road in Rapho Township known as the "Geib tract" for \$1.6 million and the other property is the former Stiegel Elementary School on S. Hazel Street for \$360,000.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



### General Fund Expenditures and Other Financing Uses

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$23,912,291	\$22,599,912	\$1,312,379	5.81
Employee benefits	15,702,673	14,149,569	1,553,104	10.98
Purchased services	12,858,763	12,527,497	331,266	2.64
Supplies	3,652,827	4,178,227	(525,400)	(12.57)
Property and equipment	30,249	341,296	(311,047)	(91.14)
Other	170,017	162,119	7,898	4.87
Debt service	8,911,321	6,939,843	1,971,478	28.41
Transfers out	<u>1,965,610</u>	<u>209,914</u>	<u>1,755,696</u>	<u>836.39</u>
	<u>\$67,203,751</u>	<u>\$61,108,377</u>	<u>\$6,095,374</u>	<u>9.97</u>

Salaries and wages increased by \$1,312,379 or 5.81% in 2022-2023 compared to 2021-2022 as a result of scheduled increases within the District's negotiated collective bargaining agreements as well as increases for other staff.

Employee benefits increased by \$1,553,104 or 10.98% primarily due to increases in PSERS retirement contributions in line with increases in wages and the contribution rate and medical self-insurance performance.

Purchased services increased by \$331,266 or 2.64% primarily due to increased tuition to charter schools and services provided by the Lancaster Lebanon Intermediate Unit for special education.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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Supplies expenditures decreased by \$525,400 or 12.57% due to technology supplies purchased with ESSER funding in 2021-2022.

Debt service increased commensurate with new general obligation debt issued for the District's multi-year capital plan.

Transfers out in 2022-2023 represent the sale of land noted above and transferred to the Capital Reserve Fund for future capital expenditures.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022-2023, the Capital Projects Fund reported a decrease in fund balance of \$1,660,647 due to capital outlay in excess of proceeds from bonds payable and bond premiums in excess of capital expenditures. The remaining fund balance of \$22,601,073 as of June 30, 2023 is restricted for future capital expenditures.

### GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were \$4,668,439 more than budgeted amounts and actual expenditures and other financing uses were \$2,457,839 more than budgeted amounts resulting in a net overall positive variance of \$2,210,600. Major budgetary highlights for 2022-2023 were as follows:

- Local source revenues were \$2,077,265 or 4.90% higher than budgeted amounts. This was primarily due to investment earnings being \$1,143,158 more than budgeted as well as more than expected collections for earned income taxes, realty transfer taxes, and delinquent real estate taxes.
- State source revenues were \$603,280 or 3.35% higher than budgeted amounts due primarily to higher than expected allocations for basic education funding and rental and sinking fund subsidies.
- Student transportation services expenditures were \$523,852 or 15.33% more than budgeted amounts due to increases in fuel costs and commensurate increases in the Pennsylvania Department of Education ("*PDE*") transportation cost index.
- Debt service expenditures were \$806,280 or 9.95% higher than budgeted amounts due to the PDE chart of accounts changes requiring lease payments to be classified as debt service expenditures.

### BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2022-2023, the net position of the business-type activities and Food Service Fund decreased by \$533,703 mainly as a result of operations and the change in the PSERS net pension and OPEB liabilities. As of June 30, 2023, the business-type activities and Food Service Fund had a deficit in net position of \$2,034,473. The deficit in net position can be attributed to the business-type activities and Food Service Fund recording its proportionate share of the net pension and OPEB liability in PSERS.

### CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$142,646,956 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment and right-to-use leased assets. The total increase in the District's net investment in capital assets for the current fiscal year was \$20,707,648 or 16.98%. The increase was the result of current year additions in excess of depreciation.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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Current year capital outlays were \$26,334,905 and current year depreciation expense and the net book value of disposed of capital assets was \$5,627,257.

Major capital additions for the current fiscal year included the following:

- High School renovation project – construction in progress \$24,855,922
- Information technology equipment
  - right-to-use leased assets \$ 373,958
- Athletic fields projects – construction in progress \$ 410,578

### NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$120,870,933 consisting of \$112,815,000 in bonds payable and bond premiums of \$8,055,933. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$15,172,662 or 14.35% during the fiscal year.

On July 13, 2022, the District issued \$18,690,000 of general obligation bonds, Series of 2022. The proceeds of the bonds will be used to fund various capital projects of the District, and to pay for the costs of issuance.

The District maintains an AA- (Stable Outlook) rating from Standard and Poor's.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$139,764,430 which exceeds the District's outstanding general obligation debt as of June 30, 2023.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$69,666,817 as of June 30, 2023. The District's net pension liability increased by \$6,891,077 or 10.98% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$4,484,711 as of June 30, 2023. The District's OPEB liability decreased by \$1,871,763 or 29.45% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for accrued retirement bonuses, compensated absences and leases payable, which totaled \$1,494,582 as of June 30, 2023. These liabilities decreased by \$529,625 or 26.16% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is financially strong which is evidenced by a positive fund balance in the General Fund. The positive General Fund balance serves the District by generating interest income and providing needed cash when expenses may exceed revenues. The District has also committed significant portions of the fund balance to offset future year's capital needs, and debt service requirements. The District also maintains a capital projects fund which can be used to fund future capital projects.

The District has committed itself to financial excellence for many years. While the District's system of budgeting and internal controls is well regarded, all its financial abilities will be needed to meet future challenges.

# MANHEIM CENTRAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2023

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The District adopted a 2023-2024 budget totaling \$67,444,814 which used \$551,682 of General Fund fund balance consisting of both unassigned and committed funds and the real estate tax millage rate increased by 2.76%.

### **Teacher Contract**

The current collective bargaining agreement ("**CBA**") between the District and the Manheim Central Education Association ("**MCEA**"), the teachers' local bargaining unit, was approved in December 2018. The current agreement will expire on June 30, 2023. In November, the District and MCEA agreed on a new 4-year agreement to extend through June 30, 2027. Currently, the District and the MCEA continue to enjoy positive labor relations.

### **Facilities**

The first of three phases of a project for additions and renovations to the Manheim Central High School is nearly completed. The project, designed by Crabtree Rohrbaugh and Associates, has a base construction cost of \$55,426,950, and a total budget of \$61,750,000. Construction on the renovations and additions started in June 2021. The project has an expected completion date in July 2024. The project is currently on schedule and within its budget.

The Board of Directors approved the renovation and construction of athletic facilities at the Manheim Central Middle School and Doe Run Elementary School. The renovations include adding synthetic turf to the baseball field and the addition of two softball fields, a turf multipurpose field, and a restroom and storage building. Construction will begin in November 2023 with an expected completion date of July 2024. The project has a budget of \$10,000,000.

### **Employee Benefits' Costs**

All school districts in the Commonwealth are facing the common problem of increasing employee benefit costs. The two primary areas of concern are PSERS and self-insured medical and dental costs due to the federal health care reform bill.

The financial performance of the PSERS will determine, in large part, future increases in the employer contribution rate. The employer contribution rate for 2022-2023 was 35.79%, while the employer contribution rate for 2023-2024 is 34.00%. The retirement rate will increase incrementally each year projected out to 2030-2031 at 38.35%. The cost of the retirement expense is shared between the District and the Commonwealth and is a significant concern for future budgets.

Medical costs continue to be a concern for the District as the projections remain for expenses to continue to increase along the national trends. The District maintains an Internal Service Fund to help offset future healthcare costs. The effects of the Patient Protection and Affordable Care Act ("**PPACA**") as well as impacts from COVID-19 and healthcare trends may create an additional burden on the District to contain the rate of increase in healthcare costs.

### **Act 1**

The passage of Act 1 has impacted the District like all other school districts in the Commonwealth. A major provision of the Act is the imposition of an annual index, calculated by the Pennsylvania Department of Education and released in September for effect in the year starting July 1. This index is the maximum percent increase of the millage rate that a School Board can approve without a voter referendum. The history of the District shows a performance record of remaining within the limits of the index. In fact, the District's tax increase has been less than the index five times in the last 10 years and twice there was no increase. The index for the District for 2023-2024 is 4.10%, while the 2024-2025 index is set at 5.30%.

## CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Manheim Central School District, 281 White Oak Road, Manheim, PA 17545.

# MANHEIM CENTRAL SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023 with summarized comparative totals for 2022

	Governmental	Business-type	Totals	
	Activities	Activities	2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 48,267,490	\$ 17,909	\$ 48,285,399	\$ 51,713,991
Investments	4,879,855	-	4,879,855	-
Taxes receivable	1,396,603	-	1,396,603	1,285,693
Due from other governments	3,183,138	-	3,183,138	4,102,641
Internal balances	372,868	(372,868)	-	-
Other receivables	480,008	-	480,008	385,242
Inventories	88,727	93,884	182,611	202,092
Prepaid expenses	136,227	-	136,227	161,683
<b>Total current assets</b>	<b>58,804,916</b>	<b>(261,075)</b>	<b>58,543,841</b>	<b>57,851,342</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	142,592,313	54,643	142,646,956	121,939,308
<b>Total assets</b>	<b>201,397,229</b>	<b>(206,432)</b>	<b>201,190,797</b>	<b>179,790,650</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on debt refunding	186,656	-	186,656	373,315
Deferred charges OPEB - single employer	472,216	-	472,216	551,188
Deferred charges on proportionate share of OPEB - PSERS	655,910	18,453	674,363	686,419
Deferred charges on proportionate share of pension - PSERS	11,797,232	331,888	12,129,120	11,884,904
<b>Total deferred outflows of resources</b>	<b>13,112,014</b>	<b>350,341</b>	<b>13,462,355</b>	<b>13,495,826</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	2,932,316	15,803	2,948,119	1,870,698
Accrued salaries, payroll withholdings and benefits	7,181,437	-	7,181,437	6,514,620
Accrued interest payable	660,373	-	660,373	537,697
Unearned revenue	-	58,205	58,205	63,982
Other liabilities	187,049	-	187,049	164,905
<b>Total current liabilities</b>	<b>10,961,175</b>	<b>74,008</b>	<b>11,035,183</b>	<b>9,151,902</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	5,604,705	-	5,604,705	5,761,255
Due in more than one year	188,904,232	2,008,106	190,912,338	171,093,437
<b>Total noncurrent liabilities</b>	<b>194,508,937</b>	<b>2,008,106</b>	<b>196,517,043</b>	<b>176,854,692</b>
<b>Total liabilities</b>	<b>205,470,112</b>	<b>2,082,114</b>	<b>207,552,226</b>	<b>186,006,594</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits OPEB - single employer	1,602,762	-	1,602,762	424,541
Deferred credits on proportionate share of OPEB - PSERS	722,669	35,331	758,000	133,000
Deferred credits on proportionate share of pension - PSERS	2,166,063	60,937	2,227,000	11,702,000
<b>Total deferred inflows of resources</b>	<b>4,491,494</b>	<b>96,268</b>	<b>4,587,762</b>	<b>12,259,541</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	40,853,041	54,643	40,907,684	38,240,410
Restricted	2,880,021	-	2,880,021	1,448,496
Unrestricted (deficit)	(39,185,425)	(2,089,116)	(41,274,541)	(44,668,565)
<b>Total net position (deficit)</b>	<b>\$ 4,547,637</b>	<b>\$ (2,034,473)</b>	<b>\$ 2,513,164</b>	<b>\$ (4,979,659)</b>

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with summarized comparative totals for 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2023	2022
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 37,039,361	\$ 252,007	\$ 10,358,267	\$ -	\$ (26,429,087)	\$ -	\$ (26,429,087)	\$ (24,878,552)
Instructional student support	4,716,872	-	518,434	-	(4,198,438)	-	(4,198,438)	(3,525,059)
Administrative and financial support services	6,756,287	-	579,516	-	(6,176,771)	-	(6,176,771)	(5,323,491)
Operation and maintenance of plant services	5,065,573	4,830	65,574	1,368,000	(3,627,169)	-	(3,627,169)	(3,936,670)
Pupil transportation	3,937,504	-	1,141,980	-	(2,795,524)	-	(2,795,524)	(2,346,058)
Student activities	1,596,653	99,560	13,952	-	(1,483,141)	-	(1,483,141)	(1,317,610)
Community services	63,914	-	-	-	(63,914)	-	(63,914)	(35,028)
Interest and amortization expense related to noncurrent liabilities	3,292,959	-	958,191	-	(2,334,768)	-	(2,334,768)	(1,780,170)
<b>Total governmental activities</b>	<u>62,469,123</u>	<u>356,397</u>	<u>13,635,914</u>	<u>1,368,000</u>	<u>(47,108,812)</u>	<u>-</u>	<u>(47,108,812)</u>	<u>(43,142,638)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	2,665,068	826,330	1,304,738	-	-	(534,000)	(534,000)	69,401
<b>Total primary government</b>	<u>\$ 65,134,191</u>	<u>\$ 1,182,727</u>	<u>\$ 14,940,652</u>	<u>\$ 1,368,000</u>	<u>(47,108,812)</u>	<u>(534,000)</u>	<u>(47,642,812)</u>	<u>(43,073,237)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					36,762,198	-	36,762,198	35,413,087
Earned income taxes levied for general purposes					4,557,679	-	4,557,679	4,473,824
Other taxes					1,083,656	-	1,083,656	1,168,462
Grants and entitlements not restricted to specific programs					9,290,972	-	9,290,972	8,452,078
Gain on sale of capital assets					1,215,610	-	1,215,610	-
Investment earnings					2,225,223	297	2,225,520	123,860
<b>Total general revenues and transfers</b>					<u>55,135,338</u>	<u>297</u>	<u>55,135,635</u>	<u>49,631,311</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					8,026,526	(533,703)	7,492,823	6,558,074
<b>NET POSITION (DEFICIT)</b>								
Beginning of year					(3,478,889)	(1,500,770)	(4,979,659)	(11,537,733)
<b>End of year</b>					<u>\$ 4,547,637</u>	<u>\$ (2,034,473)</u>	<u>\$ 2,513,164</u>	<u>\$ (4,979,659)</u>

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023 with summarized comparative totals for 2022

	Major Funds		Totals	
	General	Capital	2023	2022
	Fund	Projects		
<b>ASSETS</b>				
Cash	\$ 27,256,005	\$ 19,471,542	\$ 46,727,547	\$ 50,163,807
Investments	-	4,879,855	4,879,855	-
Taxes receivable	1,396,603	-	1,396,603	1,285,693
Due from other funds	2,548,200	-	2,548,200	1,680,382
Due from other governments	3,183,138	-	3,183,138	4,102,641
Other receivables	480,008	-	480,008	385,242
Inventories	88,727	-	88,727	120,212
Prepaid items	136,227	-	136,227	161,683
<b>Total assets</b>	<b>\$ 35,088,908</b>	<b>\$ 24,351,397</b>	<b>\$ 59,440,305</b>	<b>\$ 57,899,660</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,191,826	\$ 1,740,490	\$ 2,932,316	\$ 1,863,941
Due to other funds	-	9,834	9,834	-
Accrued salaries, payroll withholdings and benefits	6,312,061	-	6,312,061	6,027,955
Other liabilities	187,049	-	187,049	164,905
<b>Total liabilities</b>	<b>7,690,936</b>	<b>1,750,324</b>	<b>9,441,260</b>	<b>8,056,801</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	273,276	-	273,276	227,863
<b>FUND BALANCES</b>				
Nonspendable				
Inventories	88,727	-	88,727	120,212
Prepaid items	136,227	-	136,227	161,683
Restricted for				
Capital projects	-	22,601,073	22,601,073	24,261,720
Committed to				
Capital projects	10,750,000	-	10,750,000	10,000,000
Debt service	11,300,000	-	11,300,000	10,300,000
Unassigned	4,849,742	-	4,849,742	4,771,381
<b>Total fund balances</b>	<b>27,124,696</b>	<b>22,601,073</b>	<b>49,725,769</b>	<b>49,614,996</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 35,088,908</b>	<b>\$ 24,351,397</b>	<b>\$ 59,440,305</b>	<b>\$ 57,899,660</b>

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2023

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 49,725,769</b>
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	142,592,313
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	186,656
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	8,433,864
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	273,276
The Internal Service Fund is used by management to charge the cost of health insurance and unemployment claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	(1,494,931)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(194,508,937)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(660,373)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,547,637</u></b>

# MANHEIM CENTRAL SCHOOL DISTRICT

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

Year ended June 30, 2023 with summarized comparative totals for 2022

	Major Funds		Totals	
	General	Capital	2023	2022
	Fund	Projects		
<b>REVENUES</b>				
Local sources	\$ 44,492,233	\$ 857,066	\$ 45,349,299	\$ 42,105,639
State sources	18,590,316	1,368,000	19,958,316	16,342,461
Federal sources	3,915,167	-	3,915,167	3,852,058
<b>Total revenues</b>	<u>66,997,716</u>	<u>2,225,066</u>	<u>69,222,782</u>	<u>62,300,158</u>
<b>EXPENDITURES</b>				
Current				
Instruction	35,606,348	-	35,606,348	35,071,453
Support services	19,160,750	714,160	19,874,910	18,587,498
Operation of noninstructional services	1,559,722	403,497	1,963,219	1,728,275
Facilities acquisition, construction and improvement services	-	25,422,904	25,422,904	22,380,588
Debt service	8,911,321	-	8,911,321	6,939,843
<b>Total expenditures</b>	<u>65,238,141</u>	<u>26,540,561</u>	<u>91,778,702</u>	<u>84,707,657</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,759,575</u>	<u>(24,315,495)</u>	<u>(22,555,920)</u>	<u>(22,407,499)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	18,690,000	18,690,000	30,270,000
Bond premiums	-	1,625,279	1,625,279	5,117,164
Proceeds from extended term financing	-	373,959	373,959	722,078
Sale of/compensation for capital assets	1,965,610	-	1,965,610	-
Insurance recoveries	11,845	-	11,845	48,813
Transfers in	-	1,965,610	1,965,610	209,914
Transfers out	(1,965,610)	-	(1,965,610)	(222,804)
<b>Total other financing sources (uses)</b>	<u>11,845</u>	<u>22,654,848</u>	<u>22,666,693</u>	<u>36,145,165</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,771,420	(1,660,647)	110,773	13,737,666
<b>FUND BALANCES</b>				
Beginning of year	<u>25,353,276</u>	<u>24,261,720</u>	<u>49,614,996</u>	<u>35,877,330</u>
<b>End of year</b>	<u>\$ 27,124,696</u>	<u>\$ 22,601,073</u>	<u>\$ 49,725,769</u>	<u>\$ 49,614,996</u>

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2023

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 110,773

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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and the net book value of disposed of capital assets in the current period.

Capital outlay expenditures	\$ 26,334,905	
Net book value of disposed of capital assets	(768,000)	
Depreciation expense	<u>(4,843,987)</u>	20,722,918

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

Deferred inflows of resources June 30, 2022	(227,863)	
Deferred inflows of resources June 30, 2023	<u>273,276</u>	45,413

The Internal Service Fund is used by management to charge the cost of health insurance and unemployment premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.

(938,235)

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 the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is 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.

Proceeds from leases payable	(373,959)	
Proceeds from issuance of bonds payable	(18,690,000)	
Proceeds from bond premiums	(1,625,279)	
Repayment of bonds payable	4,195,000	
Repayment of leases payable	785,078	
Amortization of discounts, premiums and deferred amounts on refunding	<u>760,958</u>	(14,948,202)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Current year change in accrued interest payable	(122,676)	
Current year change in accrued retirement bonuses	46,662	
Current year change in compensated absences	71,844	
Current year change in net pension liability - PSERS and deferred outflows and inflows	3,013,234	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(131,127)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>155,922</u>	<u>3,033,859</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **\$ 8,026,526**

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 17,909	\$ 1,539,943	\$ 1,557,852	\$ 1,550,184
Inventories	93,884	-	93,884	81,880
<b>Total current assets</b>	<u>111,793</u>	<u>1,539,943</u>	<u>1,651,736</u>	<u>1,632,064</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	54,643	-	54,643	69,913
<b>Total assets</b>	<u>166,436</u>	<u>1,539,943</u>	<u>1,706,379</u>	<u>1,701,977</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on proportionate share of pension - PSERS	331,888	-	331,888	275,367
Deferred charges on proportionate share of OPEB - PSERS	18,453	-	18,453	15,904
<b>Total deferred outflows of resources</b>	<u>350,341</u>	<u>-</u>	<u>350,341</u>	<u>291,271</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>LIABILITIES</b>				
Accounts payable	15,803	-	15,803	6,757
Due to other funds	372,868	2,165,498	2,538,366	1,680,382
Accrued salaries, payroll withholdings and benefits	-	869,376	869,376.00	486,665
Unearned revenue	58,205	-	58,205	63,982
<b>Total current liabilities</b>	<u>446,876</u>	<u>3,034,874</u>	<u>3,481,750</u>	<u>2,237,786</u>
<b>NONCURRENT LIABILITIES</b>				
Net proportionate share of OPEB liability - PSERS	101,818	-	101,818	84,237
Net proportionate share of pension liability - PSERS	1,906,288	-	1,906,288	1,454,480
<b>Total noncurrent liabilities</b>	<u>2,008,106</u>	<u>-</u>	<u>2,008,106</u>	<u>1,538,717</u>
<b>Total liabilities</b>	<u>2,454,982</u>	<u>3,034,874</u>	<u>5,489,856</u>	<u>3,776,503</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits on proportionate share of pension - PSERS	60,937	-	60,937	271,129
Deferred credits on proportionate share of OPEB - PSERS	35,331	-	35,331	3,082
<b>Total deferred inflows of resources</b>	<u>96,268</u>	<u>-</u>	<u>96,268</u>	<u>274,211</u>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	54,643	-	54,643	69,913
Unrestricted (deficit)	(2,089,116)	(1,494,931)	(3,584,047)	(2,127,379)
<b>Total net position (deficit)</b>	<u>\$ (2,034,473)</u>	<u>\$ (1,494,931)</u>	<u>\$ (3,529,404)</u>	<u>\$ (2,057,466)</u>

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 826,330	\$ 5,212,684	\$ 6,039,014	\$ 5,213,567
<b>OPERATING EXPENSES</b>				
Salaries	767,025	-	767,025	639,271
Employee benefits	744,359	6,204,527	6,948,886	5,772,748
Purchased services	45,249	-	45,249	41,976
Supplies	1,088,190	-	1,088,190	900,532
Depreciation	15,270	-	15,270	16,036
Other	4,975	-	4,975	1,044
<b>Total operating expenses</b>	<u>2,665,068</u>	<u>6,204,527</u>	<u>8,869,595</u>	<u>7,371,607</u>
<b>Operating loss</b>	<u>(1,838,738)</u>	<u>(991,843)</u>	<u>(2,830,581)</u>	<u>(2,158,040)</u>
<b>NONOPERATING REVENUES</b>				
Earnings on investments	297	53,608	53,905	1,610
Local sources	1,670	-	1,670	3,498
State sources	254,138	-	254,138	170,737
Federal sources	1,048,930	-	1,048,930	1,442,985
<b>Total nonoperating revenues</b>	<u>1,305,035</u>	<u>53,608</u>	<u>1,358,643</u>	<u>1,618,830</u>
<b>Change in net position before transfers</b>	(533,703)	(938,235)	(1,471,938)	(539,210)
<b>TRANSFERS</b>	-	-	-	12,890
<b>CHANGE IN NET POSITION (DEFICIT)</b>	(533,703)	(938,235)	(1,471,938)	(526,320)
<b>NET POSITION (DEFICIT)</b>				
Beginning of year	(1,500,770)	(556,696)	(2,057,466)	(1,531,146)
<b>End of year</b>	<u>\$ (2,034,473)</u>	<u>\$ (1,494,931)</u>	<u>\$ (3,529,404)</u>	<u>\$ (2,057,466)</u>

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2023</u>	<u>2022</u>
	<u>Fund</u>	<u>Fund</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 802,832	\$ -	\$ 802,832	\$ 348,597
Cash received from assessments made to other funds	-	5,819,419	5,819,419	5,467,835
Cash payments to employees for services	(1,030,156)	-	(1,030,156)	(1,069,123)
Cash payments for insurance claims	-	(5,819,419)	(5,819,419)	(5,467,835)
Cash payments to supplies for goods and services	(995,984)	-	(995,984)	(803,587)
Cash payments for other operating expenses	(4,975)	-	(4,975)	(1,044)
<b>Net cash used for operating activities</b>	<u>(1,228,283)</u>	<u>-</u>	<u>(1,228,283)</u>	<u>(1,525,157)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State sources	254,138	-	254,138	170,737
Federal sources	926,238	-	926,238	1,301,875
Local sources	1,670	-	1,670	3,498
<b>Net cash provided by noncapital financing activities</b>	<u>1,182,046</u>	<u>-</u>	<u>1,182,046</u>	<u>1,476,110</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	297	53,608	53,905	1,610
<b>Net increase (decrease) in cash</b>	(45,940)	53,608	7,668	(47,437)
<b>CASH</b>				
Beginning of year	63,849	1,486,335	1,550,184	1,597,621
<b>End of year</b>	<u>\$ 17,909</u>	<u>\$ 1,539,943</u>	<u>\$ 1,557,852</u>	<u>\$ 1,550,184</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>				
Operating loss	\$ (1,838,738)	\$ (991,843)	\$ (2,830,581)	\$ (2,158,040)
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</b>				
Depreciation	15,270	-	15,270	16,036
Donated commodities used	122,692	-	122,692	141,110
(Increase) decrease in				
Due from other funds	623,165	-	623,165	-
Inventories	(12,004)	-	(12,004)	23,425
Deferred outflows of resources	(59,070)	-	(59,070)	(20,966)
Increase (decrease) in				
Accounts payable	9,048	-	9,048	4,357
Due to other funds	(2,397)	606,735	604,338	587,300
Accrued salaries, payroll withholdings and benefits	(371,916)	385,108	13,192	(4,618)
Unearned revenue	(5,779)	-	(5,779)	(41,137)
Net OPEB liability	17,581	-	17,581	8,543
Net pension liability	451,808	-	451,808	(268,191)
Deferred inflows of resources	(177,943)	-	(177,943)	187,024
<b>Net cash used for operating activities</b>	<u>\$ (1,228,283)</u>	<u>\$ -</u>	<u>\$ (1,228,283)</u>	<u>\$ (1,525,157)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>Noncash noncapital financing activity</b>				
USDA donated commodities	\$ 122,692	\$ -	\$ 122,692	\$ 141,110
<b>Noncash capital and related financing activity</b>				
Acquisition of capital assets	\$ -	\$ -	\$ -	\$ 12,890

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2023 with summarized comparative totals for 2022

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	Private- Purpose Trust	Custodial Fund	Totals	
			2023	2022
<b>ASSETS</b>				
Cash	\$ 964,757	\$ 170,974	\$ 1,135,731	\$ 1,090,576
Other receivables	-	-	-	-
<b>Total assets</b>	<u>964,757</u>	<u>\$ 170,974</u>	<u>1,135,731</u>	<u>1,090,576</u>
<b>LIABILITIES</b>				
Accounts payable	<u>47,875</u>	<u>13,679</u>	<u>61,554</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for scholarships	916,882	-	916,882	931,172
Restricted for student activities	<u>-</u>	<u>157,295</u>	<u>157,295</u>	<u>159,404</u>
<b>Total net position</b>	<u>\$ 916,882</u>	<u>\$ 157,295</u>	<u>\$ 1,074,177</u>	<u>\$ 1,090,576</u>

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See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2023 with summarized comparative totals for 2022

	Private- Purpose Trust	Custodial Fund	Totals	
			2023	2022
<b>ADDITIONS</b>				
Receipts from student groups	\$ -	\$ 169,097	\$ 169,097	\$ 155,528
Local contributions	<u>33,585</u>	<u>-</u>	<u>33,585</u>	<u>1,012</u>
<b>Total additions</b>	<u>33,585</u>	<u>169,097</u>	<u>202,682</u>	<u>156,540</u>
<b>DEDUCTIONS</b>				
Scholarships awarded and fees paid	47,875	-	47,875	39,275
Student activities disbursements	<u>-</u>	<u>171,206</u>	<u>171,206</u>	<u>170,066</u>
<b>Total deductions</b>	<u>47,875</u>	<u>171,206</u>	<u>219,081</u>	<u>209,341</u>
<b>CHANGE IN NET POSITION</b>	(14,290)	(2,109)	(16,399)	(52,801)
<b>NET POSITION</b>				
Beginning of year	<u>931,172</u>	<u>159,404</u>	<u>1,090,576</u>	<u>1,143,377</u>
<b>End of year</b>	<u>\$ 916,882</u>	<u>\$ 157,295</u>	<u>\$ 1,074,177</u>	<u>\$ 1,090,576</u>

See accompanying notes

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Manheim Central School District (the "**District**") operates two elementary schools, a middle school and a senior high school to provide education and related services to the residents in the Townships of Penn and Rapho and the Borough of Manheim. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**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:

#### **Reporting Entity**

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the 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 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. The District is considered to be an independent reporting entity and has no component units.

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

### ***Fund Financial Statements***

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

### ***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

### ***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District's self-funded health insurance and unemployment programs.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has one custodial consisting of funds held on behalf of the students.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

### **Fair Value Measurements of Assets and Liabilities**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Property Taxes**

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
January 1	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2022-2023 was 15.6145 mills (\$15.6145 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- October 31
Installment Three	- December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

### **Unearned Revenues**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

### **Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: land improvements – 20 years; buildings and improvements – 40 years; furniture and equipment – 5-12 years; and vehicles – 5-10 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2023.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

### **Accrued Retirement Bonus**

Upon voluntary retirement, employees with qualifying years of service according to their respective employment contract are eligible to receive a lump sum retirement bonus.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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 debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

#### ***Nonspendable***

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

#### ***Restricted***

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

#### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

#### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Chief of Finance and Operations or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

#### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

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# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Implementation of New Accounting Pronouncements

Effective July 1, 2022, the District adopted the provisions of GASB Statement No. 94 *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"* and GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements"*.

The objective of GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP's**"). As used in GASB Statement No. 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this GASB Statement No. 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The implementation of GASB Statement No. 94 had no impact on the financial statements of the District for the year ended June 30, 2023.

The objective of GASB Statement No. 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA's**") for government end users (governments). GASB Statement No. 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

### New Accounting Pronouncements

GASB Statement No. 100, *"Accounting Changes and Error Corrections"* will be effective for the District for the year ended June 30, 2024. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *"Compensated Absences"* will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in a newspaper of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

### (3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

#### Deposits

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2023, the carrying amount of the District's deposits was \$49,421,130 and the bank balance was \$50,157,432. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$250,000 was covered by federal depository insurance and \$19,653,715, was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, and is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2023, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

##### Investments

U.S. Treasury and agency securities -  
maturity less than 1 year

\$4,879,855

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

U.S. Treasury and agency securities were valued using Level 2 inputs.

### (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 26,743,210	\$25,579,173	\$1,137,232	\$ 51,185,151
Land	<u>3,506,291</u>	<u>-</u>	<u>768,000</u>	<u>2,738,291</u>
<b>Total capital assets not being depreciated</b>	<u>30,249,501</u>	<u>25,579,173</u>	<u>1,902,232</u>	<u>53,923,442</u>
Capital assets being depreciated				
Land improvements	5,956,307	223,632	-	6,179,939
Buildings and improvements	123,954,657	325,914	-	124,280,571
Right-to-use lease assets	2,783,038	373,958	-	3,156,996
Furniture and equipment	13,794,006	969,460	-	14,763,466
Vehicles	<u>436,364</u>	<u>-</u>	<u>-</u>	<u>436,364</u>
<b>Total capital assets being depreciated</b>	<u>146,924,372</u>	<u>1,892,964</u>	<u>-</u>	<u>148,817,336</u>
Less accumulated depreciation for				
Land improvements	(3,963,950)	(290,434)	-	(4,254,384)
Buildings and improvements	(38,582,022)	(3,299,384)	-	(41,881,406)
Right-to-use lease assets	(1,636,912)	(584,019)	-	(2,220,931)
Furniture and equipment	(10,779,694)	(655,180)	-	(11,434,874)
Vehicles	<u>(341,900)</u>	<u>(14,970)</u>	<u>-</u>	<u>(356,870)</u>
<b>Total accumulated depreciation</b>	<u>(55,304,478)</u>	<u>(4,843,987)</u>	<u>-</u>	<u>(60,148,465)</u>
<b>Total capital assets being depreciated, net</b>	<u>91,619,894</u>	<u>(2,951,023)</u>	<u>-</u>	<u>88,668,871</u>
<b>Governmental activities, net</b>	<u>\$121,869,395</u>	<u>\$22,628,150</u>	<u>\$1,905,232</u>	<u>\$142,592,313</u>
<b>Business-type activities</b>				
Capital assets being depreciated				
Machinery and equipment	\$ 678,803	\$ -	\$ -	\$ 678,803
Less accumulated depreciation	<u>(608,890)</u>	<u>(15,270)</u>	<u>-</u>	<u>(624,160)</u>
<b>Business-type activities, net</b>	<u>\$ 69,913</u>	<u>\$ (15,270)</u>	<u>\$ -</u>	<u>\$ 54,643</u>

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

<b>Governmental activities</b>	
Instruction	\$3,299,176
Instructional student support	407,093
Administrative and financial support services	560,322
Operation and maintenance of plant services	438,799
Student activities	<u>138,597</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$4,843,987</u>
<b>Business-type activities</b>	
Food service	<u>\$ 15,270</u>

As of June 30, 2023, the District had outstanding construction commitments related to the High School renovation project and athletic facilities improvements at the Middle School and Doe Run Elementary of \$22,636,339.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 372,868	Food Service Fund	\$ 372,868
General Fund	9,834	Capital Projects	9,834
General Fund	<u>2,165,498</u>	Internal Service Fund	<u>2,165,498</u>
	<u>\$2,548,200</u>		<u>\$2,548,200</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	<u>\$1,965,610</u>	General Fund	<u>\$1,965,610</u>

Transfers from the General Fund to the Capital Projects Fund were to subsidize future capital expenditures.

### (6) CHANGE IN NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$ 98,320,000	\$18,690,000	\$4,195,000	\$112,815,000	\$4,420,000
Bond premiums	<u>7,378,271</u>	<u>1,625,279</u>	<u>947,617</u>	<u>8,055,933</u>	<u>835,040</u>
<b>Total general obligation debt</b>	<u>105,698,271</u>	<u>20,315,279</u>	<u>5,142,617</u>	<u>120,870,933</u>	<u>5,255,040</u>
<b>Other noncurrent liabilities</b>					
Leases payable	1,187,166	373,959	785,078	776,047	349,665
Compensated absences	440,177	-	71,844	368,333	-
Accrued retirement bonuses	396,864	-	46,662	350,202	-
OPEB liability	2,720,767	-	1,126,066	1,594,701	-
Net OPEB liability - PSERS	3,551,470	-	763,278	2,788,192	-
Net pension liability - PSERS	<u>61,321,260</u>	<u>6,439,269</u>	<u>-</u>	<u>67,760,529</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>69,617,704</u>	<u>6,813,228</u>	<u>2,792,928</u>	<u>76,638,004</u>	<u>349,665</u>
<b>Total governmental activities</b>	<u>175,315,975</u>	<u>27,128,507</u>	<u>7,935,545</u>	<u>194,508,937</u>	<u>5,604,705</u>
<b>Business-type activities</b>					
Net OPEB liability - PSERS	84,237	17,581	-	101,818	-
Net pension liability - PSERS	<u>1,454,480</u>	<u>451,808</u>	<u>-</u>	<u>1,906,288</u>	<u>-</u>
<b>Total business-type activities</b>	<u>1,538,717</u>	<u>469,389</u>	<u>-</u>	<u>2,008,106</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>\$176,854,692</u>	<u>\$27,597,896</u>	<u>\$7,935,545</u>	<u>\$196,517,043</u>	<u>\$5,604,705</u>

**MANHEIM CENTRAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are generally liquidated by the Food Service Fund.

**(7) GENERAL OBLIGATION DEBT**

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2023 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2016A	0.60% - 5.00%	\$11,865,000	05/01/2031	\$ 11,830,000
Series of 2016B	0.55% - 5.00%	\$22,060,000	03/01/2024	4,075,000
Series of 2018	1.75% - 4.00%	\$9,500,000	05/01/2034	9,475,000
Series of 2019	1.45% - 4.00%	\$8,885,000	05/01/2027	8,865,000
Series of 2020A	1.00% - 4.00%	\$9,995,000	05/01/2037	9,985,000
Series of 2021	1.77%	\$10,105,000	05/01/2033	9,945,000
Series of 2021A	1.19%	\$9,915,000	05/01/2031	9,805,000
Series of 2021B	1.00-4.00%	\$30,270,000	05/01/2041	30,145,000
Series of 2022	3.50-5.00%	\$18,690,000	04/01/2043	<u>18,690,000</u>
<b>Total general obligation debt</b>				<b><u>\$112,815,000</u></b>

**General Obligation Bonds, Series of 2022**

On July 13, 2022, the District issued \$18,690,000 of general obligation bonds, Series of 2022. The proceeds of the bonds will be used to fund various capital projects of the District, and to pay for the costs of issuance.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2024	\$ 4,420,000	\$ 4,050,277	\$ 8,470,277
2025	4,645,000	3,840,438	8,485,438
2026	4,785,000	3,701,728	8,486,728
2027	4,910,000	3,579,302	8,489,302
2028	5,040,000	3,458,455	8,498,455
2029-2033	27,255,000	14,722,983	41,977,983
2034-2038	29,310,000	10,408,363	39,718,363
2039-2043	<u>32,450,000</u>	<u>4,480,550</u>	<u>36,930,550</u>
	<b><u>\$112,815,000</u></b>	<b><u>\$48,242,096</u></b>	<b><u>\$161,057,096</u></b>

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (8) LEASES PAYABLE

On July 1, 2021, the District entered into a 60 month lease as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$330,953. As of June 30, 2023, the amount outstanding for the lease liability was \$205,885. The District is required to make monthly fixed payments of \$6,157. The lease has an imputed interest rate of 3.78%. The equipment's estimated useful life was 60 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2023 was \$198,571 with accumulated amortization of \$132,382 and is included with noncurrent assets on the statement of net position (deficit). There is no purchase option available under the lease.

Periodically, the District enters into 48 month leases for personal technology devices for students. The total initial lease liabilities of all leases as of June 30, 2023 was \$2,517,574. As of June 30, 2023, amounts outstanding for the lease liabilities was \$570,162. The leases have annual payments ranging from \$99,148 to \$340,595 at interest rates ranging from 1.36% to 4.80%. The equipment's estimated useful life was 48 months as of the contract commencement. The value of the right to use leased assets as of June 30, 2023 was \$689,931 with accumulated amortization of \$2,135,752 and is included with noncurrent assets on the statement of net position (deficit). The District has the option to purchase the equipment at the end of the lease term for \$1.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$349,665	\$32,217	\$381,882
2025	259,918	17,197	277,115
2026	<u>166,464</u>	<u>6,561</u>	<u>173,025</u>
	<u>\$776,047</u>	<u>\$55,975</u>	<u>\$832,022</u>

### (9) PENSION PLAN

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

#### Plan Description

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

#### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

### Contributions

#### Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

**MANHEIM CENTRAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

**Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$8,246,120 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$69,666,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1567 percent, which was an increase of 0.0038 percent from its proportion measured as of June 30, 2022. As of June 30, 2023, the net pension liability of \$67,760,529 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$1,906,288 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized pension expense of \$5,413,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 32,000	\$ 603,000
Changes in assumptions	2,080,000	-
Net difference between expected and actual investment earnings	-	1,182,000
Changes in proportions	1,771,000	442,000
Contributions subsequent to the measurement date	<u>8,246,120</u>	<u>-</u>
	<u>\$12,129,120</u>	<u>\$2,227,000</u>

\$8,246,120 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### Year ended June 30,

2024	\$ 469,000
2025	915,000
2026	(1,377,000)
2027	<u>1,649,000</u>
	<u>\$ 1,656,000</u>

### Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward PSERS's total pension liability as the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2021
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.00 %	5.30%
Private equity	12.00 %	8.00%
Fixed income	33.00 %	2.30%

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**MANHEIM CENTRAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023**

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Commodities	9.00 %	2.30%
Infrastructure/MLPs	9.00 %	5.40%
Real estate	11.00 %	4.60%
Absolute return	6.00 %	3.50%
Cash	3.00 %	0.50%
Leverage	<u>(11.00)%</u>	0.50%
	<u>100.00 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u> <u>6.00%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.00%</u>	<u>1% Increase</u> <u>8.00%</u>
District's proportionate share of the net pension liability	<u>\$90,109,263</u>	<u>\$69,666,817</u>	<u>\$52,431,361</u>

**Pension Plan Fiduciary Net Position**

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

**(10) OTHER POST-EMPLOYMENT BENEFITS**

**Single-Employer Defined Benefit OPEB Plan**

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

**OPEB Plan Membership**

Membership in the OPEB plan consisted of the following at July 1, 2022:

Active employees	342
Vested former participants	-
Retired participants	<u>15</u>
Total	<u>357</u>

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# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

### OPEB Liability

The District's OPEB liability has been measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$1,594,701, all of which is unfunded. As of June 30, 2023, the OPEB liability of \$1,594,701 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2023 was as follows:

<b>Balance as of July 1, 2022</b>	<u>\$ 2,720,767</u>
<b>Changes for the year:</b>	
Service cost	240,114
Interest on total OPEB liability	66,079
Difference between projected and actual experience	(148,925)
Changes in assumptions	(1,167,657)
Benefit payments	<u>(115,677)</u>
<b>Net changes</b>	<u>(1,126,066)</u>
<b>Balance as of June 30, 2023</b>	<u>\$ 1,594,701</u>

### OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$208,240. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 136,059	\$ 339,289
Changes in assumptions	259,044	1,263,473
Contributions subsequent to the measurement date	<u>77,113</u>	<u>-</u>
	<u>\$472,216</u>	<u>\$1,602,762</u>

\$77,113 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b><u>Year ended June 30,</u></b>	
2024	\$ (97,953)
2025	(97,953)
2026	(97,953)
2027	(97,953)
2028	(97,953)
Thereafter	<u>(717,894)</u>
	<u>\$ (1,207,659)</u>

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# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### **Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates**

The following presents the OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$1,399,402</u>	<u>\$1,594,701</u>	<u>\$1,826,814</u>

### **Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District calculated using the discount rate of 4.06%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.06%</u>	<u>4.06%</u>	<u>5.06%</u>
OPEB Liability	<u>\$1,733,272</u>	<u>\$1,594,701</u>	<u>\$1,464,414</u>

### **Actuarial Methods and Significant Assumptions**

The OPEB Liability as of June 30, 2023, was determined by rolling forward the OPEB Liability as of July 1, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.06% - Standard and Poors 20 year municipal bond rate. The discount rate changed from 2.28% to 4.06%.
- Salary growth – salary increases are composed of 2.50% costs of living adjustment, 1.50% for real wage growth and for teachers and administrators a merit increase which varies by age from 2.75% to 0.00%
- Assumed healthcare cost trends – 6.50% in 2022, 6.00% in 2023 and 5.50% in 2024-2025. Rates gradually decrease from 5.40% in 2026 to 3.90% in 2075 and later.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers and PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

### **Cost Sharing Multiple-Employer Defined Benefit OPEB Plan**

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

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated

### **Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$201,363 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,890,010 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.1570 percent, which was an increase of 0.0036 from its proportion measured as of June 30, 2022. As of June 30, 2023, the net OPEB liability of \$2,788,192 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$101,818 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2023, the District recognized OPEB expense of \$84,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between projected and actual experience	\$ 27,000	\$ 15,000
Changes in assumptions	321,000	683,000
Net difference between projected and actual investment earnings	8,000	-
Changes in proportions	117,000	60,000
Contributions subsequent to the measurement date	<u>201,363</u>	<u>-</u>
	<b><u>\$674,363</u></b>	<b><u>\$758,000</u></b>

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# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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\$201,363 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30,**

2024	\$ (73,000)
2025	(35,000)
2026	(46,000)
2027	(65,000)
2028	<u>(66,000)</u>
	<u>\$ (285,000)</u>

**Actuarial Assumptions**

The OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 4.09% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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**MANHEIM CENTRAL SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.00%</u>	0.50%

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

**Discount Rate**

The discount rate used to measure the OPEB liability was 4.09%. Under the OPEB plan’s funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

**Sensitivity of District’s Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates**

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2022, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District’s proportionate share of the net OPEB liability	<u>\$2,889,717</u>	<u>\$2,890,010</u>	<u>\$2,890,246</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.09%</u>	<u>4.09%</u>	<u>5.09%</u>
District’s proportionate share of the net OPEB liability	<u>\$3,268,255</u>	<u>\$2,890,010</u>	<u>\$2,573,500</u>

**OPEB Plan Fiduciary Net Position**

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

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

#### Joint Ventures

##### **Lancaster County Career and Technology Center**

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center ("**LCCTC**"). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2022-2023 was \$972,426.

##### **Lancaster County Career and Technology Center Authority**

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2022-2023 was \$77,969.

On September 20, 2011, the Authority authorized the issuance of Guaranteed Lease Revenue Bonds (the "**Revenue Bonds**"), in the maximum aggregate principal amount of \$43,000,000 to provide funds for the renovations and additions to the Brownstown, Mount Joy and Willow Street campuses of the LCCTC and pay for the costs of issuance. The District and the 15 Lancaster County school districts have entered into a long-term lease agreement with the Authority stipulating that each school district pay its proportionate share of the lease rentals in order to retire the Revenue Bonds based on real estate market values as set forth in the LCCTC organization agreement. The Revenue Bonds were issued in three different series over three years. The amount of each series was not to exceed \$10,000,000 without the participating school districts' approval. On June 29, 2012, the Authority issued the first of three series in the total amount of \$9,995,000 which was refinanced in February 2018. On September 20, 2013 the Authority issued the second of three series in the total amount of \$9,995,000 which was refinanced in February 2017 and on July 9, 2014, the Authority issued the final of the three series in the total amount of \$3,900,000. On June 1, 2020, the Authority refinanced its Series of 2013 and Series of 2014 Revenue Bonds by issuing the Series of 2020 Revenue Bonds in the amount of \$11,145,000. The District's lease rental obligations for minimum rental payments related to the issued debt are as follows:

#### Year ending June 30,

2024	\$ 77,711
2025	77,914
2026	78,321
2027	77,788
2028	77,322
2029-2033	383,352
2034-2037	<u>305,420</u>
	<u>\$1,077,828</u>

Both the LCCTC and the Authority prepare financial statements that are available to the public from their administrative office located at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### Jointly Governed Organizations

#### **Lancaster-Lebanon Intermediate Unit**

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the "**LLIU**"). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2022-2023, the District contracted with the LLIU for special education services which totaled \$2,068,541.

#### **Lancaster-Lebanon Joint Authority**

The District and the other Lancaster and Lebanon County school district are also participating members of the Lancaster-Lebanon Joint Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2022-2023, the District did not have any financial transactions with the Authority.

#### **Lancaster County Tax Collection Bureau**

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the "**Bureau**") for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The Bureau's operating expenditures are deducted from each member's earned income tax distributions. During 2022-2023, the District's portion of operating expenditures for the Bureau totaled \$62,368.

#### **Lancaster County Academy**

The Lancaster County Academy (the "**Academy**") is an alternative public school organized by the District and 7 other Lancaster County school districts to provide services in the County. Each of the participating school districts appoints one member to serve on the joint operating committee. The District is considered to have an ongoing financial responsibility to fund the operations of the Academy. During 2022-2023, the District's portion of operating expenditures for the Academy totaled \$73,430.

## (12) CONTINGENCIES AND COMMITMENTS

### Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

### Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

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# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (13) RISK MANAGEMENT

#### Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims. The District was limited in liability to \$200,000 per individual and \$6,915,214 in total for self-insurance medical claims for the year ended June 30, 2023.

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2023 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Insurance claims liability – beginning of year	\$ 484,268	\$ 488,468
Current year insurance claims and changes in estimates	6,204,527	5,464,025
Insurance claims paid	<u>(5,819,420)</u>	<u>(5,468,225)</u>
Insurance claims liability – end of year	<u>\$ 869,375</u>	<u>\$ 484,268</u>

#### Property and Liability

The District and 15 participating member school districts, the LLIU, the Lancaster County Academy, and the LCCTC participate in the Lancaster-Lebanon Public Schools Insurance Pool (the "**Pool**"), which is a public entity risk pool currently operating as a common risk management and insurance program. The District and the other participating members pay an annual premium to the Pool for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the pools insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Pool, that the Pool will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the Pool against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance for claims greater than \$100,000 per occurrence. As of June 30, 2023, the District is not aware of any additional assessments relating to the Pool.

#### Workers' Compensation

The District and 16 participating member school districts, the LLIU and Lancaster County Academy participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the "**Fund**"), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2023, the District is not aware of any additional assessments relating to this Fund.

#### Other Risks

The District is exposed to other risks of loss, including errors and omissions. The District has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# MANHEIM CENTRAL SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2023

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Local sources	\$ 42,414,968	\$ 44,492,233	\$ 2,077,265
State sources	17,987,036	18,590,316	603,280
Federal sources	<u>3,904,728</u>	<u>3,915,167</u>	<u>10,439</u>
<b>Total revenues</b>	<u>64,306,732</u>	<u>66,997,716</u>	<u>2,690,984</u>
<b>EXPENDITURES</b>			
<b>Instruction</b>			
Regular programs	25,354,702	23,936,574	1,418,128
Special programs	9,221,073	9,881,149	(660,076)
Vocational programs	1,434,369	1,551,205	(116,836)
Other instructional programs	67,446	132,523	(65,077)
Nonpublic programs	-	19,653	(19,653)
Pre-kindergarten	<u>72,052</u>	<u>85,244</u>	<u>(13,192)</u>
<b>Total instruction</b>	<u>36,149,642</u>	<u>35,606,348</u>	<u>543,294</u>
<b>Support services</b>			
Pupil support services	1,875,165	1,886,348	(11,183)
Instructional staff services	2,019,749	1,992,626	27,123
Administrative services	3,356,768	3,480,135	(123,367)
Pupil health	556,071	514,572	41,499
Business services	991,069	1,013,797	(22,728)
Operation and maintenance of plant services	4,651,520	4,735,742	(84,222)
Student transportation services	3,417,519	3,941,371	(523,852)
Support services - central	1,798,539	1,553,339	245,200
Other support services	<u>41,000</u>	<u>42,820</u>	<u>(1,820)</u>
<b>Total support services</b>	<u>18,707,400</u>	<u>19,160,750</u>	<u>(453,350)</u>
<b>Operation of noninstructional services</b>			
Student activities	1,441,829	1,495,808	(53,979)
Community services	<u>62,000</u>	<u>63,914</u>	<u>(1,914)</u>
<b>Total operation of noninstructional services</b>	<u>1,503,829</u>	<u>1,559,722</u>	<u>(55,893)</u>
<b>Debt service</b>	<u>8,105,041</u>	<u>8,911,321</u>	<u>(806,280)</u>
<b>Total expenditures</b>	<u>64,465,912</u>	<u>65,238,141</u>	<u>(772,229)</u>
<b>Excess of revenues over expenditures</b>	<u>(159,180)</u>	<u>1,759,575</u>	<u>1,918,755</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(80,000)	(1,965,610)	(1,885,610)
Insurance recoveries	-	11,845	11,845
Sale of/compensation for capital assets	-	1,965,610	1,965,610
Budgetary reserve	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>
<b>Total other financing sources (uses)</b>	<u>(280,000)</u>	<u>11,845</u>	<u>291,845</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (439,180)</u>	<u>1,771,420</u>	<u>\$ 2,210,600</u>
<b>FUND BALANCE</b>			
Beginning of year		<u>25,353,276</u>	
<b>End of year</b>		<u>\$ 27,124,696</u>	

**MANHEIM CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>									
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	
District's proportion of the net pension liability	0.1567%	0.1529%	0.1510%	0.1547%	0.1524%	0.1531%	0.1574%	0.1443%	0.1424%	
District's proportionate share of the net pension liability	\$ 69,666,817	\$ 62,775,740	\$ 74,350,914	\$ 72,372,695	\$ 73,159,567	\$ 75,613,648	\$ 78,002,446	\$ 62,504,000	\$ 56,362,000	
District's covered-employee payroll	\$ 23,086,518	\$ 21,747,682	\$ 21,222,347	\$ 21,341,054	\$ 20,520,006	\$ 20,384,782	\$ 20,389,976	\$ 18,571,742	\$ 18,172,531	
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	301.76%	288.65%	350.34%	339.12%	356.53%	371.00%	383.00%	337.00%	310.00%	
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%	

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MANHEIM CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	Measurement Date								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,811,055	\$ 7,268,394	\$ 7,055,074	\$ 6,927,831	\$ 6,466,832	\$ 5,855,934	\$ 5,008,000	\$ 3,726,000	\$ 2,907,605
Contributions in relation to the contractually required contribution	<u>7,811,055</u>	<u>7,268,394</u>	<u>7,055,074</u>	<u>6,927,831</u>	<u>6,466,832</u>	<u>5,855,934</u>	<u>5,008,000</u>	<u>3,726,000</u>	<u>2,907,605</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 23,086,518	\$ 21,747,682	\$ 21,222,347	\$ 21,341,054	\$ 20,520,006	\$ 20,384,782	\$ 20,389,876	\$ 18,571,742	\$ 18,172,531
Contributions as a percentage of covered-employee payroll	33.83%	33.42%	33.24%	32.46%	31.51%	29.00%	25.00%	20.00%	16.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MANHEIM CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN**

Year ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>						
Service cost	\$ 240,114	\$ 238,742	\$ 147,692	\$ 148,368	\$ 176,646	\$ 170,812
Interest on total OPEB liability	66,079	52,241	70,659	60,154	72,301	54,083
Differences between projected and actual experience	(148,925)	-	176,877	-	(326,627)	-
Changes of assumptions	(1,167,657)	(91,230)	309,506	(59,968)	(98,325)	38,926
Benefit payments	<u>(115,677)</u>	<u>(106,755)</u>	<u>(70,286)</u>	<u>(55,515)</u>	<u>(124,388)</u>	<u>(140,358)</u>
<b>Net change in total OPEB liability</b>	(1,126,066)	92,998	634,448	93,039	(300,393)	123,463
<b>Total OPEB liability, beginning</b>	<u>2,720,767</u>	<u>2,627,769</u>	<u>1,993,321</u>	<u>1,900,282</u>	<u>2,200,675</u>	<u>2,077,212</u>
<b>Total OPEB liability, ending</b>	<u>\$ 1,594,701</u>	<u>\$ 2,720,767</u>	<u>\$ 2,627,769</u>	<u>\$ 1,993,321</u>	<u>\$ 1,900,282</u>	<u>\$ 2,200,675</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 19,869,750	\$ 19,043,199	\$ 19,043,199	\$ 18,410,893	\$ 18,410,893	\$ 18,932,990
<b>Net OPEB liability as a % of covered payroll</b>	8.03%	14.29%	13.80%	10.83%	10.32%	11.62%

-54-

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MANHEIM CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS**

**Year ended June 30**

	<b>Measurement Date</b>					
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
District's proportion of the net OPEB liability	0.1570%	0.1534%	0.1512%	0.1547%	0.1524%	0.1531%
District's proportionate share of the net OPEB liability	\$ 3,721,030	\$ 3,635,707	\$ 3,266,974	\$ 3,290,225	\$ 3,177,462	\$ 3,119,277
District's covered-employee payroll	\$ 23,086,518	\$ 21,747,682	\$ 21,222,347	\$ 21,341,054	\$ 20,520,066	\$ 20,384,782
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.12%	16.72%	15.39%	15.42%	15.48%	15.00%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**MANHEIM CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>					
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Contractually required contribution	\$ 183,334	\$ 178,504	\$ 177,997	\$ 177,241	\$ 170,267	\$ 133,293
Contributions in relation to the contractually required contribution	<u>183,334</u>	<u>178,504</u>	<u>177,997</u>	<u>177,241</u>	<u>170,267</u>	<u>133,293</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 23,086,518	\$ 21,747,682	\$ 21,222,347	\$ 21,341,054	\$ 20,520,066	\$ 20,384,782
Contributions as a percentage of covered-employee payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.65%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SINGLE AUDIT**

# MANHEIM CENTRAL SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2023

-57-

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2023	Passed Through to Subrecipients
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-220236	07/01/21 - 09/30/22	\$ 617,948	\$ 352,129	\$ 352,129	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-230236	07/01/22 - 09/30/23	565,912	526,058	-	565,912	565,912	39,854	-
Total ALN #84.010						878,187	352,129	565,912	565,912	39,854	-
Title II - Improving Teacher Quality	I	84.367	020-220236	07/01/21 - 09/30/22	107,782	61,528	61,528	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-230236	07/01/22 - 09/30/23	85,863	84,442	-	85,863	85,863	1,421	-
Total ALN #84.367						145,970	61,528	85,863	85,863	1,421	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220236	07/01/21 - 09/30/22	30,969	8,862	8,862	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-230236	07/01/22 - 09/30/23	47,878	45,610	-	47,878	47,878	2,268	-
Total ALN #84.424						54,472	8,862	47,878	47,878	2,268	-
COVID-19 - CARES Act - ESSER Fund Local	I	84.425D	200-210236	03/13/20 - 09/30/23	1,520,666	1,025,565	767,317	258,248	258,248	-	-
COVID-19 ARP ESSER Homeless Children & Youth	I	84.425W	181-212234	07/01/21 - 09/30/24	21,735	5,573	(1,115)	17,097	17,097	10,409	-
COVID-19 - ARP ESSER	I	84.425U	223-210236	03/13/20 - 09/30/24	3,075,868	1,454,047	670,788	1,775,471	1,775,471	992,212	-
COVID-19 - ARP ESSER 2.5%	I	84.425U	224-210236	03/13/20 - 09/30/24	44,133	25,677	-	19,550	19,550	(6,127)	-
COVID-19 - ARP ESSER 7%	I	84.425U	225-210236	03/13/20 - 09/30/24	239,064	195,598	64,593	131,005	131,005	-	-
Total ALN #84.425						2,706,460	1,501,583	2,201,371	2,201,371	996,494	-
<b>Passed Through the Lancaster-Lebanon I.U.</b>											
I.D.E.A. - Part B, Section 619	I	84.173	131-210013	07/01/21 - 06/30/22	3,546	3,546	3,546	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-220013	07/01/22 - 06/30/23	2,354	-	-	2,354	2,354	2,354	-
Total ALN #84.173						3,546	3,546	2,354	2,354	2,354	-
COVID-19 - I.D.E.A. - Part B, Section 611 - ARP	I	84.027	062-220013	07/01/21 - 09/30/23	99,070	73,698	-	73,698	73,698	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-220013	07/01/21 - 09/30/22	536,110	360,740	360,740	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-230013	07/01/22 - 09/30/23	526,469	202,177	-	526,469	526,469	324,292	-
Total ALN #84.027						636,615	360,740	600,167	600,167	324,292	-
<b>Total U.S. Department of Education</b>						<b>4,425,250</b>	<b>2,288,388</b>	<b>3,503,545</b>	<b>3,503,545</b>	<b>1,366,683</b>	<b>-</b>

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
<b><u>U.S. Department of Health and Social Services</u></b>											
<b><u>Passed Through the Pennsylvania Department of Welfare</u></b>											
Medical Assistance Program	I	93.778	N/A	07/01/21 - 06/30/22	N/A	7,235	7,235	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/22 - 06/30/23	N/A	6,144	-	11,622	11,622	5,478	-
Total ALN #93.778						13,379	7,235	11,622	11,622	5,478	-
<b><u>U.S. Department of Agriculture</u></b>											
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>											
State Matching Share	S	N/A	N/A	07/01/22 - 06/30/23	N/A	94,509	-	94,509	94,509	-	-
Breakfast Program	I	10.553	N/A	07/01/22 - 06/30/23	N/A	180,869	-	180,869	180,869	-	-
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22 - 06/30/23	N/A	628	-	628	628	-	-
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	688,360	-	688,360	688,360	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	56,381	-	56,381	56,381	-	-
<b><u>Passed-Through the Pennsylvania Department of Agriculture</u></b>											
National School Lunch Program	I	10.555	N/A	07/01/22 - 06/30/23	N/A	a) 140,411	b) (14,205)	c) 122,692	122,692	d) (31,924)	-
Total ALN #10.555						885,152	(14,205)	867,433	867,433	(31,924)	-
<b>Total U.S. Department of Agriculture</b>						1,161,158	(14,205)	1,143,439	1,143,439	(31,924)	-
<b>Total Federal Awards and Certain State Grants</b>						\$ 5,599,787	\$ 2,281,418	\$ 4,658,606	\$ 4,658,606	\$ 1,340,237	\$ -
Total Federal Awards						\$ 5,505,278	\$ 2,281,418	\$ 4,564,097	\$ 4,564,097	\$ 1,340,237	\$ -
Total State Awards						94,509	-	94,509	94,509	-	-
Total Federal Awards and Certain State Grants						\$ 5,599,787	\$ 2,281,418	\$ 4,658,606	\$ 4,658,606	\$ 1,340,237	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 640,161	\$ 364,286	\$ 602,521	\$ 602,521	\$ 326,646	\$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						\$ 1,066,021	\$ (14,205)	\$ 1,048,302	\$ 1,048,302	\$ (31,924)	\$ -

**Continued on next page**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Passed Through to Subrecipients</u>
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**Footnotes**

- a) Total amount of commodities received
- b) Beginning inventory July 1
- c) Total amount of commodities used
- d) Ending inventory June 30

**Source Codes**

- D - Direct Funding
- I - Indirect Funding
- S - State Funding



# MANHEIM CENTRAL SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2023

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### (1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

### (2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

### (3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under ALN #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2022-2023 fiscal year.

### (4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2023 was \$400,000.

### (5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**MANHEIM CENTRAL SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2023**

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There were no audit findings for the year ended June 30, 2022.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of School Directors  
Manheim Central School District  
Manheim, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manheim Central School District, Manheim, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Manheim Central School District's basic financial statements, and have issued our report thereon dated December 15, 2023.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

**BBD, LLP**

**Philadelphia, Pennsylvania  
December 15, 2023**



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

**Board of School Directors  
Manheim Central School District  
Manheim, Pennsylvania**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Manheim Central School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Manheim Central School District's major federal programs for the year ended June 30, 2023. Manheim Central 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.

In our opinion, Manheim Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Manheim Central School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Manheim Central School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Manheim Central School District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Manheim Central School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Manheim Central School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Manheim Central School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Manheim Central School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Manheim Central School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

**BBD, LLP**

**Philadelphia, Pennsylvania  
December 15, 2023**

# **MANHEIM CENTRAL SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended June 30, 2023**

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### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Manheim Central School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Manheim Central School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Manheim Central School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Manheim Central School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The program tested as a major program was:  

Educational Stabilization Fund – Assistance Listing Number 84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Manheim Central School District did qualify as a low-risk auditee.

### **FINDINGS—FINANCIAL STATEMENT AUDIT**

None

### **FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None