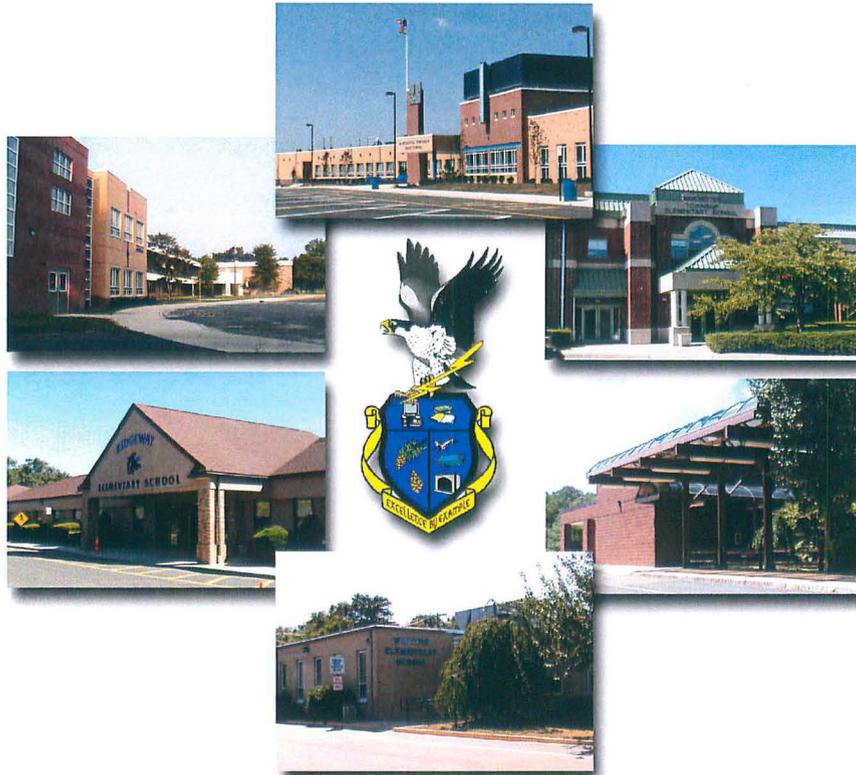


MANCHESTER TOWNSHIP SCHOOL DISTRICT



Manchester Township Board of Education
Manchester Township, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

"Excellence by Example"

Manchester Township

School District

**Manchester Township Board of Education
Manchester Township, New Jersey**

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Prepared by Manchester Township School District
Business Office
Mr. Craig Lorentzen
Business Administrator, Board Secretary

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Introductory Section



Manchester Township Board of Education

P. O. Box 4100, 121 Route 539
Whiting, New Jersey 08759-4100

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DAVID TRETHAWAY
Superintendent of Schools

CRAIG A. LORENTZEN, CPA
Business Administrator
Board Secretary

DONALD WEBSTER, JR.
President

JAMES K. PATE
Vice President

October 4, 2013

Honorable President and Members
of the Board of Education
Manchester Township School District
County of Ocean
Whiting, New Jersey

Dear Board Members and Constituents of Manchester Township:

The Comprehensive Annual Financial Report of the Manchester Township School District (District) for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information at June 30, 2013 and the respective changes in financial position and cash flows for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organization chart and roster of officials, consultants and advisors and the Certificate of Excellence in Financial Reporting. The financial section includes Management's Discussion and Analysis (immediately following the report of independent auditors), basic financial statements, required supplementary information, supplementary information and other information, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the independent auditors' reports on internal control and compliance with applicable major programs, are included in the single audit section of this report.

1. Reporting Entity and Its Services

The Manchester Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and the government-wide financial statements of the District are included in this report. The Manchester Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2012/2013 fiscal year with an average daily enrollment of 3,016.6 students. The average daily enrollment at the State's Regional Day School at Jackson (RDS) administered by the District for 2012/2013 was 84.5. The following details the changes in the student average daily enrollment of the District and RDS over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2012-2013 (RDS)	3,016.6 84.5	(1.91)% (5.05)
2011-2012 (RDS)	3,075.6 89.0	(3.91) (7.00)
2010-2011 (RDS)	3,200.8 95.7	1.85 (5.31)
2009-2010 (RDS)	3,142.7 101.6	0.36 1.30
2008-2009 (RDS)	3,131.4 100.3	(0.81) (1.28)

2. Economic Condition and Outlook

The natural features of Manchester Township include vast tracts of Pinelands providing major aesthetic and environmental qualities, which were critical factors in the development of large-scale retirement communities making Manchester one of the major retirement areas in the United States. A major regional factor affecting the future of Manchester Township is the Pinelands Comprehensive Management Plan, which limits development potential in approximately 72 percent of the Township. The Plan protects and preserves the Pinelands of New Jersey as part of a million-acre National Reserve. The Pinelands Plan and Regulations dominate much of the development of the master plan for Manchester Township as well as master plans for adjacent municipalities, Ocean County and the State.

The Pine Barrens is not agriculturally productive. A combination of acidic and sandy soils makes traditional crop farming very difficult and economically impossible.

The Township of Manchester, the third largest municipality in area size within Ocean County, was chartered in 1865 when it seceded from Dover Township. Manchester Township is a municipality comprised of approximately 82 square miles and is situated in the State of New Jersey along the western boundary line of the County of Ocean. The Township is located

approximately 70 miles from the New York-New Jersey metropolitan region and approximately 60 miles from the Philadelphia-New Jersey metropolitan region.

The Township of Manchester is bounded by the Township of Jackson to the north, the Township of Lakewood to the northeast, the Township of Toms River to the east and southeast, the Townships of Berkeley and Lacey to the south, and the Townships of Woodland and Pemberton, in the county of Burlington, to the west.

Today, Manchester Township continues to be one of the best known communities in the northeastern United States for its extensive retirement communities, that made the Township one of the fastest growing communities in New Jersey during the period from 1965 through 2010. The future of Manchester Township will be directly affected by the extent of the numerous environmental and planning regulations at the State, Regional, and County levels. The regulations on development will preserve much of Manchester Township as it existed more than two hundred years ago.

Manchester, with over 75% percent of its population age sixty-five or over, has experienced a significant increase in its aging population since 1970. Manchester is experiencing a slowdown of its total population growth. It is predicted that the population composition in the future may increase due to a younger constituent. These changes can be important considerations in planning for the future educational, residential, commercial, office, recreational, public facilities and other needs of the Township. There are a number of new age restricted housing developments that will materialize in the future which will help increase the net assessed evaluation of the community.

Economic conditions and changing market demands for housing have continued to change with the times. The Township continues to grow at the same rate with over 2000 building permits issued over the past five years.

3. Major Initiatives

The year 2012/2013 marked the final year of the District's implementation of the goals of the Long Range Plan, updated in June 2008. Implementation of the goals through specific objectives is a continuous process. However, implementation of the specific objectives occurs within specific timelines.

Goal: Raise academic expectations and Improve student performance

Status: School level objectives were developed and submitted in reference to the state assessments and subgroups not meeting Annual Yearly Progress (AYP). The following programs were implemented and/or expanded in the District:

Elementary:

- NJ ASK 3,4 and 5 Prep Program
- Summer Jump Start Program focuses on Reading and Math.
- NJ ASK updates and revisions to test have been shared with teachers. Teachers developed task charts with writing samples consistent with NJASK test.
- Literacy coaches
- Open ended question strategies (RARE)
- Use RAFTS to prepare students for explanatory and persuasive writing.
- Developmental Reading Assessment

- Project Read
- Daily Five Program
- Flexible Grouping
- Formative Assessments
- Core K-12 Assessment Program
- Writers Workshop
- School Assessment Committee.
- Power Hour
- Project Discovery
- Shape

Middle School:

- Homework Help
- Math and Language Arts – Project Boost Program
- Summer Enrichment Program
- Strategies Mandatory School Assessment Committee
- Pre/Post Test in Math and Language Arts
- Study Island
- Vocabulary Initiative
- Core K-12 Assessment Program
- Developmental Reading Assessment
- Stepping Up – Summer Program

High School:

- Transition Program
- HSPA Prep classes Language Arts and Math
- School Assessment Committee
- Special Education/General Education articulation
- Credit Recovery Program
- Formative Assessments
- Core K-12 Assessment Program
- School Assessment Committee

District:

- District Assessment Committee
- Professional Development
- Curriculum Articulation meetings
- BEST Parent meetings
- Parent Participation Meetings
- ESL Parent Meetings

- All curriculum was reviewed and revised to align with most recent Common Core Curriculum Content Standards. This process allows us to get full credit during the QSAC evaluation. The Curriculum Committee also identified strengths and weaknesses and made revisions accordingly.

- A new five year curriculum model will be approved to better reflect the timelines of the district and clearly identify the steps needed to address the changes in the curriculum standards and to ensure that all subjects are current and relevant.

Goal: Provide best possible facilities for learning and insure a safe and caring environment for education and extracurricular activities.

Status: The District has completed the renovations to five of its schools as part of a referendum that was passed by the taxpayers in September 2009. The renovations included but were not limited to solar photovoltaic panels, modular classroom upgrades, roof repairs, carpet replacement, auditorium upgrades, playground equipment, buses, athletic field additions and renovations, security, classroom furniture, and windows. While this project did address several of our immediate needs, there are still many areas we will have to monitor and review in the future.

- The District utilizes a School Resource Officer “SRO”, through a shared service inter-local agreement. This officer, who is located in the high school, has been a positive addition to our staff and has been an invaluable resource to improving the safety and security in the high school.
- Continue to have meetings to review our lock-down, active shooter, bomb threat and evacuation procedures. The relationships between the Township and the schools have been excellent in this area.
- Reviewed the School Safety Manual and the First Thirty Minutes Manual with the Administrative Team. Each principal reviewed and discussed these at the beginning and throughout the year at faculty meetings.
- Began implementation of a new surveillance and card access/reader system for building entry at all schools.
- Began installation/upgrades of burglar alarm systems in district schools.
- All Administrators attended workshops including mandated Gang Awareness and Harassment, Intimidation and Bullying Workshops.
- Working with Township Officials and Administrative Team to identify areas that need to be addressed throughout the district. An action plan will be developed to analyze and address these areas as budgetary funds allow.

Goal: Focus on reducing utility costs through energy conservation

Status: Since the inception of the Energy Education program in October 2009, the school district has reduced energy cost by over \$2.0 million. The cost reduction has allowed the District to maintain staff and programs that otherwise may have been lost due to tax levy cap restrictions. The District also conducted an energy audit this year through the NJ Clean Energy Audit Program. The energy audit was at no cost to the District and will provide areas where energy savings may be achieved at minimal cost and allow the district to improve infrastructure.

Goal: Continue block schedule pilot program at the High School for a section of History and English and add a section of Math and Science.

Status: The response from students and staff on the block schedule has been very positive. The District added math and science in 2012-2013. The programs were very successful and will continue to be evaluated throughout the year.

Goal: Review, Revise and Adopt All Policies to Reflect changes in State Requirements and Address areas of Need

Status: This year has been another year of a significant amount of new regulations and mandates coming from the State. The districts entire policy manual has been updated to comply with all the new laws, regulations and mandates. The District continues to develop policies that address the new mandates.

Goal: Implementation of New Teacher Evaluation Program

Status: During the 2012-2013 school year, the district began implementation of a new teacher evaluation system in accordance with new state requirements. The district chose the Charlotte Danielson Model. The entire staff have been trained in the new model with additional training was provided to those staff members that will be required to evaluate staff under the new model. This was a very intensive process but it is complete and will be used in 2013-2014 school year.

Goal: Continue to maintain and upgrade district technology

Status: The District maintains over 1,000 computers. Each year, the District purchases a block of new computers to replace older units that have reached their life expectancy and are no longer effective. The replaced units are either repurposed or used for parts. In addition to computers, the District has purchased Smart Boards, MOBI's, Epson Brite's, Laptops and Projectors to be used as part of the instructional process in all the district schools. The District is currently in the planning stages to meet the new state testing mandates under the PARCC Program that will require additional technology in the 2013-2014 school year. The district installed a wireless network throughout the district during the school year and will need to add additional bandwidth, new computer labs, laptops and desktops to meet the testing requirements. This State mandate is unfunded. The district piloted an iPad program in a section of English at the high school in 2012-2013. The iPad replaced the textbook in the classroom and gave students more access to information through on-line textbooks and education applications. The program was very successful.

Conclusion

The District has implemented all of the District goals and objectives for the school year 2012/2013. We continue to raise the academic expectations and improve test scores while being cost conscience as well.

4. Internal Control

Management of the District is responsible for establishing and maintaining internal control designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal and state financial assistance programs, as well as to evaluate whether the District has complied with applicable laws and regulations relating to its major programs.

5. Budgetary Controls

In addition to internal control, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end either are canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2013.

6. Accounting System and Reports

The District's financial statements are presented in conformity with accounting principles generally accepted in the United States, as promulgated by the GASB. The accounting system of the District is organized based on funds. These funds are explained in "Notes to the Basic Financial Statements," Note 1.

7. Debt Administration

Under provisions of New Jersey statutes, school districts may not incur indebtedness greater than 4% of the average equalized valuation of taxable property. At June 30, 2013, the District's outstanding debt issues are below the legal debt margin. The bonds of the District are rated AAA by Standard & Poor's and the District continues to be committed to providing the debt rating agencies and all other interested parties with annual audited financial statements and other pertinent credit information relevant to our outstanding securities.

8. Cash Management

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District utilizes a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. Risk Management

The Board carries various forms of insurance including, but not limited to, fire, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10. Other Information

A. Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wiss and Company, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

B. Awards: The International Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the seventeenth consecutive year that the District has received this prestigious award. In order to be awarded this certificate, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States and applicable legal requirements.

The Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Programs' requirements and we are submitting it to ASBO to determine its eligibility for the fiscal year 2012/2013 certificate.

11. Major Operations or Financial Concerns

The District has continued to manage its fund balance to control the existing tax burden to its constituents. The new funding plan that the State developed reduced the District’s 2010-2011 operating budget by \$2.3 million through state aid reductions. While the District did receive additional state aid in the 2011-2012 school year, it is only a fraction of what was taken during the 2010-2011 school year. Therefore, the affects of the cut in 2010-2011 will be felt in all future budgets until this funding is restored. The District receives less than 10% of its revenues from state sources that has caused budget preparation concerns because of the conscientious decision to work within the cap constraints and not increase the appropriation side of the budget. The need for increased state aid in the form of senior stabilization and as a “B” Level District, 100% funding to meet facility requirements is needed to help stabilize the tax rate for its citizens.

12. Significant Budget Variations or Modifications Discussion for Next Year

With the comprehensive funding formula that is being developed at the state level, it is unknown regarding the manner in which the budget needs to be modified. The District cost per pupil is below state average at present, but the lack of information concerning State School Aid makes the future of funding education in Manchester unclear.

13. Acknowledgments

We would like to express our appreciation to the members of the Manchester Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully Submitted,



David Trethaway
Superintendent

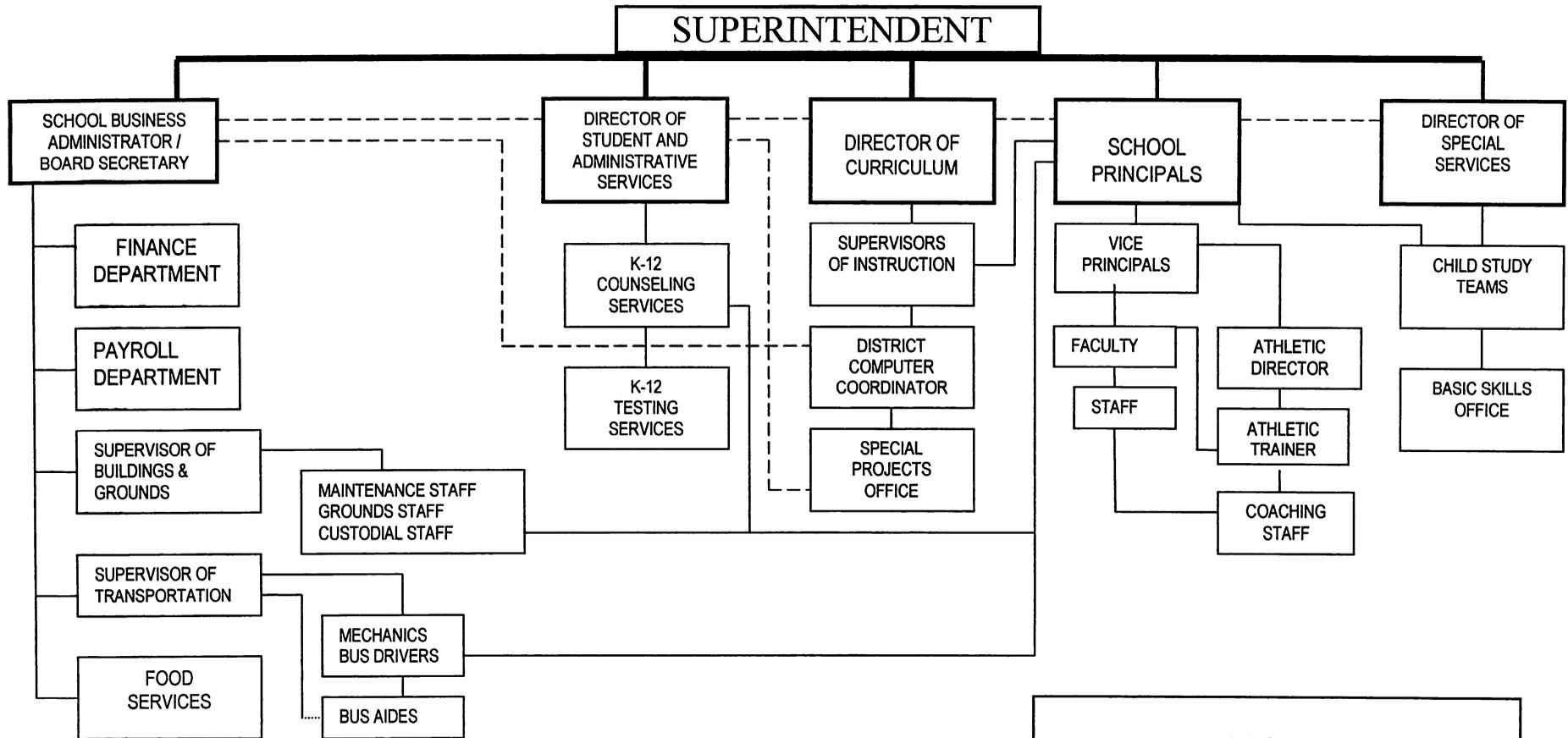


Craig A. Lorentzen, CPA,
Board Secretary
Business Administrator

MANCHESTER TOWNSHIP SCHOOL DISTRICT

Organization Chart

BOARD OF EDUCATION



LEGEND

_____ Primary Reporting Authority

----- Line of Cooperation

Manchester Township School District
Manchester Township, New Jersey

Roster of Officials

June 30, 2013

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Donald Webster, Jr., President	2015
James K. Pate, Vice President	2013
Mary Walter	2014
Steve Placido	2014
James Griffin	2015
Jackie Bermudez	2013
Jennifer Hudak	2014
Kevin Oliver (Lakehurst Board Representative) (7/1/12-6/19/13)	Yearly Appointee

Other Officials

David Trethaway, Superintendent of Schools

Craig A. Lorentzen, CPA, Board Secretary/School Business Administrator

Manchester Township School District
Manchester Township, New Jersey

Independent Auditors and Advisors

Independent Auditors

Wiss and Company, LLP
485C Route 1 South
Iselin, New Jersey 08830

Attorney

Thomas Monahan, Esq.
Gilmore and Monahan
10 Allen Street
Toms River, New Jersey 08754

Official Depository

TD Bank
86 Lacey Road
Whiting, New Jersey 08759

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Manchester Township Board of Education

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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Financial Section



Independent Auditors' Report

Honorable President and Members
of the Board of Education
Manchester Township School District
County of Ocean
Whiting, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by the U.S. Office of Management and

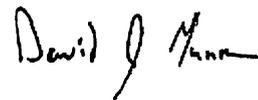
Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively*, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2013 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting compliance.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

October 4, 2013
Iselin, New Jersey

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Required Supplementary Information - Part I
Management's Discussion and Analysis

Manchester Township School District
Management's Discussion and Analysis
Year ended June 30, 2013
(Unaudited)

As management of the Manchester Township School District, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year (2012-2013) and the prior fiscal year (2011-2012) is presented in the MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and 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.

The statement of net position presents information on all of the assets, deferred outflows, deferred inflows and liabilities of the District, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon 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., earned but unused vacation leave).

The government-wide financial statements can be found on pages 27 - 28 of this report.

Fund financial statements. 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 funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 near-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 government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund, and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund to demonstrate compliance with this budget and supplementary information for the debt service fund.

The basic governmental fund financial statements can be found on pages 29 – 31 of this report.

Proprietary funds. The District maintains two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service program and regional day school, both of which are considered to be major funds of the District. The internal service fund is used to accumulate and allocate costs internally among the District's various functions or for providing a service to other entities on a break-even basis over time. The District uses one internal service fund to account for services provided to other entities for transportation, which is considered to be a major fund of the District. The internal service fund has been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 32 - 34 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. 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 District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The District also uses trust funds to account for an unemployment compensation fund and a private purpose scholarship fund. The basic fiduciary fund financial statements can be found on pages 35 - 36 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37 - 63 of this report.

Other information. The combining statements referred to earlier in connection with governmental funds, enterprise funds and internal service funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 64 - 87 of this report.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,121,015 at the close of 2013 and the District's overall financial position has improved from the prior year. The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2013 and 2012:

Manchester Township Board of Education
Manchester Township, New Jersey

Net Position

	June, 30 2013			June 30, 2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$2,654,788	\$ 354,512	\$3,009,300	\$ 2,440,435	\$ 284,917	\$ 2,725,352
Capital assets, net	41,280,387	445,609	41,725,996	42,137,414	514,202	42,651,616
Total assets	43,935,175	800,121	44,735,296	44,577,849	799,119	45,376,968
Current liabilities	699,841	46,593	746,434	744,393	95,800	840,193
Long-term liabilities outstanding	28,832,101	35,746	28,867,847	30,105,603	37,623	30,143,226
Total liabilities	29,531,942	82,339	29,614,281	30,849,996	133,423	30,983,419
Net position:						
Net Investment in capital assets	16,337,248	409,863	16,747,111	16,198,934	476,579	16,675,513
Restricted	1,273,553		1,273,553	835,861		835,861
Unrestricted (deficit)	(3,207,568)	307,919	(2,899,649)	(3,306,942)	189,117	(3,117,825)
Total net position	\$14,403,233	\$ 717,782	\$15,121,015	\$13,727,853	\$665,696	\$14,393,549

Current and other assets increased mainly due to an increase in the amount the State of New Jersey awarded the District in Extraordinary Aid as well as an increase in unexpended appropriations compared to the prior year.

Current liabilities decreased slightly due to a decrease in accounts payable as a result of certain bills being paid prior to year end during the 2013 fiscal year.

Long-term liabilities decreased based on principal payments made in the amount of \$1,385,000 in bonds payable and approximately \$441,000 in capital lease payments, offset by a new capital leases in the amount of \$820,000.

The largest portion of the District's net position is its net investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital leases) used to acquire those assets that are 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 net 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. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The restricted portion of the net position, \$1,273,000, relates to unexpended amounts in the Capital Projects Fund in the amount of \$691,000, amounts restricted for debt service in the amount of \$34,600 and excess surplus generated during the current fiscal year in the amount of \$547,000 that is restricted to be utilized in the District's 2015 fiscal year budget.

The remaining deficit balance of unrestricted net position reflects long-term obligations, such as compensated absences, not invested in capital assets. The deficit (negative) amount is mainly the result of liabilities for compensated absences without an offsetting asset.

There was an increase of approximately \$52,000 in net position reported in connection with the District's business-type activities as a result of the following:

- For the Food Service program, daily sale and special functions revenue decreased by approximately \$247,000 and federal and state revenue decreased by approximately \$61,000. This decrease in revenue was partially offset by a decrease in operating expenses in the amount of \$267,000. The cause for the

overall decrease in activity was the result of a mold issue that closed the District's middle school during the first few months of the school year which required the middle school students to attend the District's high school. This resulted in lunch not being served to the entire student body.

- For the Regional Day School, overall net position for the program increased \$128,000. Tuition generated by the program increased \$61,000, and the District was able to control operating expenses during the 2013 fiscal year, which resulted in a decrease of \$174,000 in the amount expended for the program.

District activities. The key elements of the District's changes in net position for the years ended June 30, 2013 and 2012 are as follows:

Manchester Township Board of Education
Manchester Township, New Jersey

Changes in Net Position
Year Ended

	June 30, 2013			June 30, 2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,628,987	\$6,645,575	\$9,274,562	\$ 2,466,071	\$6,831,079	\$ 9,297,150
Operating and capital grants and contributions	1,296,586	727,079	2,023,665	1,316,913	792,020	2,108,933
General revenues:						
Property taxes	41,516,757		41,516,757	40,662,161		40,662,161
Federal and state aid not restricted to specific purposes	10,588,044		10,588,044	9,529,730		9,529,730
Earnings on investments				2,429	21	2,450
Miscellaneous	23,041		23,041	102,342		102,342
Total revenues	56,053,415	7,372,654	63,426,069	54,079,646	7,623,120	61,702,766
Expenses:						
Instructional services	32,597,470	2,266,552	34,864,022	31,926,646	2,229,518	34,156,164
Support services	21,797,808	5,054,016	26,851,824	20,880,997	5,531,644	26,412,641
Interest on long-term liabilities	982,757		982,757	920,735		920,735
Total expenses	55,378,035	7,320,568	62,698,603	53,728,378	7,761,162	61,489,540
Change in net position	675,380	52,086	727,466	351,268	(138,042)	213,226
Net position – beginning	13,727,853	665,696	14,393,549	13,376,585	803,738	14,180,323
Net position – ending	\$14,403,233	\$717,782	\$15,121,015	\$13,727,853	\$665,696	\$14,393,549

Governmental Activities

- Unrestricted State Aid increased from 2012 by \$169,000 and the amount paid by the State on behalf of the District for TPAF Pension Contributions increased by \$1,058,000. Federal aid decreased by \$135,000. Property tax revenues increased from 2012 by approximately \$855,000.
- Instructional and support services costs increased due to contractual obligations of teachers and other employees, as well as related benefits.

Business-Type Activities

- Charges for services decreased from 2012 as a result of the mold issue that closed the District's middle school during the first few months of the school year which required the middle school students to attend the District's high school. This resulted in lunch not being served to the entire student body.
- Discretionary spending related to support services were reduced in order to offset fixed costs and contractual increases.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The District's fund balance amounts are classified as restricted, committed, assigned or unassigned.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2013, and the increases and (decreases) in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2012</u>	<u>Percent of Increase (Decrease)</u>
Local sources	\$ 43,894,645	78.72%	\$ 917,390	2.13%
State sources	10,480,849	18.80	1,242,079	13.44
Federal sources	1,381,706	2.48	(152,618)	(9.95)
Total	<u>\$ 55,757,200</u>	<u>100.00%</u>	<u>\$ 2,006,851</u>	<u>3.73%</u>

The increase in local sources is mainly attributable to the tax levy increase of approximately \$855,000. The District's overall increase in the tax levy is within the 2% levy cap as promulgated by the State Legislature.

The increase in state sources is largely a result of the State of New Jersey increasing the amount paid by the State on behalf of the District for TPAF Pension Contributions by \$1,058,000.

The decrease in federal sources is mainly attributable to the District receiving non-recurring revenue from Education Jobs Funds during the 2012 fiscal year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2013 and the increases and decreases related to the prior year:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2012</u>	<u>Percent of Increase (Decrease)</u>
Current expenditures:				
Instruction	\$ 21,177,819	37.77%	\$ 507,811	2.46%
Undistributed expenditures	31,540,307	56.26	1,495,226	4.98
Capital outlay	1,108,738	1.98	707,727	176.49
Debt service:				
Principal	1,385,000	2.47	(35,000)	(2.46)
Interest	853,212	1.52	(278,108)	(24.58)
Total	\$56,065,076	100.0%	\$2,397,656	4.47%

The increase in instruction and undistributed expenditures is attributable primarily to contractual salary increases to staff, pension obligations and private school tuition for special need students, partially offset by a decrease in health benefit expenditures. Debt service amounts decreased due to the timing of the repayment schedule of outstanding debt and from the effects of the refunding bond issue that occurred during the 2012 fiscal year.

General Fund

The fund balance increased by \$477,000 during the 2013 fiscal year as a result of additional state aid received as well as an increase in the amount of budget appropriations that remained unspent at the end of the fiscal year. As of June 30, 2013, the District has an unassigned fund balance of \$560,000, approximately \$100,000 increase from the 2012 fiscal year.

Special Revenue Fund

Expenditures incurred in the Special Revenue Fund increased slightly by approximately \$50,000 as a result of new grants received during the 2013 fiscal year from FEMA, Race to the Top and Ocean First.

Capital Projects Fund

As of June 30, 2013, the District's Capital Project's Fund Balance was approximately \$691,000 that will be utilized towards debt service tax relief in the future.

Debt Service Fund

State debt service aid decreased \$63,000 as a result of the State changing its funding formula and overall debt service appropriations decreased by \$313,000 largely as a result of the bond refunding that occurred during the 2012 fiscal year.

Capital Asset and Debt Administration

Capital Assets. The District has capital assets, net of accumulated depreciation, including land, buildings, facilities, equipment and vehicles noted as follows at June 30, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,220,818	\$ 1,220,818			\$ 1,220,818	\$ 1,220,818
Buildings and buildings improvements	36,854,097	38,274,460			36,854,097	38,274,460
Machinery, equipment, and vehicles	3,205,472	2,642,136	\$ 445,609	\$ 514,202	3,651,081	3,156,338
Total capital assets, net	\$ 41,280,387	\$ 42,137,414	\$ 445,609	\$ 514,202	\$ 41,725,996	\$ 42,651,616

For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration. The District's long-term liabilities are as follows for the governmental activities at June 30, 2013 and 2012:

	Governmental Activities	
	2013	2012
Bonds payable (net)	\$23,606,202	\$24,980,530
Capital leases payable	1,336,938	957,950
Compensated absences	3,888,961	4,167,123
Total long-term liabilities	\$28,832,101	\$30,105,603

For more detailed information, please refer to Note 5 to the basic financial statements.

Economic Factors and Next Year's Budget

The Manchester Township Board of Education is financially stable. The School District is proud of the community support of its public schools. The District will continue to be financially sound through cost efficient and effective means in all areas.

During the 2012-2013 school year the District's state aid increased by 1.98%. The District also experienced an increase in its Debt Service Assessment payable which effectively reduced our state aid increase to 1.43%. However, even with the increase in state aid, the district is still \$1.27 million below state funding levels from the 2009-2010 school year due to substantial cuts that were made during the 2010-2011 school year. This has had a significant impact on the educational systems in Manchester. Federal aid that represents approximately 2.3% of the district's budget also decreased in 2012-2013 and is expected to continue decreasing each year due to state budget reductions.

The District began implementing new unfunded state requirements for a new teacher evaluation program and a computerized state testing program for students called "PARCC". The new teacher evaluation program implementation is complete and is being used in the 2013-2014 school year. There was a significant amount of training involved for the new teacher evaluation program along with the purchase of and implementation of the new program software. The PARCC program will require that all students be able to take state mandated testing on a computer. This will require significant upgrades to our infrastructure such as a wireless network and an increase in available bandwidth as well as require the purchase of several hundred computers to meet the needs of the students and requirement of the test.

The District went through a district wide energy audit and facility assessment during the 2011-2012 school year. The results of these projects were evaluated. There is an extreme need to address roofing and HVAC and lighting equipment throughout the district. The majority of the District's HVAC equipment is 20-30 years old and is now becoming cost prohibited to maintain. The district will be reviewing several options to address some of our most critical needs through Regular Operating District Grants, Energy Savings Improvement Plan and/or a school referendum.

The District has continued its energy savings program in an effort to reduce the demand required from the public utility companies due to rising utility costs. This program is a people based program intended to reduce energy consumption by implementing certain cost savings measures. Since its inception in October 2009, the District has reduced its energy costs by over \$2,000,000 and is very optimistic that it will continue to save on energy consumption in the future. Additionally, in the upcoming school year, Manchester will continue to participate and seek opportunities through shared services with municipalities and other school districts as well as cooperative purchasing agreements to reduce district operating costs.

The state funding of education in New Jersey is causing an undo hardship on most districts in the state and Manchester is no exception. The fact of receiving just under 10% of its general fund budget from state aid, excluding on-behalf TPAF, FICA and pension when the average approximately 41% combined with other District's of similar size and type to Manchester (District factor group of B), presents an enormous disadvantage to all the constituents of Manchester.

The District continues to look to the future for a better way to fund public education. In addition, the Manchester Township School District has committed itself to financial excellence for many years. District's system of financial planning, budgeting and internal financial controls are well respected and the District has received the certificate of excellence in financial accounting from International ASBO for 17 years in a row. The School District plans to continue its sound fiscal management to meet the challenges of the future.

All of these factors were considered in preparing the District's budget for the 2013 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

General Fund Budgetary Highlights

There were no differences between the original budget and the final budget other than transfers between appropriation accounts.

Significant budgetary transfers were made between budgetary line items and approved by the Board for various reasons including:

- Required maintenance for school facilities – cleaning, repair and maintenance - an increase of \$426,110 was mainly attributable to maintenance and upkeep of the districts aging HVAC systems and improving school security throughout the district.
- Operations and maintenance of plant services – custodial services – energy (electricity) – a decrease of \$334,673 was mainly attributable to the District continuing its energy savings program.
- Unallocated benefits - health benefits – a decrease of \$981,523 as a result of an aggressive insurance renewal and an increase in employee contributions made toward the District's health insurance plan.

Requests for Information

This financial report is designed to provide a general overview of the Manchester Township School District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Business Administrator, P.O. Box 4100, 121 Route 539, Whiting, New Jersey 08759-4100.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2013.

Manchester Township School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,800,515		\$ 1,800,515
Accounts receivable	629,809	\$ 407,764	1,037,573
Internal balances	74,559	(74,559)	
Inventories		21,307	21,307
Investments	30,129		30,129
Deferred charges	119,776		119,776
Capital assets, non-depreciable	1,220,818		1,220,818
Capital assets, depreciable, net	40,059,569	445,609	40,505,178
Total assets	<u>43,935,175</u>	<u>800,121</u>	<u>44,735,296</u>
Liabilities			
Accounts payable	245,106	40,424	285,530
Accrued salaries	9,855		9,855
Accrued interest payable	409,060		409,060
Unearned revenue	35,820	6,169	41,989
Current portion of long-term obligations	1,980,004	15,467	1,995,471
Noncurrent portion of long-term obligations	26,852,097	20,279	26,872,376
Total liabilities	<u>29,531,942</u>	<u>82,339</u>	<u>29,614,281</u>
Net position			
Net Investment in capital assets, net of related debt	16,337,248	409,863	16,747,111
Restricted for:			
Debt service	34,682		34,682
Capital projects	691,434		691,434
Other purposes	547,437		547,437
Unrestricted (deficit)	(3,207,568)	307,919	(2,899,649)
Total net position	<u>\$ 14,403,233</u>	<u>\$ 717,782</u>	<u>\$ 15,121,015</u>

See independent auditors' report and accompanying notes to basic financial statements.

Manchester Township School District

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
Instruction	\$ 32,597,470	\$ 2,342,906	\$ 992,692	\$ (29,261,872)		\$ (29,261,872)
Support services:						
Attendance/social work	56,380			(56,380)		(56,380)
Health services	458,276			(458,276)		(458,276)
Other support services	4,471,862		303,894	(4,167,968)		(4,167,968)
Improvement of instruction	1,110,423			(1,110,423)		(1,110,423)
Other support:						
Instructional staff	42,573			(42,573)		(42,573)
School library	699,204			(699,204)		(699,204)
General administration	1,921,716			(1,921,716)		(1,921,716)
School administration	3,588,481			(3,588,481)		(3,588,481)
Required maintenance of plant	1,210,371			(1,210,371)		(1,210,371)
Operation of plant	3,968,355			(3,968,355)		(3,968,355)
Student transportation	4,270,167	286,081		(3,984,086)		(3,984,086)
Interest on long-term debt	982,757			(982,757)		(982,757)
Total governmental activities	<u>55,378,035</u>	<u>2,628,987</u>	<u>1,296,586</u>	<u>(51,452,462)</u>		<u>(51,452,462)</u>
Business-type activities						
Food service	1,330,323	705,089	548,804		\$ (76,430)	(76,430)
Regional day school	5,990,245	5,940,486	178,275		128,516	128,516
Total business-type activities	<u>7,320,568</u>	<u>6,645,575</u>	<u>727,079</u>		<u>52,086</u>	<u>52,086</u>
	<u>\$ 62,698,603</u>	<u>\$ 9,274,562</u>	<u>\$ 2,023,665</u>	<u>(51,452,462)</u>	<u>52,086</u>	<u>(51,400,376)</u>
General revenues:						
Property taxes, levied for general purposes				39,331,303		39,331,303
Property taxes, levied for debt service				2,185,454		2,185,454
Federal sources, unrestricted				107,195		107,195
State sources, unrestricted				10,480,849		10,480,849
Miscellaneous income				23,041		23,041
Total general revenues				<u>52,127,842</u>		<u>52,127,842</u>
Change in net position				675,380	52,086	727,466
Net position—beginning				13,727,853	665,696	14,393,549
Net position—ending				<u>\$ 14,403,233</u>	<u>\$ 717,782</u>	<u>\$ 15,121,015</u>

See independent auditors' report and accompanying notes to basic financial statements.

Fund Financial Statements

Governmental Funds

Manchester Township School District
Governmental Funds

Balance Sheet

June 30, 2013

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,074,338		\$ 691,495	\$ 34,682	\$ 1,800,515
Accounts receivable:					
State	345,997				345,997
Federal	67,699	\$ 126,344			194,043
Other	8,145				8,145
Interfund receivable	161,707				161,707
Total assets	<u>\$ 1,657,886</u>	<u>\$ 126,344</u>	<u>\$ 691,495</u>	<u>\$ 34,682</u>	<u>\$ 2,510,407</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 201,326	\$ 43,780			\$ 245,106
Accrued salaries	9,855				9,855
Interfund payable	25,441	57,132	\$ 61		82,634
Unearned revenue	10,388	25,432			35,820
Total liabilities	247,010	126,344	61		373,415
Fund balances					
Restricted for:					
Excess Surplus - current year	547,437				547,437
Debt service				\$ 34,682	34,682
Capital projects			691,434		691,434
Assigned to:					
Designated for subsequent year's expenditures	300,000				300,000
Other purposes	3,227				3,227
Unassigned:					
General fund	560,212				560,212
Total fund balances	1,410,876	-	691,434	34,682	2,136,992
Total liabilities and fund balances	<u>\$ 1,657,886</u>	<u>\$ 126,344</u>	<u>\$ 691,495</u>	<u>\$ 34,682</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$81,876,238 and the accumulated depreciation is \$40,595,851.	41,280,387
Solar renewable energy certificates were not available in the current period and therefore were not reported as assets in the funds.	30,129
Internal service funds are used by the District to charge the costs of the transportation to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities.	77,110
Unamortized portion of debt issuance costs not reported as an asset in the funds.	119,776
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(409,060)
Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(28,832,101)</u>
Net position of governmental activities	<u>\$ 14,403,233</u>

See independent auditors' report and accompanying notes to basic financial statements.

Manchester Township School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local sources:					
Local tax levy	\$ 39,331,303			\$ 2,185,454	\$ 41,516,757
Tuition	2,342,906				2,342,906
Miscellaneous	12,907	\$ 22,075			34,982
Total local sources	41,687,116	22,075		2,185,454	43,894,645
State sources	10,393,409			87,440	10,480,849
Federal sources	107,195	1,274,511			1,381,706
Total revenues	52,187,720	1,296,586		2,272,894	55,757,200
Expenditures:					
Current:					
Instruction	20,185,127	992,692			21,177,819
Undistributed-current:					
Instruction	1,564,200				1,564,200
Attendance/social work	41,467				41,467
Health services	458,276				458,276
Support services	2,764,562	303,894			3,068,456
Improvement of instruction	771,886				771,886
School library	492,813				492,813
Instructional staff training	40,087				40,087
General administration	654,483				654,483
School administration	1,760,603				1,760,603
Central services	456,357				456,357
Information technology	302,039				302,039
Required maintenance for school facilities	1,042,988				1,042,988
Operation of plant	3,741,112				3,741,112
Student transportation	3,110,748				3,110,748
Unallocated benefits	9,268,437				9,268,437
On-behalf TPAF social security and pension contributions	4,766,355				4,766,355
Capital outlay	1,108,738		\$ 144,427		1,253,165
Debt service:					
Principal				1,385,000	1,385,000
Interest				853,212	853,212
Total expenditures	52,530,278	1,296,586	144,427	2,238,212	56,209,503
(Deficiency) Excess of revenues (under) over expenditures	(342,558)	-	(144,427)	34,682	(452,303)
Other financing sources:					
Capital leases	819,947				819,947
Total other financing sources	819,947				819,947
Net change in fund balances	477,389	-	(144,427)	34,682	367,644
Fund balances, July 1	933,487	-	835,861	-	1,769,348
Fund balances, June 30	\$ 1,410,876	\$ -	\$ 691,434	\$ 34,682	\$ 2,136,992

The reconciliation of the fund balances of governmental funds to the net position of governmental activities in the statement of activities is presented in accompanying schedule (B-3).

See independent auditors' report and accompanying notes to basic financial statements.

Manchester Township School District
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Net Position

Year ended June 30, 2013

Total net change in fund balances - governmental funds (from B-2) **\$ 367,644**

Amounts reported for governmental activities in the statement of net position (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the period.

Capital additions	\$ 1,134,635	
Depreciation expense	<u> </u>	

Repayments of bond principal and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of net position.

Serial Bonds Payable	1,385,000	
Obligations Under Capital Leases	<u>440,959</u>	1,825,959

Proceeds from capital leases are a financing source in the governmental funds. They are not revenue in the statement of net position; capital leases increase long-term liabilities in the statement of net position.

(819,947)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. This amount is the net effect of these differences.

Amortization of Issuance Costs	(10,935)	
Amortization of Premiums on Bonds	81,062	
Amortization of Discounts on Bonds	(4,649)	
Amortization of Deferred Issuance Costs	<u>(87,085)</u>	(21,607)

Internal service funds are used by the District to charge the costs of the transportation to the individual funds. The activities of this fund are included in the Statement of Net Position.

In the statement of net position, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount reflects the change from prior year.

(107,938)

In the statement of net position and statement of activities, the investment value of solar renewable energy certificates are presented at market value, and not portrayed in the governmental funds. This amount reflects the change in value at June 30, 2013.

10,134

In the statement of net position, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).

278,162

Change in net position of governmental activities (A-2) **\$ 675,380**

See independent auditors' report and accompanying notes to basic financial statements.

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Proprietary Funds

Manchester Township School District
Proprietary Funds

Statement of Net Position

June 30, 2013

	Major Funds			Governmental Activities Internal Service Fund
	Business Type Activities - Enterprise Funds			
	Food Service	Regional Day School	Totals	
Assets				
Current assets:				
Accounts receivable:				
State	\$ 634	\$ 8,468	\$ 9,102	
Federal	27,630		27,630	
Other	13,118	357,914	371,032	\$ 81,624
Interfund receivable	2,315	23,126	25,441	
Inventories	21,307		21,307	
Total current assets	65,004	389,508	454,512	81,624
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	700,510	2,600,869	3,301,379	
Accumulated depreciation	(671,466)	(2,184,304)	(2,855,770)	
Total capital assets, net	29,044	416,565	445,609	
Total noncurrent assets	29,044	416,565	445,609	
Total assets	94,048	806,073	900,121	81,624
Liabilities				
Current liabilities:				
Accounts payable	26,595	13,829	40,424	
Interfund payable		100,000	100,000	4,514
Capital leases payable		15,467	15,467	
Unearned revenue	6,169		6,169	
Total current liabilities	32,764	129,296	162,060	4,514
Noncurrent liabilities:				
Capital leases payable		20,279	20,279	
Total noncurrent liabilities		20,279	20,279	
Total liabilities	32,764	149,575	182,339	4,514
Net Position				
Net Investment in capital assets, net of related debt	29,044	380,819	409,863	
Unrestricted	32,240	275,679	307,919	77,110
Total net position	\$ 61,284	\$ 656,498	\$ 717,782	\$ 77,110

See independent auditors' report and accompanying notes to basic financial statements.

Manchester Township School District
Proprietary Funds

Statement of Revenues, Expenses and
Changes in Fund Net Position

Year ended June 30, 2013

	Major Funds			
	Business Type Activities - Enterprise Funds			Governmental Activities
	Food Service	Regional Day School	Totals	Internal Service Fund
Operating revenues:				
Local sources:				
Daily food sales-reimbursable programs	\$ 264,614		\$ 264,614	
Daily food sales non-reimbursable programs	277,290		277,290	
Special functions	163,185		163,185	
Tuition		\$ 5,940,051	5,940,051	
Miscellaneous revenue		435	435	
Total local sources	705,089	5,940,486	6,645,575	
Services provided to other funds				\$ 286,081
Total operating revenues	705,089	5,940,486	6,645,575	286,081
Operating expenses:				
Salaries	433,571	3,776,684	4,210,255	125,030
Employee benefits	120,814	1,671,205	1,792,019	73,159
Purchased professional services	13,978	18,028	32,006	45,332
Purchased property services	83,019	67,415	150,434	
Other purchased services	77,393	153,861	231,254	
Supplies and materials	68,611	149,522	218,133	
Depreciation	10,520	72,800	83,320	
Cost of sales	522,417		522,417	
Other objects		78,267	78,267	42,560
Total operating expenses	1,330,323	5,987,782	7,318,105	286,081
Operating (loss)	(625,234)	(47,296)	(672,530)	-
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	10,700		10,700	
Reimbursed TPAF social security contribution		178,275	178,275	
Federal sources:				
National school lunch program	369,961		369,961	
National breakfast program	74,562		74,562	
Healthy Hunger-Free Kids Act (HHFKA)	12,135		12,135	
Food donation program	81,446		81,446	
Interest expense		(2,463)	(2,463)	
Total nonoperating revenues (expenses)	548,804	175,812	724,616	
Change in net position	(76,430)	128,516	52,086	-
Total net position-beginning	137,714	527,982	665,696	77,110
Total net position-ending	\$ 61,284	\$ 656,498	\$ 717,782	\$ 77,110

See independent auditors' report and accompanying notes to basic financial statements.

Manchester Township School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2013

	Major Funds			Governmental Activities Internal Service Fund
	Business Type Activities Enterprise Funds			
	Food Service	Regional Day School	Totals	
Cash flows from operating activities				
Receipts from customers	\$ 735,884	\$ 6,059,290	\$ 6,795,174	\$ 265,809
Payments to employees	(433,571)	(3,776,684)	(4,210,255)	(125,030)
Payments for employee benefits	(120,814)	(1,671,205)	(1,792,019)	(73,159)
Payments to suppliers	(841,084)	(444,549)	(1,285,633)	(87,892)
Payments for insurance	(13,978)	(18,028)	(32,006)	
Net cash (used in) provided by operating activities	(673,563)	148,824	(524,739)	(20,272)
Cash flows from noncapital financing activities				
Cash received from state and federal reimbursements	595,767	178,197	773,964	
Negative cash balance implicitly financed	26,595	7,417	34,012	
Transfers (to) from other funds	51,201	(345,909)	(294,708)	20,272
Net cash provided by (used in) noncapital financing activities	673,563	(160,295)	513,268	20,272
Cash flows from capital and related financing activities				
Payment of capital leases		(16,602)	(16,602)	
Issuance of a loan		14,725	14,725	
Purchases of capital assets - equipment		(14,725)	(14,725)	
Net cash (used in) capital and related financing activities		(16,602)	(16,602)	
Cash flows from investing activities				
Cash paid for interest expense		(2,463)	(2,463)	
Net cash (used in) by investing activities		(2,463)	(2,463)	
Net (decrease) in cash and cash equivalents	-	(30,536)	(30,536)	-
Cash and cash equivalents, beginning of year	-	30,536	30,536	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating (loss) to net cash (used in) provided by operating activities:				
Operating (loss)	\$ (625,234)	\$ (47,296)	\$ (672,530)	
Adjustments to reconcile operating (loss) to net cash (used in) provided by operating activities:				
Depreciation	10,520	72,800	83,320	
Change in assets and liabilities:				
Decrease (Increase) in accounts receivable	30,795	118,804	149,599	\$ (20,272)
Decrease in inventory	246		246	
(Decrease) increase in accounts payable	(89,890)	4,516	(85,374)	
Net cash (used in) provided by operating activities	\$ (673,563)	\$ 148,824	\$ (524,739)	\$ (20,272)

Noncash noncapital related financing activities:

The District received \$83,601 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2013.

See independent auditors' report and accompanying notes to basic financial statements.

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Fiduciary Funds

Manchester Township School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2013

	Private-Purpose Scholarship Fund	Unemployment Compensation Trust	Agency Fund
Assets			
Cash and cash equivalents	\$ 233,585	\$ 143,260	\$ 2,051,846
Interfund receivable		73,929	21,962
Investments	42,943		
Total assets	276,528	217,189	\$ 2,073,808
Liabilities			
Payroll deductions and withholdings payable			\$ 1,858,396
Accounts payable		11,097	
Interfund payable		21,962	73,929
Due to student groups			141,483
Total liabilities		33,059	\$ 2,073,808
Net Position			
Held in trust for unemployment claims		\$ 184,130	
Held in trust for scholarships	\$ 276,528		

See independent auditors' report and accompanying notes to basic financial statements.

Manchester Township School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

	Private-purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
Additions		
Contributions:		
Employee contributions		\$ 56,154
Donations	\$ 50	
Total contributions	50	56,154
Investment earnings:		
Interest	213	
Total additions	263	56,154
Deductions		
Unemployment payments		67,292
Scholarship payments	21,000	
Total deductions	21,000	67,292
Change in net position	(20,737)	(11,138)
Net position-beginning of the year	297,265	195,268
Net position-end of the year	\$ 276,528	\$ 184,130

See independent auditors' report and accompanying notes to basic financial statements.

Manchester Township School District
Notes to the Basic Financial Statements

Year ended June 30, 2013

1. Summary of Significant Accounting Policies

The financial statements of the Manchester Township School District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Manchester Township School District in Manchester Township, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires all funds be reported as major to promote consistency among school districts in the State of New Jersey.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and capital leases, are recorded only when payment is due.

Manchester Township School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year.

The District has reported the following major governmental funds:

General Fund: The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay sub-fund.

Special Revenue Fund: The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds and state aid that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

Food Service Enterprise Fund: The food service fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Manchester Township School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Regional Day School Enterprise Fund: The regional day school fund accounts for all revenues and expenses in the operation of the special education school similar to a private business enterprise.

Internal Service (Transportation) Fund: Internal service funds are used to account for the net cost of services provided on a user charge basis and are designed to break-even over time.

Additionally, the District reports the following fund types:

Fiduciary funds of the District include the unemployment compensation and private purpose scholarship trust funds and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Trust Funds: The unemployment compensation and private purpose scholarship funds are accounted for in essentially the same manner as governmental funds. The unemployment compensation fund is used to account for contributions from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

Agency Funds (Payroll and Student Activity Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges for sales of food and tuition. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheet. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." The County Board of Taxation is responsible for the assessment of properties and the Township Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. The overexpenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures. All budget amendments must be approved by School Board resolution. Budget amendments were made during the year ended June 30, 2013 and were not significant.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Open encumbrances at year-end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

F. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2013, the unused Food Donation Program commodities of \$6,169 are reported as unearned revenue.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

G. 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. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Machinery and equipment	2-20
Buildings	40
Building improvements	20
Vehicles	5-10

H. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability. District employees are granted vacation and sick leave in varying amounts under the District’s personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the District is recorded in the government-wide financial statements and includes salary related payments.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, a liability existed for compensated absences in the government-wide financial statements in the amount of \$3,888,961 and no liability existed for compensated absences in the proprietary fund types.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

I. Unearned Revenue

Unearned revenue in the special revenue fund represents cash received from federal, state and local grants, which has been received but not yet earned and outstanding encumbrances.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized loss on a refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

K. Net Position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net position to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements. Net Position represents the difference between assets, deferred outflows, deferred inflows, and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

L. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents 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. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Manchester Township School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$1,410,876 of fund balances in the General Fund, \$3,227 of encumbrances is assigned to other purposes, \$300,000 has been classified as assigned fund balance designated for subsequent years expenditures, \$547,437 has been restricted for excess surplus – current year and \$560,212 is classified as unassigned. Of the fund balances in the Capital Projects Fund, \$691,434 is restricted for capital projects. Of the fund balances in the Debt Service Fund, \$34,682 is restricted for future debt payments.

M. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

N. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey social security and post-retirement medical pension contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

O. Regional Day School

The Regional Day School, located in Jackson, New Jersey, is operated by the District under contract with the New Jersey State Department of Education. The Regional Day School delivers educational services to approximately one hundred students who are severely emotionally disturbed or multiple handicapped.

The funding for the Regional Day School is provided by tuition payments from the local districts who send their children to the Regional Day School. The District assumes the financial control and business management supervision of the School, as well as oversees the

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

total educational program of the School. The School has its own principal and instructional staff as well as support staff that are employees of the District. The School building is owned by the State of New Jersey. All expenses for the Regional Day School are funded through tuition and not through the local tax rate of Manchester Township.

The Regional Day School budget is developed annually in conjunction with the School principal and officials from the District administration. Local school districts who anticipate sending children to the Regional Day School for the following school year are notified in advance of the anticipated tuition costs so that their own budgets may be properly constructed to reflect the tuition costs. The Regional Day School services districts principally in Monmouth, Ocean and Mercer Counties.

The contract with the District and the State Department of Education expires on June 30, 2017.

P. Calculation of Excess Surplus

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The District's excess fund balance at June 30, 2013 was \$547,437, which will be utilized in the 2014-15 budget.

Q. Implementation of GASB No. 65

In March, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District has not completed the process of evaluating the impact that will result from adopting GASB No. 65.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

R. Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2013 through October 4, 2013, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, capital leases and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. The details of this \$28,832,101 difference are as follows:

Bonds payable	\$ 23,760,000
Premium on bonds	1,195,658
Discount on bonds	(68,577)
Deferred interest costs	(1,280,879)
Capital leases payable	1,336,938
Compensated absences	<u>3,888,961</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 28,832,101</u>

3. Deposits and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

Manchester Township School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2013 the carrying amount of the District's deposits was \$3,060,228 and the bank balance was \$5,368,498. Of the bank balance, \$403,418 of the District's cash deposits on June 30, 2013 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the remaining bank balance of \$4,965,080.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank, which have a maturity date not greater than twelve months from the date of purchase.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

- c. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA CLASS.

As of June 30, 2013, the District's investment balances of \$42,943 were certificates of deposit with original maturities of three months or more and are secured by GUDPA and \$30,129 in Solar Renewable Energy Certificates.

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investment. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The pooled shares are equal to the value of the District's shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2013, the District's balance was \$1,134,966.

All investments in the NJCMF are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk exposure. The District does not have a policy for custodial credit risk.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2013, all of the District's cash investments were invested in certificates of deposits and the NJCMF.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The average maturity of the District's investments in the NJCMF and certificates of deposit, are less than one year.

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2013:

	Beginning Balance	Increases	Ending Balance
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$1,220,818		\$1,220,818
Total capital assets, not being depreciated	1,220,818		1,220,818
Capital assets, being depreciated:			
Buildings and building improvements	63,645,559		63,645,559
Machinery, equipment and vehicles	15,875,226	\$ 1,134,635	17,009,861
Total capital assets being depreciated	79,520,785	1,134,635	80,655,420
Less accumulated depreciation for:			
Buildings and building improvements	25,371,099	1,420,363	26,791,462
Machinery, equipment and vehicles	13,233,090	571,299	13,804,389
Total accumulated depreciation	38,604,189	1,991,662	40,595,851
Total capital assets, being depreciated, net	40,916,596	(857,027)	40,059,569
Governmental activities capital assets, net	\$ 42,137,414	\$(857,027)	\$ 41,280,387

Manchester Township School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

4. Capital Assets (Continued)

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

Instruction	\$ 859,181
General administration	1,132,481
Total depreciation expense – governmental activities	<u>\$ 1,991,662</u>

The following is a summarization of the business-type activities changes in capital assets for the fiscal year ended June 30, 2013:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
Capital assets, being depreciated:			
Equipment and vehicles	\$3,286,654	\$14,725	\$3,301,379
Less accumulated depreciation for:			
Equipment and vehicles	<u>2,772,450</u>	<u>83,320</u>	<u>2,855,770</u>
Total business-type activities capital assets, net	<u>\$514,204</u>	<u>\$(68,595)</u>	<u>\$445,609</u>

As noted in Note 1, the capital assets of the Regional Day School proprietary fund are the property of the State of New Jersey and not the District.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences payable	\$4,167,123	\$296,579	\$574,741	\$3,888,961	\$296,580
Bonds payable	25,145,000		1,385,000	23,760,000	1,320,000
Premium on bonds	1,276,720		81,062	1,195,658	81,062
Discount on bonds	(73,226)		(4,649)	(68,577)	(4,649)
Deferred interest costs	(1,367,964)		(87,085)	(1,280,879)	(87,085)
Obligations under capital leases	957,950	819,947	440,959	1,336,938	374,096
Governmental activity long-term liabilities	\$30,105,603	\$1,116,526	\$2,390,028	\$28,832,101	\$1,980,004
Business-type activities:					
Obligations under capital leases	\$37,623	\$14,725	\$16,602	\$35,746	\$15,467

The District expects to liquidate the balance in compensated absences with payments made from the District's general fund. Obligations under capital leases will be liquidated with payments from both the general fund and the enterprise fund – regional day school. Bonds payable will be liquidated with payments from the debt service fund.

Bonds Payable

Bonds are authorized in accordance with State law or by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. The principal and interest of these bonds will be paid from the debt service fund as required by New Jersey statutes.

In 2004, the District issued \$2,945,000 of School District Refunding Bonds, Series 2004 in order to fund a portion of the Board's 1996 Bonds relating to the renovation of Ridgeway School. The bonds are due to mature annually through the 2016 fiscal year at an annual interest rate ranging from 3.40% to 4.00%.

In December of 2009, the District issued \$8,375,000 of School District Bonds in order to fund the Board's 2010 renovation of various schools within the school district. The bonds are due to mature annually through the 2030 fiscal year at annual interest rates ranging from 2.00% to 4.125%.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities (continued)

In March 2012, the District issued \$13,525,000 of refunding bonds to provide resources to refund a portion of the District's Series 2004 bonds. As of June 30, 2013, \$13,309,000 of defeased debt remains outstanding. The bonds are due to mature annually through the 2028 fiscal year at annual interest rates ranging from 3.00% to 5.00%.

Principal and interest due on all bonds outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 1,320,000	\$ 912,069	\$ 2,232,069
2015	1,425,000	858,205	2,283,205
2016	1,465,000	801,868	2,266,868
2017	1,580,000	744,706	2,324,706
2018	1,575,000	687,231	2,262,231
2019-2023	8,195,000	2,457,416	10,652,416
2024-2028	7,200,000	858,029	8,058,029
2029-2030	1,000,000	61,875	1,061,875
	<u>\$23,760,000</u>	<u>\$7,381,397</u>	<u>\$31,141,397</u>

See page 85 for additional information regarding the District's bonds payable.

The assets acquired through capital leases are as follows at June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
Machinery, equipment And vehicles	\$ 3,869,960	\$ 272,247
Less accumulated depreciation	<u>(2,915,219)</u>	<u>(237,402)</u>
Total	<u>\$ 954,741</u>	<u>\$34,845</u>

Manchester Township School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities (continued)

Other Capital Leases

Governmental Funds

The District has capital leases outstanding for various purposes (School buses, computers and office equipment-copiers) with rates ranging from 1.68% to 10.87%. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net future minimum lease payments at June 30, 2013:

Fiscal Year	Amounts
Year ending June 30:	
2014	\$ 447,088
2015	364,378
2016	260,556
2017	192,005
2018	58,022
2019 and thereafter	241,978
Total minimum lease payment	1,579,278
Less amount representing interest	(242,340)
Present value of net future minimum lease payments	\$ 1,336,938

See page 86 for additional information regarding the District's capital leases.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities (continued)

Enterprise Fund

The Regional Day School has capital leases outstanding for office equipment and a van. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net future minimum lease payments at June 30, 2013:

	<u>Total</u>
Fiscal year:	
2014	\$ 17,130
2015	15,747
2016	3,600
2017	<u>2,100</u>
Total minimum lease payment	38,577
Less amount representing interest	<u>(2,831)</u>
Present value of net future minimum lease payments	<u>\$ 35,746</u>

These leases are recorded in the Regional Day School proprietary fund.

6. Pension Plans

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2013, the State of New Jersey contributed \$3,204,482 to the TPAF for post-retirement medical benefits and other pension costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,561,873 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2013, 2012 and 2011 was \$783,546, \$769,696, and \$735,431, respectively, equal to the required contributions for each year.

Manchester Township School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

Post-Retirement Benefits

Plan Description

The District contributes to the New Jersey State Health Benefits Program (the "SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy

P.L. 1987, chapter 384 and P.L. 1990, chapter 6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012 there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding

excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2013, 2012, and 2011 were \$1,700,558, \$1,437,630, and \$1,489,875, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

7. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2013 amounted to \$283,039 analyzed as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 161,707	\$25,441
Special Revenue Fund		57,132
Capital Projects Fund		61
Enterprise Fund - Food Service	2,315	
Enterprise Fund – Regional Day School	23,126	100,000
Internal Service Fund - Transportation		4,514
Trust Fund – Unemployment	73,929	21,962
Agency Fund	21,962	73,929
	<u>\$283,039</u>	<u>\$283,039</u>

The interfund payable in the Enterprise Fund – Regional Day School represents loans from the General Fund not returned at June 30, 2013. The interfund receivable in the Enterprise Fund – Regional Day School and the Enterprise Fund – Food Service and represent reimbursements received and deposited into the General Fund but not transferred into the enterprise fund at June 30, 2013.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

7. Interfund Receivables and Payables (continued)

The interfund payable in the Agency Fund represents prior year loans from the Trust Fund - Unemployment that were not liquidated during fiscal year 2013 and payroll withholdings for unemployment not transferred at June 30, 2013. The interfund payable in Trust Fund - Unemployment and respective interfund receivable in the Agency Fund represents funds due back to agency that were deposited in excess in the prior year and was never liquidated during fiscal year 2013.

The interfund payable in the Special Revenue Fund and the Internal Service Fund represents cash loaned from the General Fund to reduce a pooled cash deficit. The Capital Projects Fund interfund payable relates to interest earned during the year and amounts paid by the General Fund and are due back to the General Fund.

All interfunds are expected to be liquidated within one year.

8. Economic Dependency

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

9. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

The District is also involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Board.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

11. Deferred Compensation Plans

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by Citistreet, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

12. Deferred Charges

The deferred charges recorded in the government-wide statement of net position represent debt issuance costs that are being amortized using the straight-line method over the life of the related bonds. The unamortized costs associated with the issues of the various bonds amounted to \$119,776 at June 30, 2013. The amortization expense for the year ended June 30, 2013 amounted to \$10,935. In governmental funds, debt issuance costs are recognized in the current period.

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Required Supplementary Information
Part II

Budgetary Comparison Schedules

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ 39,331,303		\$ 39,331,303	\$ 39,331,303	
Tuition	2,332,820		2,332,820	2,342,906	\$ 10,086
Miscellaneous	75,000		75,000	12,907	(62,093)
Total revenues - local sources	41,739,123		41,739,123	41,687,116	(52,007)
State sources:					
Special Education Categorical Aid	1,676,006		1,676,006	1,676,006	
Security Aid	401,647		401,647	401,647	
Adjustment Aid	1,446,639		1,446,639	1,446,639	
Categorical Transportation Aid	1,845,725		1,845,725	1,845,725	
Extraordinary aid	130,000		130,000	248,284	118,284
On-behalf TPAF pension contributions (non-budgeted)				3,204,482	3,204,482
Reimbursed TPAF social security contributions (non-budgeted)				1,561,873	1,561,873
Other state aid				18,846	18,846
Total - state sources	5,500,017		5,500,017	10,403,502	4,903,485
Federal sources:					
Medical Assistance Program	50,533		50,533	106,632	56,099
Education Jobs Funds		\$ 563	563	563	
Total - federal sources	50,533	563	51,096	107,195	56,099
Total revenues	47,289,673	563	47,290,236	52,197,813	4,907,577
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool/kindergarten	536,935	143,715	680,650	680,143	507
Grades 1-5	5,218,687	(52,745)	5,165,942	5,163,046	2,896
Grades 6-8	3,120,535	(84,171)	3,036,364	3,031,073	5,291
Grades 9-12	4,951,015	138,098	5,089,113	5,089,113	
Total salaries of teachers	13,827,172	144,897	13,972,069	13,963,375	8,694
Home instruction:					
Salaries of teachers	80,000	68,345	148,345	145,199	3,146
Other purchased services	2,750		2,750	1,730	1,020
Total home instruction	82,750	68,345	151,095	146,929	4,166
Undistributed instruction-regular programs					
Other purchased services	11,000	2,106	13,106	7,442	5,664
General supplies	424,885	(1,045)	423,840	412,699	11,141
Textbooks	58,500	(21,930)	36,570	35,812	758
Other objects	115,900	(8,628)	107,272	103,215	4,057
Total undistributed instruction - regular programs	610,285	(29,497)	580,788	559,168	21,620
Total instruction - regular programs	14,520,207	183,745	14,703,952	14,669,472	34,480

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Special education (continued):					
Preschool disabilities - part-time:					
Salaries of teachers	\$ 136,032	\$ 10,272	\$ 146,304	\$ 145,454	\$ 850
Other salaries for instruction	187,985	22,397	210,382	209,466	916
General supplies	6,650	(500)	6,150	4,743	1,407
Other objects	1,100	312	1,412	1,412	
Total preschool disabilities - part-time	331,767	32,481	364,248	361,075	3,173
Learning and/or language disabilities:					
Salaries of teachers	410,320	(52,489)	357,831	357,388	443
Other salaries for instruction	550,198	27,671	577,869	577,670	199
General supplies	9,200		9,200	5,975	3,225
Textbooks	1,000		1,000	426	574
Total learning and/or language disabilities	970,718	(24,818)	945,900	941,459	4,441
Behavioral disabilities:					
Salaries of teachers	87,008	1,393	88,401	88,401	
Other salaries for instruction	-	20,650	20,650	20,650	
Total behavioral disabilities	87,008	22,043	109,051	109,051	
Multiple disabilities:					
Salaries of teachers	202,795	6,592	209,387	208,660	727
Other salaries for instruction	219,344	8,247	227,591	227,334	257
General supplies	3,850		3,850	3,280	570
Textbooks	700	(500)	200		200
Other objects	900		900		900
Total multiple disabilities	427,589	14,339	441,928	439,274	2,654
Resource room/center:					
Salaries of teachers	2,190,091	50,009	2,240,100	2,239,427	673
General supplies	14,050	(825)	13,225	10,241	2,984
Textbooks	4,300	(3,175)	1,125	1,125	
Total resource room/center	2,208,441	46,009	2,254,450	2,250,793	3,657
Total special education	4,025,523	90,054	4,115,577	4,101,652	13,925

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Autism:					
Salaries of teachers	\$ 102,853	\$ 8,156	\$ 111,009	\$ 111,009	
Other Salaries for Instruction	108,818	2,578	111,396	111,396	
General supplies	2,500		2,500	1,573	\$ 927
Total autism	214,171	10,734	224,905	223,978	927
Bilingual education:					
Salaries of teachers	183,363	28,874	212,237	212,237	
General supplies	750		750	693	57
Textbooks	250		250		250
Other objects	250		250		250
Total bilingual education	184,613	28,874	213,487	212,930	557
School - sponsored cocurricular activities:					
Salaries	203,000	31,591	234,591	224,771	9,820
Supplies and materials	6,000		6,000	5,919	81
Other objects	11,450	25	11,475	8,775	2,700
Total school - sponsored cocurricular activities	220,450	31,616	252,066	239,465	12,601
School - sponsored athletics - instruction:					
Salaries	410,000	28,956	438,956	438,956	
Purchased services	16,500		16,500	16,500	
Supplies and materials	81,150	(3,000)	78,150	76,836	1,314
Other objects	99,400		99,400	96,649	2,751
Total school - sponsored athletics - instruction	607,050	25,956	633,006	628,941	4,065
Other instructional programs:					
Salaries	105,710	2,979	108,689	108,689	
Total other instructional programs	105,710	2,979	108,689	108,689	-
Total instruction	19,877,724	373,958	20,251,682	20,185,127	66,555

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures:					
Instruction:					
Tuition to other LEAs within the state-special	\$ 219,500	\$ (67,328)	\$ 152,172	\$ 152,172	
Tuition to County Voc. School Dist.-Regular	16,500	(1,500)	15,000	15,000	
Tuition to CSSD and regional day schools	645,000		645,000	645,000	
Tuition to private school for the handicapped - within state	530,000	179,595	709,595	709,595	
Tuition - state facilities	31,365		31,365	31,365	
Tuition - other	16,500	(5,432)	11,068	11,068	
Total undistributed instruction-tuition	1,458,865	105,335	1,564,200	1,564,200	
Attendance and social work services:					
Salaries	29,470	2,630	32,100	32,100	
Other objects	9,200	167	9,367	9,367	
Total attendance and social work service	38,670	2,797	41,467	41,467	
Health services:					
Salaries	383,060	18,390	401,450	401,450	
Purchased professional and technical services	33,650	3,510	37,160	37,160	
Supplies and materials	7,075	13,522	20,597	19,666	\$ 931
Total health services	423,785	35,422	459,207	458,276	931
Other support services - students -					
Speech,OT,PT, & Related Services:					
Salaries	439,084	21,726	460,810	460,810	
Supplies and materials	2,975		2,975	909	2,066
Total other support services - students - speech, OT, PT & related services	442,059	21,726	463,785	461,719	2,066
Other support services - students - extra services:					
Salaries	19,353	2,812	22,165	22,165	
Purchased professional educational services	4,855	(3,227)	1,628	1,628	
Supplies and materials	2,500	(286)	2,214	2,214	
Other objects	1,000	(1,000)			
Total other support services - students - extra services	27,708	(1,701)	26,007	26,007	-

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Guidance:					
Salaries of other professional staff	\$ 786,079	\$ 23,250	\$ 809,329	\$ 809,329	
Salaries of secretarial and clerical assts.	155,567	6,995	162,562	162,562	
Other purchased services		46	46	46	
Other objects	12,000		12,000	8,308	\$ 3,692
Total guidance	953,646	30,291	983,937	980,245	3,692
Child Study Teams:					
Salaries of other professional staff	979,908	37,585	1,017,493	1,017,200	293
Salaries of secretarial and clerical assts.	160,553	6,603	167,156	167,156	
Purchased professional - educational services	160,000	(94,749)	65,251	65,251	
Miscellaneous purchased services	7,272	(3,080)	4,192	4,147	45
Supplies and materials	2,200	72	2,272	2,272	
Other objects	26,500	15,884	42,384	40,565	1,819
Total child study teams	1,336,433	(37,685)	1,298,748	1,296,591	2,157
Improvement of instructional services:					
Salaries of supervisors of instruction	316,555	37,623	354,178	354,178	
Salaries of other professional staff	271,343	23,246	294,589	294,589	
Salaries of secretarial and clerical assts	60,970	18,937	79,907	79,907	
Supplies and materials	30,500	(4,540)	25,960	25,960	
Other objects	19,415	54	19,469	17,252	2,217
Total improvement of instructional services	698,783	75,320	774,103	771,886	2,217
Educational media services/ school library:					
Salaries	414,543	29,697	444,240	444,240	
Other purchased services	14,000	(14,000)			
Supplies and materials	54,000		54,000	48,573	5,427
Total educational media services/ school library	482,543	15,697	498,240	492,813	5,427

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Instructional staff training services:					
Salaries of other professional staff	\$ 15,000	\$ (9,650)	\$ 5,350	\$ 5,350	
Other purchased services	1,000		1,000	615	\$ 385
Other objects	53,500	(13,956)	39,544	34,122	5,422
Total instructional staff training services	69,500	(23,606)	45,894	40,087	5,807
Support services-general administration:					
Salaries	291,557	3,571	295,128	290,043	5,085
Purchased professional services	92,000	50,810	142,810	134,374	8,436
Other purchased professional services	25,000	27,194	52,194	50,767	1,427
Communications/telephone	84,351	(23,765)	60,586	54,805	5,781
BOE other purchased services	48,725	7	48,732	34,542	14,190
Other purchased services	54,360	260	54,620	54,179	441
BOE membership dues and fees	25,000		25,000	22,812	2,188
General supplies	5,000		5,000	5,000	
Miscellaneous expenditures	20,000	(260)	19,740	12,961	6,779
Total support services-general administration	645,993	57,817	703,810	654,483	49,327
Support services-school administration:					
Salaries of principals/assistant principals	1,090,902	46,654	1,137,556	1,137,556	
Salaries of secretarial and clerical assistants	572,924	50,123	623,047	623,047	
Total support services-school administration	1,663,826	96,777	1,760,603	1,760,603	
Undistributed expenditures-Central services:					
Salaries	367,213	13,036	380,249	378,971	1,278
Miscellaneous purchased services	6,000	5,000	11,000	7,232	3,768
Miscellaneous expenditures	75,000	2,375	77,375	70,154	7,221
Total undistributed expenditures-central services	448,213	20,411	468,624	456,357	12,267
Undistributed expenditures-Admin. info tech.:					
Salaries	179,038	(1,231)	177,807	177,807	
Miscellaneous purchased services	2,500	49,349	51,849	49,354	2,495
Supplies and materials	76,000	2,651	78,651	67,838	10,813
Other Objects	8,000		8,000	7,040	960
Total undistributed expenditures-admin. info. technology	265,538	50,769	316,307	302,039	14,268
Required maintenance for school facilities:					
Salaries	98,700	6,453	105,153	105,153	
Cleaning, repair and maintenance services	487,855	439,620	927,475	925,979	1,496
General supplies	33,500	(19,963)	13,537	11,856	1,681
Total required maintenance for school facilities	620,055	426,110	1,046,165	1,042,988	3,177

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Operations and maintenance of plant services:					
Custodial Services					
Salaries	\$ 1,280,907	\$ (26,096)	\$ 1,254,811	\$ 1,254,644	\$ 167
Cleaning, repair and maintenance services	288,164	96,383	384,547	381,076	3,471
Other purchased property services	136,250	(9,455)	126,795	124,034	2,761
Insurance	450,000	(9,798)	440,202	440,202	
General supplies	104,000	3,000	107,000	106,178	822
Energy (Electricity)	1,274,625	(334,673)	939,952	938,372	1,580
Energy (Natural Gas)	98,650	(10,060)	88,590	87,312	1,278
Energy (Oil)	25,000	(1,480)	23,520	23,520	
Other objects	111,000	8,267	119,267	118,263	1,004
Total custodial services	3,768,596	(283,912)	3,484,684	3,473,601	11,083
Care and Upkeep of Grounds:					
Salaries	197,537	(13,190)	184,347	183,608	739
General Supplies	54,000	824	54,824	53,903	921
Total care and upkeep of grounds	251,537	(12,366)	239,171	237,511	1,660
Security:					
Purchased professional and technical services	30,000		30,000	30,000	
Total security	30,000		30,000	30,000	
Total required maintenance, custodial services, care and upkeep of grounds and security	4,670,188	129,832	4,800,020	4,784,100	12,743
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - regular	1,196,189	34,195	1,230,384	1,229,505	879
Between home and school - special	256,535	(7,105)	249,430	247,641	1,789
Other than between home and school-vendors	364,490	41,445	405,935	403,207	2,728
Lease purchase payments-buses	336,082	9,118	345,200	345,200	
Contracted services:					
Aid in lieu	30,750		30,750	24,752	5,998
Between home and school-vendors	10,000	9,008	19,008	18,928	80
Special ed. Vendors	200,000	77,904	277,904	277,904	
General supplies	365,750	(5,779)	359,971	356,626	3,345
Transportation	35,000	(10,879)	24,121	24,121	
Transportation supplies	168,000	(23,601)	144,399	142,623	1,776
Other objects	61,000	(20,759)	40,241	40,241	
Total student transportation services	3,023,796	103,547	3,127,343	3,110,748	16,595
Unallocated benefits:					
Social security contributions	675,000	10,507	685,507	685,507	
Other retirement contributions-regular	750,682	(64,812)	685,870	685,721	149
Health benefits	9,002,318	(981,523)	8,020,795	7,828,734	192,061
Tuition reimbursement	105,000	(15,000)	90,000	68,475	21,525
Total unallocated benefits	10,533,000	(1,050,828)	9,482,172	9,268,437	213,735

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
On-behalf TPAF pension contributions (non-budgeted)				\$ 3,204,482	\$ (3,204,482)
Reimbursed TPAF social security contributions (non-budgeted)				1,561,873	(1,561,873)
Total undistributed expenditures	\$ 27,182,546	\$ (368,079)	\$ 26,814,467	31,236,413	\$ (4,421,946)
Total expenditures - current	47,060,270	5,879	47,066,149	51,421,540	(4,355,391)
Capital outlay:					
Support services - students-spec.	2,000	(2,000)			
Maintenance of School Facilities	15,640	9,847	25,487	25,421	66
Non-instructional equipment		9,000	9,000	9,000	
School buses- regular		91,880	91,880		91,880
Non-instructional services	558,000	(224,622)	333,378	15,508	317,870
Total equipment	575,640	(115,895)	459,745	49,929	409,816
Facilities acquisition and construction services:					
Assessment for Debt Service on SDA funding	106,908	(106,908)			
Land and improvements		131,958	131,958	131,958	
Other objects		106,904	106,904	106,904	-
Total facilities acquisition and construction	106,908	131,954	238,862	238,862	-
Assets acquired under capital leases (non-budgeted)					
				819,947	(819,947)
				819,947	(819,947)
Total expenditures - capital outlay	682,548	16,059	698,607	1,108,738	(410,131)

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Total expenditures	\$ 47,742,818	\$ 21,938	\$ 47,764,756	\$ 52,530,278	\$ (4,765,522)
(Deficiency) excess of revenues (under) over expenditures	(453,145)	(21,375)	(474,520)	(332,465)	142,055
Other financing sources:					
Capital leases (non-budgeted)				819,947	819,947
Total other financing sources	-	-	-	819,947	819,947
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(453,145)	(21,375)	(474,520)	487,482	962,002
Fund balances, July 1	1,439,192	-	1,439,192	1,439,192	-
Fund balances, June 30	<u>\$ 986,047</u>	<u>\$ (21,375)</u>	<u>\$ 964,672</u>	<u>\$ 1,926,674</u>	<u>\$ 962,002</u>
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources					
Budgeted fund balance	\$ (453,145)		\$ (453,145)	\$ 508,857	\$ 962,002
Adjustment for prior year encumbrances		\$ (21,375)	(21,375)	(21,375)	
Total	<u>\$ (453,145)</u>	<u>\$ (21,375)</u>	<u>\$ (474,520)</u>	<u>\$ 487,482</u>	<u>\$ 962,002</u>
Recapitulation of fund balance:					
Restricted for:					
Excess surplus - current year				\$ 547,437	
Assigned to:					
Year end encumbrances - other purposes				3,227	
Designated for subsequent years expenditures				300,000	
Unassigned fund balance				<u>1,076,010</u>	
				1,926,674	
Reconciliation to Government Funds Statements GAAP:					
Last two state aid payments not recognized on GAAP basis				(515,798)	
Fund balance per Government Funds (GAAP)				<u>\$ 1,410,876</u>	

Manchester Township School District
General Fund

Education Jobs Fund Program
Budgetary Comparison Schedule

(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources:					
Education Jobs Funds	-	\$ 563	\$ 563	\$ 563	-
Total - federal sources	-	563	563	563	-
Total revenues	-	563	563	563	-
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Other instructional programs:					
Salaries		563	563	563	-
Total other instructional programs	-	563	563	563	-
Total expenditures - current	-	563	563	563	-
Excess of Revenues Over Expenditures	-	-	-	-	-
Fund balances, July 1	-	-	-	-	-
Fund balances, June 30	-	\$ -	\$ -	\$ -	\$ -

Manchester Township School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Federal sources	\$ 1,223,792	\$ 67,823	\$ 1,291,615	\$ 1,274,511	\$ (17,104)
Local sources		47,500	47,500	22,075	(25,425)
Total revenues	1,223,792	115,323	1,339,115	1,296,586	(42,529)
Expenditures:					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	210,000	(10,000)	200,000	200,000	
Other salaries for instruction	20,000	10,090	30,090	25,226	4,864
Tuition	744,729	3,651	748,380	748,380	
General supplies	1,000	17,888	18,888	18,456	432
Other objects	1,800	(1,170)	630	630	
Total instruction	977,529	20,459	997,988	992,692	5,296
Support services:					
Personal services-employee benefits	45,060	(1,260)	43,800	43,800	
Other purchased services	2,000	14,920	16,920	16,920	
Purchased professional services	111,154	129,613	240,767	228,534	12,233
General supplies	13,640	1,000	14,640	14,640	
Other objects	74,409	(74,409)			
Total support services	246,263	69,864	316,127	303,894	12,233
Capital Outlay:					
Facilities acquisition and construction services:		25,000	25,000		25,000
Total capital outlay		25,000	25,000	-	
Total expenditures	1,223,792	115,323	1,339,115	1,296,586	42,529
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Manchester Township School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2013

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$52,197,813	\$ 1,296,586
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. Prior year		
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	(515,798)	
The last state aid payments from 2011-2012 are recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).	505,705	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$52,187,720	\$ 1,296,586
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 52,530,278	\$ 1,296,586
Differences - budget to GAAP:		
Encumbrances (net) for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 52,530,278	\$ 1,296,586

Supplementary Information

Special Revenue Fund

Manchester Township School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures – Budgetary Basis

Year ended June 30, 2013

	Title I		I.D.E.A.		Title II	Title II	Stem Grant	FEMA Grant	Ocean First Grant	Race To The Top Grant	USDA SSA Grant	Totals
	Part A	Part A Carryover	Part B Regular	Part B Preschool	Part A	Part A Carryover						
Revenues:												
Federal sources	\$ 334,417	\$ 51,793	\$ 714,992	\$ 33,388	\$ 93,793	\$ 5,000		\$ 14,920		\$ 25,208	\$ 1,000	\$ 1,274,511
Local sources							\$ 7,075		\$ 15,000			22,075
Total revenues	\$ 334,417	\$ 51,793	\$ 714,992	\$ 33,388	\$ 93,793	\$ 5,000	\$ 7,075	\$ 14,920	\$ 15,000	\$ 25,208	\$ 1,000	\$ 1,296,586
Expenditures:												
Current expenditures:												
Instruction:												
Salaries:												
Salaries of teachers	\$ 126,000				\$ 74,000							\$ 200,000
Other salaries for instruction	15,136	\$ 3,590					\$ 6,500					25,226
Tuition			\$ 714,992	\$ 33,388								748,380
General supplies	1,881					\$ 1,000	575		\$ 15,000			18,456
Other objects		630										630
Total instruction	143,017	4,220	714,992	33,388	74,000	1,000	7,075	-	15,000			992,692
Support services:												
Personal services—employee benefits	27,594				16,206							43,800
Other purchased services	2,000							\$ 14,920				16,920
Purchased professional services	148,166	47,573			3,587	4,000				\$ 25,208		228,534
General supplies	13,640										\$ 1,000	14,640
Total support services	191,400	47,573			19,793	4,000	-	-		25,208	1,000	303,894
Total expenditures	\$ 334,417	\$ 51,793	\$ 714,992	\$ 33,388	\$ 93,793	\$ 5,000	\$ 7,075	\$ 14,920	\$ 15,000	\$ 25,208	\$ 1,000	\$ 1,296,586

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Capital Projects Fund

Manchester Township School District
Capital Projects Fund
Summary Schedule of Project Revenues, Expenditures,
Project Balance and Project Status
(Budgetary Basis)
Year ended June 30, 2013

	Current Year
Revenues and Other Financing Sources	
State Sources - SDA Grant	
Transfer from Capital Outlay	
Contribution from Other Sources	
Total Revenues and Other Financing Sources	-
Expenditures and Other Financing Uses	
Purchased Professional Services	
Construction Services	\$ 144,427
Other Expense	
Transfer out to Debt Service Fund	
Total Expenditures and Other Financing Uses	144,427
 (Deficiency) of Revenues	
(Under) Expenditures	(144,427)
 Fund Balance, July 1	835,861
Fund Balance, June 30, Budgetary and GAAP Basis	\$ 691,434

**Manchester Township School District
Capital Projects Fund**

**Schedule of Project Revenues, Expenditures, Project Balance and Project Status
(Budgetary Basis)**

From Inception and for the year ended June 30, 2013

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 57,270		\$ 57,270	\$ 57,270
Transfer from Capital Outlay	87,906		87,906	85,906
Contribution from Other Sources	28,521		28,521	30,521
Bond Proceeds and Transfers	8,375,000		8,375,000	8,375,000
Total Revenues	<u>8,548,697</u>	<u>-</u>	<u>8,548,697</u>	<u>8,548,697</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	103,351		103,351	
Construction Services	7,410,050	\$ 144,427	7,554,477	
Other Expense	6,466		6,466	
Transfer Out to Debt Service Fund	192,969		192,969	
Total Expenditures	<u>7,712,836</u>	<u>144,427</u>	<u>7,857,263</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 835,861</u>	<u>\$ (144,427)</u>	<u>\$ 691,434</u>	<u>\$ 8,548,697</u>

Manchester Township School District
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status
(Budgetary Basis)

Referendum Project - Various Improvements

From Inception and for the year ended June 30, 2013

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant				
Transfer from Capital Outlay				
Contribution from Other Sources	\$ 621		\$ 621	\$ 621
Bond Proceeds and Transfers	8,375,000		8,375,000	8,375,000
Total Revenues	<u>8,375,621</u>	-	<u>8,375,621</u>	<u>8,375,621</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	101,776		101,776	
Construction Services	7,252,643	\$ 144,427	7,397,070	
Other Expense				
Transfer Out to Debt Service Fund	192,969		192,969	
Total Expenditures	<u>7,547,388</u>	<u>144,427</u>	<u>7,691,815</u>	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 828,233</u>	<u>\$ (144,427)</u>	<u>\$ 683,806</u>	<u>\$ 8,375,621</u>
Additional project information				
Project number	N/A			
Grant date				
Bond authorization date	September 29, 2009			
Bonds Authorized	\$ 8,375,000			
Bonds Issued	8,375,000			
Original Authorized Cost	\$ 8,375,621			
Additional Authorized Cost				
Revised Authorized Cost	8,375,621			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	100.00%			
Original target completion date	September-11			
Revised target completion date	September-14			

Manchester Township School District
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status
(Budgetary Basis)

Gym Lighting Project

From Inception and for the year ended June 30, 2013

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 57,270		\$ 57,270	\$ 57,270
Transfer from Capital Outlay	87,906		87,906	85,906
Contribution from Other Sources	27,900		27,900	29,900
Bond Proceeds and Transfers				
Total Revenues	<u>173,076</u>	<u>-</u>	<u>173,076</u>	<u>173,076</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	1,575		1,575	
Construction Services	157,407		157,407	
Other Expense	6,466		6,466	
Transfer Out to Debt Service Fund				
Total Expenditures	<u>165,448</u>	<u>-</u>	<u>165,448</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 7,628</u>	<u>\$ -</u>	<u>\$ 7,628</u>	<u>\$ 173,076</u>
Additional project information				
Project number	2940-090-09-0ZWX			
Grant date	July-10			
Bond authorization date				
Bonds Authorized				
Bonds Issued				
Original Authorized Cost	\$ 173,076			
Additional Authorized Cost				
Revised Authorized Cost	173,076			
Percentage Increase over Original				
Authorized Cost	0.00%			
Percentage completion	100.00%			
Original target completion date	September-11			
Revised target completion date	Completed			

Manchester Township School District
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2013

Issue/Project Title	Appropriations	Expenditures to Date		Unexpended Balance
		Prior Year	Current Year	
Referendum Project - Various Improvements	\$ 8,375,621	\$ 7,547,388	\$ 144,427	\$ 683,806
Gym Lighting Project	173,076	165,448		7,628
	<u>\$ 8,548,697</u>	<u>\$ 7,712,836</u>	<u>\$ 144,427</u>	<u>\$ 691,434</u>
Bond and note proceeds	\$ 8,375,000			
NJSDA grant	57,270			
NJCEP rebate	27,900			
Local share	88,527			
Total referendum	<u>\$ 8,548,697</u>			

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Fiduciary Funds

Manchester Township School District
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2013

	Trust			Agency		
	Private Purpose Scholarship Fund	Unemployment Compensation Fund	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and cash equivalents	\$ 233,585	\$ 143,260	\$ 376,845	\$ 141,483	\$1,910,363	\$ 2,051,846
Interfund receivable		73,929	73,929		21,962	21,962
Investments	42,943		42,943			
Total assets	<u>276,528</u>	<u>217,189</u>	<u>493,717</u>	<u>\$ 141,483</u>	<u>\$1,932,325</u>	<u>\$ 2,073,808</u>
Liabilities						
Accounts payable		11,097	11,097		\$1,858,396	\$ 1,858,396
Interfund payable		21,962	21,962		73,929	73,929
Due to student groups				\$ 141,483		141,483
Total liabilities		<u>33,059</u>	<u>33,059</u>	<u>\$ 141,483</u>	<u>\$1,932,325</u>	<u>\$ 2,073,808</u>
Net Position						
Held in Trust	276,528	184,130	460,658			
Total net position	<u>\$ 276,528</u>	<u>\$ 184,130</u>	<u>\$ 460,658</u>			

Manchester Township School District
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2013

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Elementary schools:				
Manchester elementary	\$ 4,013	\$ 20,725	\$ 19,024	\$ 5,714
Regional Day School	1,350	6,540	6,959	931
Ridgeway School	12,845	31,745	26,802	17,788
Whiting School	4,398	17,673	19,390	2,681
Total elementary schools	<u>22,606</u>	<u>76,683</u>	<u>72,175</u>	<u>27,114</u>
Middle school	41,646	95,316	98,563	38,399
Senior high school	98,266	339,009	361,305	75,970
Total all schools	<u>\$ 162,518</u>	<u>\$ 511,008</u>	<u>\$ 532,043</u>	<u>\$ 141,483</u>

Manchester Township School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2013

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Assets				
Cash and cash equivalents	\$ 1,810,478	\$ 76,012,183	\$ 75,912,298	\$ 1,910,363
Interfund receivable	21,962			21,962
Total assets	<u>\$ 1,832,440</u>	<u>\$ 76,012,183</u>	<u>\$ 75,912,298</u>	<u>\$ 1,932,325</u>
Liabilities				
Accounts payable	\$ 1,777,686	\$ 75,956,029	\$ 75,875,319	\$ 1,858,396
Interfund payable	54,754	56,154	36,979	73,929
Total liabilities	<u>\$ 1,832,440</u>	<u>\$ 76,012,183</u>	<u>\$ 75,912,298</u>	<u>\$ 1,932,325</u>

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Long-Term Debt

Manchester Township School District
Long-Term Debt

Schedule of Serial Bonds Payable

June 30, 2013

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2012	Retired	Balance June 30, 2013
			Date	Amount				
Refunding bonds	4/1/2004	\$ 2,945,000	3/1/14	\$ 280,000	3.625%	\$ 1,110,000	\$ 285,000	\$ 825,000
			3/1/15	275,000	3.750			
			3/1/16	270,000	4.000			
School Bonds	7/15/2004	17,974,000	7/15/13	1,020,000	4.000	3,060,000	970,000	2,090,000
			7/15/14	1,070,000	4.250			
Referendum	3/1/2011	8,375,000	3/1/14	10,000	2.000	7,450,000	10,000	7,440,000
			3/1/15	65,000	2.250			
			3/1/16	115,000	2.750			
			3/1/17	500,000	2.875			
			3/1/18	500,000	3.000			
			3/1/19	550,000	3.375			
			3/1/20	550,000	3.500			
			3/1/21	550,000	3.500			
			3/1/22	550,000	3.750			
			3/1/23	550,000	3.750			
			3/1/24	500,000	4.000			
			3/1/25	500,000	4.000			
			3/1/26	500,000	4.000			
			3/1/27	500,000	4.000			
			3/1/28	500,000	4.000			
			3/1/29	500,000	4.125			
			3/1/30	500,000	4.125			
Refunding Bonds	3/28/2012	13,525,000	7/15/13	10,000	3.000	13,525,000	120,000	13,405,000
			7/15/14	15,000	3.000			
			7/15/15	1,080,000	4.000			
			7/15/16	1,080,000	4.000			
			7/15/17	1,075,000	4.000			
			7/15/18	1,075,000	4.000			
			7/15/19	1,085,000	5.000			
			7/15/20	1,095,000	4.500			
			7/15/21	1,095,000	4.500			
			7/15/22	1,095,000	4.500			
			7/15/23	1,100,000	5.000			
			7/15/24	1,095,000	3.000			
			7/15/25	850,000	3.000			
			7/15/26	835,000	3.130			
7/15/27	820,000	3.250						
\$ 25,145,000						\$ 1,385,000	\$ 23,760,000	

Manchester Township School District
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year Ended June 30, 2013

	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2012	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2013
School buses	4.97%	\$ 292,468	\$ 34,369		\$ 34,369	
School buses	4.29%	769,320	265,568		84,832	\$ 180,736
School buses	5.00%	872,588	452,669		90,058	362,611
School buses	3.95%	125,410	51,504		25,253	26,251
School buses	1.68%	635,000		\$ 635,000	76,113	558,887
Office equipment	10.87%	170,024	52,222		36,506	15,716
Office equipment	0.00%	39,132	13,044		13,044	
Office equipment	Variable	13,136		13,136	3,108	10,028
Office equipment	Variable	171,811		171,811	34,222	137,589
Computers	Variable	134,892	88,574		43,454	45,120
			<u>\$ 957,950</u>	<u>\$ 819,947</u>	<u>\$ 440,959</u>	<u>\$ 1,336,938</u>

Manchester Township School District
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local tax levy	\$ 2,185,454		\$ 2,185,454	\$ 2,185,454	
State sources:					
Debt Service Aid	87,440		87,440	87,440	
Total revenues	<u>2,272,894</u>		<u>2,272,894</u>	<u>2,272,894</u>	
Expenditures:					
Principal on bonds	1,265,000		1,385,000	1,385,000	
Interest on bonds	1,007,894		887,894	853,212	\$ 34,682
Total expenditures	<u>2,272,894</u>		<u>2,272,894</u>	<u>2,238,212</u>	<u>34,682</u>
Net change in fund balance				34,682	34,682
Fund balance, July 1	-		-	-	
Fund balance, June 30	<u>\$ -</u>		<u>\$ -</u>	<u>\$ 34,682</u>	<u>\$ 34,682</u>

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Statistical Section

**Statistical Section
Unaudited**

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report (CAFR) for the relevant year. The District implemented GASB Statement 34 in the year ended June 30, 2003; schedules presenting district-wide information include information beginning in that year. Ten years of information has been provided where available.*

Manchester Township School District
Net Position by Component
Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	As of June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 15,761,385	\$ 15,708,924	\$ 17,480,137	\$ 18,698,598	\$ 18,305,578	\$ 17,886,665	\$ 17,700,524	\$ 17,031,547	\$ 16,198,934	\$ 16,337,248
Restricted	183,012	61,993	331,798	321,360	557,225	278,105	33,709	226,678	835,861	1,273,553
Unrestricted (deficit)	(8,279,800)	(1,034,177)	(2,945,821)	(3,776,117)	338,351	(4,155,299)	(4,033,482)	(3,881,640)	(3,306,942)	(3,207,568)
Total governmental activities net position	<u>\$ 7,664,597</u>	<u>\$ 14,736,740</u>	<u>\$ 14,866,114</u>	<u>\$ 15,243,841</u>	<u>\$ 19,201,154</u>	<u>\$ 14,009,471</u>	<u>\$ 13,700,751</u>	<u>\$ 13,376,585</u>	<u>\$ 13,727,853</u>	<u>\$ 14,403,233</u>
Business-type activities										
Net investment in capital assets	\$ 1,063,230	\$ 913,540	\$ 827,583	\$ 762,118	\$ 668,255	\$ 592,784	\$ 559,432	\$ 552,016	\$ 476,579	\$ 409,863
Unrestricted	914,467	762,196	684,135	506,149	402,289	511,290	514,629	251,722	189,117	307,919
Total business-type activities net position	<u>\$ 1,977,697</u>	<u>\$ 1,675,736</u>	<u>\$ 1,511,718</u>	<u>\$ 1,268,267</u>	<u>\$ 1,070,544</u>	<u>\$ 1,104,074</u>	<u>\$ 1,074,061</u>	<u>\$ 803,738</u>	<u>\$ 665,696</u>	<u>\$ 717,782</u>
District-wide										
Net investment in capital assets	\$ 16,824,615	\$ 16,622,464	\$ 18,307,720	\$ 19,460,716	\$ 18,973,833	\$ 18,479,449	\$ 18,259,956	\$ 17,583,563	\$ 16,675,513	\$ 16,747,111
Restricted	183,012	61,993	331,798	321,360	557,225	278,105	33,709	226,678	835,861	1,273,553
Unrestricted (deficit)	(7,365,333)	(271,981)	(2,261,686)	(3,269,968)	740,640	(3,644,009)	(3,518,853)	(3,629,918)	(3,117,825)	(2,899,649)
Total district net position	<u>\$ 9,642,294</u>	<u>\$ 16,412,476</u>	<u>\$ 16,377,832</u>	<u>\$ 16,512,108</u>	<u>\$ 20,271,698</u>	<u>\$ 15,113,545</u>	<u>\$ 14,774,812</u>	<u>\$ 14,180,323</u>	<u>\$ 14,393,549</u>	<u>\$ 15,121,015</u>

Source: CAFR Schedule A-1 and District records.

GASB No. 63 was implemented in the 2013 fiscal year, which required a change in language from net assets to net position for full accrual funds. This required presentation did not impact any of the balances from prior years. (See footnotes for detail).

Manchester Township School District
Changes in Net Position
Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
Instruction	\$ 22,303,379	\$ 23,210,668	\$ 26,012,402	\$ 28,134,765	\$ 29,053,870	\$ 29,642,243	\$ 30,637,226	\$ 31,147,739	\$ 31,926,646	\$ 32,597,470
Support Services:										
Attendance and social work	50,573	51,198	21,811	23,675	35,269	39,033	45,080	53,507	51,304	56,380
Health services	502,570	478,460	468,533	455,538	473,064	481,711	329,056	392,958	439,139	458,276
Other support services	2,441,255	2,540,215	3,030,240	3,322,095	3,546,483	3,918,777	3,801,323	4,037,786	4,335,845	4,471,862
Improvement of instruction	683,909	653,122	673,848	797,863	807,232	929,658	946,132	964,068	1,067,319	1,110,423
Other support instructional staff	94,032	102,985	77,692	69,455	70,159	79,851	70,729	24,912	43,983	42,573
School library	570,562	599,893	633,633	712,064	606,745	625,575	648,935	637,551	694,645	699,204
General administration	1,684,016	1,491,942	1,509,400	1,976,557	2,014,377	2,194,515	2,137,006	2,171,113	1,849,178	1,921,716
School administration	2,229,247	3,093,966	2,878,823	3,128,238	3,122,970	3,120,614	3,108,069	3,171,830	3,364,903	3,588,481
Required maintenance of plant	773,460	736,658	738,436	793,242	834,356	585,542	530,628	1,050,808	997,008	1,210,371
Operation of plant	3,234,966	3,514,739	3,605,477	3,709,352	4,224,377	4,904,404	4,943,156	4,163,393	3,938,430	3,968,355
Student transportation	2,650,194	2,829,338	2,665,812	2,982,861	3,647,380	3,925,035	4,009,434	3,824,863	4,099,245	4,270,167
Business and other support services and benefits	1,011,283	117,282								
Capital outlay	560,006	146,720	174,458	30,604	32,653					
Special Schools	43,754	46,056	41,641	52,602						
Interest on long-term debt	164,090	914,246	969,416	989,552	960,311	918,261	1,003,390	1,091,494	920,735	982,757
Total governmental activities expenses	38,997,296	40,527,488	43,501,622	47,178,463	49,429,246	51,365,220	52,210,164	52,732,022	53,728,380	55,378,035
Business-type activities:										
Food service	1,045,018	1,097,586	1,061,710	1,123,188	1,211,826	1,246,249	1,323,504	1,340,909	1,597,000	1,330,323
Regional Day School	4,488,077	4,794,556	5,249,355	5,604,387	5,842,404	6,413,550	6,552,213	6,528,926	6,164,162	5,990,245
Total business-type activities expense	5,533,095	5,892,142	6,311,065	6,727,575	7,054,230	7,659,799	7,875,717	7,869,835	7,761,162	7,320,568
Total district expenses	\$ 44,530,391	\$ 46,419,630	\$ 49,812,687	\$ 53,906,038	\$ 56,483,476	\$ 59,025,019	\$ 60,085,881	\$ 60,601,857	\$ 61,489,542	\$ 62,698,603
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 1,453,441	\$ 1,399,081	\$ 1,735,155	\$ 2,086,709	\$ 2,361,549	\$ 2,239,340	\$ 2,085,000	\$ 2,147,109	\$ 2,225,318	\$ 2,342,906
Pupil transportation	143,643	159,661	187,186	219,208	221,128	280,158	282,722	281,160	240,753	286,081
Operating grants and contributions	1,224,051	1,155,663	1,343,895	1,192,133	1,330,645	1,155,824	1,595,822	1,738,700	1,248,364	1,296,586
Capital grants and contributions		7,158,060	644,215	828,508				16,621	68,549	
Total governmental activities program revenues	2,821,135	9,872,465	3,910,451	4,326,558	3,913,322	3,675,322	3,963,544	4,183,590	3,782,984	3,925,573
Business-type activities:										
Charges for services:										
Food service	712,175	724,933	732,758	741,814	778,950	820,402	825,512	800,212	952,129	705,089
Regional Day School	4,131,233	4,398,919	4,933,438	5,231,329	5,518,583	6,255,896	6,334,639	6,105,215	5,878,950	5,940,486
Operating grants and contributions	407,325	448,481	461,910	479,619	538,379	612,645	681,419	685,840	792,020	727,079
Total business type activities program revenues	5,250,733	5,572,333	6,128,106	6,452,762	6,835,912	7,688,943	7,841,570	7,591,267	7,623,099	7,372,654
Total district program revenues	\$ 8,071,868	\$ 15,444,798	\$ 10,038,557	\$ 10,779,320	\$ 10,749,234	\$ 11,364,265	\$ 11,805,114	\$ 11,774,857	\$ 11,406,083	\$ 11,298,227
Net (Expense)/Revenue										
Governmental activities	\$ (36,176,161)	\$ (30,655,023)	\$ (39,591,171)	\$ (42,851,905)	\$ (45,515,924)	\$ (47,689,898)	\$ (48,246,620)	\$ (48,548,430)	\$ (49,945,394)	\$ (51,452,462)
Business-type activities	(282,362)	(319,809)	(182,959)	(274,813)	(218,318)	29,144	(34,147)	(278,568)	(138,063)	52,086
Total district-wide net expense	\$ (36,458,523)	\$ (30,974,832)	\$ (39,774,130)	\$ (43,126,718)	\$ (45,734,242)	\$ (47,660,754)	\$ (48,280,767)	\$ (48,826,998)	\$ (50,083,457)	\$ (51,400,376)

Manchester Township School District
Changes in Net Position
Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 26,594,154	\$ 27,807,257	\$ 29,819,395	\$ 31,200,923	\$ 32,772,653	\$ 34,439,117	\$ 35,706,257	\$ 37,489,885	\$ 38,560,101	\$ 39,331,303
Property taxes levied for debt service	1,317,770	1,436,441	1,340,686	1,744,069	2,119,492	2,137,674	2,106,952	2,233,421	2,102,060	2,185,454
Unrestricted grants and contributions	10,672,993	7,994,234	8,226,986	9,935,520	10,266,111	9,255,839	9,781,745	8,163,511	9,529,730	10,588,044
Investment earnings	305,418	193,739	171,902	214,398	128,395	48,588	64,083	72,853	2,429	
Miscellaneous income	947,173	296,327	163,196	136,643	512,093	293,699	278,863	264,594	102,342	23,041
Transfers	(1,476)	(832)	(1,620)	(1,923)	(2,209)					
Total governmental activities	<u>39,836,032</u>	<u>37,727,166</u>	<u>39,720,545</u>	<u>43,229,630</u>	<u>45,796,535</u>	<u>46,174,917</u>	<u>47,937,900</u>	<u>48,224,264</u>	<u>50,296,662</u>	<u>52,127,842</u>
Business-type activities:										
Investment earnings and miscellaneous revenue	27,229	17,016	17,321	29,439	18,386	4,386	4,134	8,245	21	
Transfers	1,476	832	1,620	1,923	2,209					
Total business-type activities	<u>28,705</u>	<u>17,848</u>	<u>18,941</u>	<u>31,362</u>	<u>20,595</u>	<u>4,386</u>	<u>4,134</u>	<u>8,245</u>	<u>21</u>	<u>-</u>
Total district-wide	<u>\$ 39,864,737</u>	<u>\$ 37,745,014</u>	<u>\$ 39,739,486</u>	<u>\$ 43,260,992</u>	<u>\$ 45,817,130</u>	<u>\$ 46,179,303</u>	<u>\$ 47,942,034</u>	<u>\$ 48,232,509</u>	<u>\$ 50,296,683</u>	<u>\$ 52,127,842</u>
Change in Net Position										
Governmental activities	\$ 3,659,871	\$ 7,072,143	\$ 129,374	\$ 377,725	\$ 280,611	\$ (1,514,981)	\$ (308,720)	\$ (324,166)	\$ 351,268	\$ 675,380
Business-type activities	(253,657)	(301,961)	(164,018)	(243,451)	(197,723)	33,530	(30,013)	(270,323)	(138,042)	52,086
Total district	<u>\$ 3,406,214</u>	<u>\$ 6,770,182</u>	<u>\$ (34,644)</u>	<u>\$ 134,274</u>	<u>\$ 82,888</u>	<u>\$ (1,481,451)</u>	<u>\$ (338,733)</u>	<u>\$ (594,489)</u>	<u>\$ 213,226</u>	<u>\$ 727,466</u>

Source: CAFR Schedule A-2 and District records.

GASB No. 63 was implemented in the 2013 fiscal year, which required a change in language from net assets to net position for full accrual funds. This required presentation did not impact any of the balances from prior years. (See footnotes for detail).

**Manchester Township School District
Fund Balances, Governmental Funds
Last Ten Fiscal Years**

(modified accrual basis of accounting)
Unaudited

	As of June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 183,012	\$ 211,991	\$ 328,749	\$ 221,371	\$ 585,279	\$ 365,297	\$ 6,793			
Unreserved	1,085,227	670,987	718,575	799,601	697,745	325,861	154,219			
Restricted for										
Assigned to								\$ 56,120	\$ 474,520	\$ 547,437
Unassigned								362,868	458,967	303,227
Total general fund	<u>\$ 1,268,239</u>	<u>\$ 882,978</u>	<u>\$ 1,047,324</u>	<u>\$ 1,020,972</u>	<u>\$ 1,283,024</u>	<u>\$ 691,158</u>	<u>\$ 161,012</u>	<u>\$ 418,988</u>	<u>\$ 933,487</u>	<u>\$ 1,410,876</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue fund (deficit)	\$ (5,757)	\$ (5,755)	\$ (5,755)	\$ (5,755)	\$ (12,530)					
Capital projects fund (deficit)	(5,158,729)	2,081,658	340,072				\$ 7,601,036			
Debt service fund (deficit)	129,069	198,565	345,050	(209,877)	4,441	\$ 4,441	33,709			
Restricted for:										
Capital projects fund								\$ 762,598	\$ 835,861	\$ 34,682
Debt service fund										691,434
Assigned to:										
Capital projects fund								336,205		
Debt service fund								226,678		
Total all other governmental funds	<u>\$ (5,035,417)</u>	<u>\$ 2,274,468</u>	<u>\$ 679,367</u>	<u>\$ (215,632)</u>	<u>\$ (8,089)</u>	<u>\$ 4,441</u>	<u>\$ 7,634,745</u>	<u>\$ 1,325,481</u>	<u>\$ 835,861</u>	<u>\$ 726,116</u>

Source: CAFR Schedule B-1 and District records.

GASB No. 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (See footnote 1 in the basic financial statements). Prior years have not been restated above, nor are they required to be.

**Manchester Township School District
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years**

Unaudited

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax levy	\$ 27,911,924	\$ 29,243,698	\$ 31,160,081	\$ 32,944,992	\$ 34,892,145	\$ 36,576,791	\$ 37,813,209	\$ 39,723,306	\$ 40,662,161	\$ 41,516,757
Tuition charges	1,409,124	1,348,572	1,694,890	1,910,990	2,193,257	2,239,340	2,085,000	2,147,109	2,225,318	2,342,906
Interest earnings	305,418	193,739	171,902	214,398	128,395	48,588	64,083	72,853	2,429	
Miscellaneous	905,815	297,029	163,528	139,043	544,187	353,670	286,669	264,671	115,247	34,982
State sources	10,793,898	15,274,793	8,996,141	10,869,322	10,488,684	9,242,797	9,721,863	8,124,104	9,279,419	10,480,849
Federal sources	1,103,146	1,032,462	1,218,623	1,084,441	1,075,978	1,108,895	1,647,898	1,794,651	1,534,324	1,381,706
Total revenue	42,429,325	47,390,293	43,405,165	47,163,186	49,322,646	49,570,081	51,618,722	52,126,694	53,818,898	55,757,200
Expenditures										
Instruction										
Regular and Special Education Instruction	17,079,010	17,793,011	18,986,943	19,285,281	20,226,147	21,016,971	22,282,855	21,676,305	22,101,498	22,742,019
Support Services:										
Attendance and social work	37,871	38,155	17,601	18,566	26,604	29,822	34,474	39,353	37,732	41,467
Health services	388,650	361,478	351,268	328,571	343,838	357,234	329,056	392,958	439,139	458,276
Other support services	1,882,256	1,966,189	2,278,545	2,405,802	2,600,908	2,833,901	2,905,702	3,009,236	2,953,130	3,068,456
Improvement of instruction	533,269	498,432	497,604	582,525	598,678	663,131	713,368	692,721	737,602	771,886
School library	447,484	473,506	476,911	506,934	435,654	461,542	483,454	454,334	498,541	492,813
Instructional staff training	81,912	90,539	69,493	59,390	61,024	67,141	58,852	21,482	38,587	40,087
General administration	840,789	672,501	692,851	688,786	708,460	772,067	749,770	573,929	609,425	654,483
School administration	1,651,844	1,787,273	1,652,325	1,719,912	1,577,163	1,598,231	1,650,711	1,600,763	1,609,806	1,760,603
Central services		568,465	404,856	428,258	500,949	462,950	458,664	460,591	423,719	456,357
Information technology		145,303	154,537	156,156	166,272	159,610	181,162	181,243	317,799	302,039
Required maintenance of plant	717,157	678,842	669,802	708,845	747,839	503,492	522,361	593,432	829,477	1,042,988
Operation of plant	2,880,554	3,420,239	3,473,550	3,691,642	3,909,563	4,331,538	4,557,923	3,967,952	3,678,275	3,741,112
Student transportation	2,042,055	2,218,643	2,407,349	2,706,149	2,803,368	2,845,464	3,107,656	2,854,924	3,014,850	3,110,748
Business and other support services and benefits	8,076,950	7,733,364	8,673,023	10,964,933	11,713,457	11,459,961	11,599,774	12,472,192	13,425,509	14,034,792
Special Schools	43,754	46,056	41,641	52,602						
Costs of issuance							59,648			
Capital outlay	10,187,114	18,852,175	2,810,209	1,851,605	194,459	555,039	1,131,105	6,745,245	734,502	1,253,165
Debt service:										
Cost of issuance									72,000	
Principal	898,114	995,000	1,060,000	1,220,000	1,285,000	1,325,000	1,340,000	1,345,000	1,420,000	1,385,000
Interest and other charges	399,076	585,007	988,380	962,180	933,553	897,001	852,439	1,135,454	1,059,320	853,212
Total expenditures	48,187,859	58,924,178	45,706,888	48,338,137	48,832,936	50,340,095	53,018,974	58,217,114	54,000,911	56,209,503
Excess (Deficiency) of revenues over (under) expenditures	(5,758,534)	(11,533,885)	(2,301,723)	(1,174,951)	489,710	(770,014)	(1,400,252)	(6,090,420)	(182,013)	(452,303)
Other Financing sources (uses)										
Capital leases (non-budgeted)	975,335	769,320	872,588	255,523		170,024	125,410	39,132	134,892	819,947
Bond proceeds		17,974,000					8,375,000			
Proceeds of refunding debt	4,525,000								13,525,000	
Payment to refunded debt escrow agent	(5,702,747)								(14,675,597)	
Original issue premium	42,420								1,296,985	
Original issue discount									(74,388)	
Transfers in	223,578	105,368	780,801	216,256	214,318	20,654	33,890	278,875	2,000	
Transfers out	(225,054)	(106,200)	(782,421)	(218,179)	(234,433)	-	(33,890)	(278,875)	(2,000)	
Total other financing sources (uses)	(161,468)	18,742,488	870,968	253,600	(20,115)	190,678	8,500,410	39,132	206,892	819,947
Net change in fund balances	\$ (5,920,002)	\$ 7,208,603	\$ (1,430,755)	\$ (921,351)	\$ 469,595	\$ (579,336)	\$ 7,100,158	\$ (6,051,288)	\$ 24,879	\$ 367,644
Debt service as a percentage of noncapital expenditures	3.4%	3.9%	4.8%	4.7%	4.6%	4.5%	4.2%	4.8%	4.7%	4.1%

Source: CAFR Schedule B-2

Note The change in fund balance in 2005 was the result of the issuance of \$17,974,000 of bonds offset by expenditures incurred relating to the District's approved referendum.

Manchester Township School District
General Fund Other Local Revenue by Source
Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	NJSCC Refund	SREC Proceeds	Insurance Refunds	Other Refunds	Misc.	Energy/E-rate Reimbursements	Total
2004	\$ 457,378		\$ 359,723	\$ 45,981	\$ 42,733		\$ 905,815
2005			226,288	45,957	24,082		296,327
2006			80,000	25,464	57,732		163,196
2007				15,398	121,245		136,643
2008			145,075	16,475	85,971	\$ 50,254	297,775
2009			220,000	53,682	20,017		293,699
2010			200,000	62,910	15,332		278,242
2011				35,909	35,716	192,969	264,594
2012		\$ 32,670		14,676	35,001		82,347
2013					12,907		12,907

Source: District Records

Manchester Township School District
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b
2013	\$ 135,522,600	\$ 2,459,320,285	\$ 5,500,500	\$ 330,524,900	\$ 25,747,400	\$ 261,720,000	\$ 3,218,335,685	\$ 5,952,831	\$ 3,224,288,516	\$ 1.298
2012	171,207,500	3,059,694,394	6,213,200	348,092,000	26,978,000	345,376,900	3,957,561,994	6,710,264	3,964,272,258	1.036
2011	183,788,800	3,061,710,794	4,403,200	358,896,400	27,443,100	436,648,600	4,072,890,894	6,468,926	4,079,359,820	0.985
2010	200,659,400	3,045,434,794	3,914,600	364,006,600	27,443,100	436,648,600	4,078,107,094	7,138,078	4,085,245,172	0.942
2009	213,648,600	3,026,608,894	4,049,700	366,959,800	28,008,600	436,683,600	4,075,959,194	7,836,045	4,083,795,239	0.911
2008	67,756,300	1,650,351,281	1,569,300	147,430,600	16,353,600	266,168,300	2,149,629,381	3,195,377	2,152,824,758	1.660
2007	56,119,300	1,623,201,581	1,698,100	139,220,200	9,971,600	266,171,600	2,096,382,381	3,430,384	2,099,812,765	1.622
2006	64,953,300	1,568,304,781	1,669,000	133,312,300	9,971,600	269,122,200	2,047,333,181	3,783,444	2,051,116,625	1.569
2005	63,232,600	1,510,419,781	1,655,500	132,491,900	9,971,600	269,122,200	1,986,893,581	4,408,463	1,991,302,044	1.510
2004	65,871,000	1,439,127,000	1,713,000	131,972,000	10,019,000	269,122,200	1,917,824,000	5,345,000	1,923,169,000	1.481

Source: District records, Tax list summary & Municipal Tax Assessor and Collector, abstract of ratables, County Board of Taxation

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation

Reassessment occurs when ordered by the County Board of Taxation, which occurred in the 2009 fiscal year.

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

*** Due to the Township changing from a fiscal reporting year to a calendar reporting year, the tax rates were not available prior to the issuance of this report.**

**Manchester Township School District
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

Unaudited

Fiscal Year Ended June 30,	Manchester Township School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Manchester Township	Ocean County	
2004	\$ 1.418	\$ 0.063	\$ 1.481	\$ 0.587	\$ 0.585	\$ 2.653
2005	1.443	0.067	1.510	0.619	0.630	2.759
2006	1.487	0.082	1.569	0.708	0.617	2.894
2007	1.523	0.099	1.622	0.720	0.640	2.982
2008	1.561	0.099	1.660	0.809	0.689	3.158
2009 ^c	0.859	0.052	0.911	0.401	0.360	1.672
2010	0.889	0.053	0.942	0.454	0.361	1.757
2011	0.933	0.052	0.985	0.514	0.358	1.857
2012	0.982	0.054	1.036	0.530	0.356	1.922
2013	1.231	0.067	1.298	0.644	0.409	2.351

Source: District Records and Municipal Tax Collector.

a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

b Rates for debt service are based on each year's requirements.

c Rates reflect a property revaluation

Manchester Township School District
Principal Property Taxpayers
Current Year and Nine Years Ago

Unaudited

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Cedar Glen Lakes	\$ 56,569,000	1	1.75%	\$ 49,989,100	2	2.62%
Crestwood Village Co-Op IV	41,276,000	2	1.28%	50,311,500	1	2.60%
Pine Ridge MHC LLC	40,454,400	3	1.25%	-		
Crestwood Village Co-Op II	35,617,700	4	1.10%	40,450,300	4	2.10%
Crestwood Village Co-Op III	34,559,000	5	1.07%	41,216,000	3	2.14%
Manchester Plaza	33,547,500	6	1.04%	-		
Springpoint at Crestwood	32,772,000	7	1.02%	-		
Briarhill At Manchester	29,500,000	8	0.91%	-		
Crestwood Village Co-Op I	27,678,000	9	0.86%	31,914,000	5	1.66%
Hovson's	27,112,900	10	0.84%	13,120,700	10	0.79%
Presbyterian Homes	-			13,587,000	9	1.17%
Cedar Glen West	-			22,486,000	6	0.92%
Keswick Pines	-			15,181,900	8	0.71%
Cedar Glen Homes	-			17,648,000	7	0.68%
Total	\$ 359,086,500		11.14%	\$ 295,904,500		15.39%

Source: District CAFR & Municipal Tax Assessor and Treasurer

**Manchester Township School District
Property Tax Levies and Collections
Last Ten Fiscal Years**

Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 27,911,924	\$ 27,911,924	100.00%	-
2005	29,243,698	29,243,698	100.00%	-
2006	31,160,081	31,160,081	100.00%	-
2007	32,944,992	32,944,992	100.00%	-
2008	34,892,145	34,892,145	100.00%	-
2009	36,576,591	36,576,591	100.00%	-
2010	37,813,209	37,813,209	100.00%	-
2011	39,723,306	39,723,306	100.00%	-
2012	40,662,161	40,662,161	100.00%	-
2013	41,516,757	41,516,757	100.00%	-

Source: District records including the Report of School Taxes (A4F form).

Note:

School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of each school year.

Manchester Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Business- Type Activities		Percentage of Per Capita Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2004	\$ 4,045,000	\$ 4,525,000	\$ 1,377,897	\$ 17,974,589	\$ 57,067	\$ 27,979,553	0.12%	\$ 33,132
2005	21,859,000	3,690,000	1,877,777		30,859	27,457,636	0.13%	34,509
2006	21,649,000	2,840,000	2,417,395		107,916	27,014,311	0.13%	34,509
2007	21,204,000	2,065,000	2,130,280		102,839	25,502,119	0.15%	39,214
2008	20,714,000	1,270,000	1,864,155		90,905	23,939,060	0.15%	36,037
2009	20,029,000	630,000	1,806,518		86,419	22,551,937	0.17%	37,228
2010	27,694,000		1,577,199		67,528	29,338,727	0.13%	39,521
2011	26,349,000		1,236,221		52,185	27,637,406	0.14%	39,677
2012	25,145,000		957,950		37,623	26,140,573	0.15%	40,291
2013	23,760,000		1,336,938		35,746	25,132,684	0.16%	40,724

Source: District CAFR Schedules I-1, I-2, footnotes and District records.

Note: Details regarding the District's outstanding debt can be found in note 5 to the basic financial statements.

- a See J-14 for per capita income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b Includes Early Retirement Incentive Plan (ERIP) refunding

Manchester Township School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds and Certificates of Participation	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 8,570,000		\$ 8,570,000	0.45%	\$ 203.96
2005	25,549,000		25,549,000	1.28%	607.98
2006	24,489,000		24,489,000	1.19%	586.10
2007	23,269,000		23,269,000	1.11%	556.81
2008	21,984,000		21,984,000	1.02%	526.47
2009	20,659,000		20,659,000	0.51%	494.66
2010	27,694,000		27,694,000	0.68%	661.78
2011	26,349,000		26,349,000	0.65%	610.67
2012	25,145,000		25,145,000	0.62%	598.42
2013	23,760,000		23,760,000	0.60%	565.46

Source:

a See J-6 for property tax data.

b Population and personal income data can be found in J-14.

Note: Details regarding the District's outstanding debt can be found in Note 5 to the basic financial statements.

The deductions represented the legal requirement to maintain a reserve for the last principal payment on the outstanding certificates of participation.

Manchester Township School District
 Ratios of Overlapping Governmental Activities Debt
 As of June 30, 2013

Unaudited

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Manchester Township	\$ 19,104,268	100.0%	\$ 19,104,268
County of Ocean	418,744,357	4.3%	<u>18,006,007</u>
Subtotal, overlapping debt			<u>37,110,275</u>
Manchester Township School District Direct Debt			<u>23,760,000</u>
Total direct and overlapping debt			<u><u>\$ 60,870,275</u></u>

Sources: Manchester Township Finance Officer, Ocean County Finance Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Manchester. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

Manchester Township School District
 Legal Debt Margin Information
 Last Ten Fiscal Years

Unaudited

Legal Debt Margin Calculation for Fiscal Year 2013

	Equalized valuation basis
	2013 \$ 3,435,089,855
	2012 4,293,926,559
	2011 <u>4,284,998,310</u>
	<u>\$ 12,014,014,724</u>
Average equalized valuation of taxable property	\$ 4,004,671,575
Debt limit (4 % of average equalization value)	\$ 160,186,863
Net bonded school debt	<u>23,760,000</u>
Legal debt margin	<u>\$ 136,426,863</u>

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 86,904,570	\$ 104,168,192	\$ 124,218,350	\$ 146,737,559	\$ 168,508,775	\$ 183,456,512	\$ 191,025,092	\$ 184,281,147	\$ 178,030,202	\$ 160,186,863
Total net debt applicable to limit	<u>26,544,589</u>	<u>25,549,000</u>	<u>24,489,000</u>	<u>23,269,000</u>	<u>21,984,000</u>	<u>20,659,000</u>	<u>27,694,000</u>	<u>26,349,000</u>	<u>25,145,000</u>	<u>23,760,000</u>
Legal debt margin	<u>\$ 60,359,981</u>	<u>\$ 78,619,192</u>	<u>\$ 99,729,350</u>	<u>\$ 123,468,559</u>	<u>\$ 146,524,775</u>	<u>\$ 162,797,512</u>	<u>\$ 163,331,092</u>	<u>\$ 157,932,147</u>	<u>\$ 203,175,202</u>	<u>\$ 136,426,863</u>
Total net debt applicable to the limit as a percentage of debt limit	30.54%	24.53%	19.71%	15.86%	13.05%	11.26%	14.50%	14.30%	14.12%	14.83%

Source: Abstract of Ratables, Annual Report of the State of New Jersey, Department of the Treasury, Division of Taxation and District Records.

Manchester Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years

Unaudited

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2003	42,019		\$ 33,029	6.9%
2004	42,023		33,567	6.9%
2005	41,783		34,497	5.5%
2006	41,790		36,773	5.9%
2007	41,757		39,214	6.5%
2008	41,764		40,975	5.9%
2009	41,848		39,331	7.1%
2010	43,148		40,291	13.9%
2011	43,278		40,291	14.2%
2012	42,019		40,724	14.5%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development.

^b Personal income data was not available.

^c Per Capita Personal Income information provided by NJ Dept of Labor and Workforce Development.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development.

Manchester Township School District
Principal Employers
Current Year and Nine Years Ago

Unaudited

Employer	2013			2004		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
Joint Base - Lakehurst	3,550	1	33.57%	3,550	1	30.15%
Manchester Township Board of Education	600	2	5.67%	501	2	4.25%
Whiting Health Care	280	3	2.65%	237	5	2.01%
Manchester Township	228	4	2.16%	190	7	1.61%
Arista Healthcare	225	5	2.13%			
Crestwood Manor	225	6	2.13%	260	4	2.21%
Shoprite - Manchester Plaza	200	7	1.89%	359	3	3.05%
Manchester Manor	192	8	1.82%	192	6	1.63%
Logan Manor Association				140	8	1.19%
Lowe's, Manchester	120	9	1.13%			
Whiting Super G				120	9	1.02%
Arbors Care Center	120	10	1.13%			
Magnesium Elektron Inc. (Reade)				34	10	0.29%
	<u>5,740</u>		<u>54.27%</u>	<u>5,583</u>		<u>47.41%</u>

Source: Manchester Township CFO and Official Statements

Manchester Township School District
Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Unaudited

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction										
Regular	197.7	202.3	211.1	210.4	213.1	214	209.6	215	215.6	215.6
Special education	51.3	47.7	48.9	46.1	47.1	54	52	68	67.4	67.4
Other special education	39.6	39.3	40	39	42	42	42	35	38	38
Support Services:										
Student & instruction related services	46	47	49	51	48	57	59.8	69	68.7	68.7
General administrative services	5	5	5	5	5	5	5	2	2.1	2.1
School administrative services	24	24	24	23	24	24	24	24	23.9	23.9
Business administrative services	8	8	8	8	8	8	8	7	6.9	6.9
Technical administrative services	2	2	2	2	2	2	2	2	1.8	1.8
Plant operations and maintenance	36	36	36	36	36	36.5	33	32	32.4	34.4
Pupil transportation	49.5	49.5	53	53	58	59	57	58	58.3	58.3
Special Schools	48	48	50	50	48	46	45	-	-	-
Total	<u>507.10</u>	<u>508.80</u>	<u>527.00</u>	<u>523.50</u>	<u>531.20</u>	<u>547.50</u>	<u>537.40</u>	<u>512.00</u>	<u>515.10</u>	<u>517.10</u>

Source: District Personnel Records

*NOTE: 2011 Data is reported in accordance with the new full-time equivalent format provided as part of the 2011-2012 budget build. FTE's in Special Schools category are reclassified in special education and student and instruction related services.

Manchester Township School District
Operating Statistics
Last Ten Fiscal Years

Unaudited

Fiscal Year	October 15 Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage	
					Teaching Staff ^b	Elementary	Middle School					High School
2003	3,197	\$ 34,333,879	\$ 10,739	10.27%	265	11:1	12:1	11:1	3,210	2,999	0.91%	93.50%
2004	3,225	36,703,555	11,381	5.97%	269	11:1	12:1	11:1	3,237	3,065	0.85%	95.00%
2005	3,253	38,491,996	11,833	3.97%	270	11:1	12:1	12:1	3,212	3,025	-0.77%	94.40%
2006	3,231	40,848,299	12,643	6.84%	280	10:1	11:1	11:1	3,215	3,022	0.09%	94.61%
2007	3,229	44,304,352	13,721	8.53%	276	11:1	10:1	11:1	3,288	3,295	2.26%	94.00%
2008	3,224	46,419,924	14,398	4.94%	280	11:1	10:1	11:1	3,259	3,080	-0.99%	94.64%
2009	3,276	47,563,055	14,519	0.84%	288	11:1	10:1	11:1	3,232	3,056	-0.80%	95.28%
2010	3,255	49,695,430	15,267	5.16%	282	11:1	10:1	11:1	3,244	3,063	0.39%	94.56%
2011	3,234	48,991,415	15,149	-0.78%	276	11:1	10:1	11:1	3,297	3,111	1.63%	94.56%
2012	3,238	50,715,089	15,662	3.39%	276	11:1	10:1	11:1	3,165	3,002	-4.00%	94.90%
2013	3,186	52,718,126	16,547	9.23%	276	11:1	10:1	11:1	3,101	2,926	-5.94%	94.40%

Sources: District records and ASSA

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay (J-4).
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS). This does not include the separate Regional Day School.

Manchester Township School District
School Building Information
Last Ten Fiscal Years

Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>District Building</u>											
<u>Elementary</u>											
Manchester Elementary (1992)											
Square Feet	61,900	61,900	61,900	61,900	61,900	61,900	61,900	61,900	61,900	61,900	61,900
Capacity (students)	711	711	711	711	711	711	711	711	711	711	711
Enrollment	585	570	546	546	564	589	601	585	581	597	601
Ridgeway Elementary (1958)											
Square Feet	66,150	66,150	66,150	66,150	66,150	66,150	66,150	66,150	66,150	66,150	66,150
Capacity (students)	694	694	694	694	694	694	694	694	694	694	694
Enrollment a	499	521	522	513	521	490	479	545	527	516	506
Whiting Elementary (1954)											
Square Feet	31,400	36,900	36,900	36,900	36,900	36,900	36,900	36,900	36,900	36,900	36,900
Capacity (students)	280	336	336	336	336	336	336	336	336	336	336
Enrollment	300	288	296	281	298	290	259	285	280	247	239
<u>Middle School</u>											
Manchester Middle (1983)											
Square Feet	76,948	104,948	104,948	104,948	104,948	104,948	104,948	104,948	104,948	104,948	104,948
Capacity (students)	610	822	822	822	822	822	822	822	822	822	822
Enrollment	739	752	784	779	727	749	711	703	666	667	681
<u>High School</u>											
Manchester High School (1976)											
Square Feet	135,000	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400
Capacity (students)	1,057	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402
Enrollment	1,064	1,066	1,077	1,134	1,121	1,133	1,153	1,137	1,123	1,051	1,001

Number of Schools at June 30, 2013

 High School = 1

 Elementary = 3

 Middle School = 1

Source: District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

Manchester Township School District
 General Fund
 Schedule of Required Maintenance for School Facilities
 Last Ten Fiscal Years

Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

School Facilities	Project # (s)	Fiscal Year Ended June 30,									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Central Office		\$ 180,085	\$ 109,067	\$ 82,941	\$ 82,475	\$ 58,269	\$ 70,319	\$ 62,420	\$ 67,403	\$ 68,831	\$ 66,452
High School	40	197,972	229,602	159,957	115,391	158,345	222,565	212,392	221,811	213,771	218,418
Manchester Elementary School	43	127,434	97,080	81,975	89,188	63,929	98,214	92,411	95,539	99,616	99,455
Manchester Middle School	45	401,210	180,858	125,249	84,716	95,848	148,843	128,244	118,575	129,814	125,891
Ridgeway Elementary School	50	100,861	124,450	77,947	92,910	77,917	122,082	113,247	94,651	93,231	101,271
Whiting Elementary School	60	35,426	88,420	65,363	57,681	49,185	75,505	100,131	71,823	73,579	105,670
Total School Facilities		1,042,988	829,477	593,432	522,361	503,492	737,528	708,845	669,802	678,842	717,157
Other Facilities											
Grand Total		\$ 1,042,988	\$ 829,477	\$ 593,432	\$ 522,361	\$ 503,492	\$ 737,528	\$ 708,845	\$ 669,802	\$ 678,842	\$ 717,157

Source: District records of required maintenance.

Manchester Township School District
Insurance Schedule
Year ended June 30, 2013
Unaudited

Type of Coverage	Coverage	Deductible
Multi Peril Package Policy - New Jersey School Board Association Ins. Group		
Section I - Property:		
Blanket building and contents	\$ 500,000,000	\$ 5,000
Extra expense	50,000,000	5,000
Flood/Earthquake /Terrorism	111,000,000	500,000
Valuable papers	10,000,000	5,000
Demolition and Inc Cost of Construction	10,000,000	
Other	270,000	
Section II - Electronic Data Processing		
Computer equipment:		
Hardware/Software	1,000,000	1,000
Section III - Property and Business Inc.		
Equipment/Business Income	100,000,000	5,000
Spoilage	500,000	
Section IV - Crime:		
Blanket employee dishonesty	1,000,000	1,000
Depositors forgery	50,000	500
Money and securities	50,000	500
Forgery or Alteration	1,000,000	1,000
Computer Fraud	50,000	500
Section V - General Liability:		
Bodily injury and property damage	11,000,000	
Sexual Abuse	11,000,000	
Personal Injury and Adv. Injury	11,000,000	
Employee Benefits Liability	11,000,000	1,000
Terrorism	1,000,000	
Section VI - Automobile		
Bodily injury and property	11,000,000	
Personal injury protection	250,000	
Uninsured/underinsured	1,000,000	
Terrorism	1,000,000	
Medical payments	10,000	
Comprehensive and collision	ACU	1,000

Source: District Records

Manchester Township School District
Insurance Schedule
Year ended June 30, 2013
Unaudited

Type of Coverage	Coverage	Deductible
Errors and Omissions		
Errors and Omissions	\$ 11,000,000	\$ 15,000
Workers Compensation		
Employer Liability	2,000,000	
Workers Compensation	2,000,000	
Umbrella Excess Liability:		
Policy aggregate limit of liability-primary	10,000,000	
Umbrella excess liability-secondary	10,000,000	
Environmental Impairment Liability:		
Aggregate limit of liability	11,000,000	
Fidelity Bonds:		
Selective Insurance Company/Utica		
National Insurance Group:		
Board Secretary/Business Administrator	120,000	

Source: District Records

Single Audit Section

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*

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Manchester Township School District
County of Ocean
Whiting, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 the Manchester Township School District, in the County of Ocean, New Jersey (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

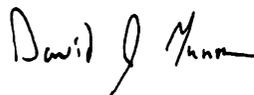
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

October 4, 2013
Iselin, New Jersey



Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Manchester Township School District
County of Ocean
Whiting, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Manchester Township School District, in the County of Ocean, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on an audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

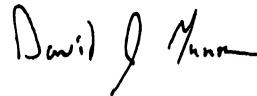
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

October 4, 2013
Iselin, New Jersey

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Manchester Township School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2012	Carrlover Amount	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013		
											Unearned Revenue	(Accounts Receivable)	Due to Grantor
U.S. Department of Health and Human Services - Passed Through State Department of Education													
General Fund:													
Medical Assistance Program	93.778	Not available	7/1/12-6/30/13	\$ 106,632			\$ 39,496	\$ (106,632)			\$ (67,136)		
Medical Assistance Program	93.778	Not available	7/1/11-6/30/12	65,206	\$ (35,301)		35,301						
U.S. Department of Education - Passed Through State Department of Education													
General Fund:													
Ed Jobs Fund	84.410	Not available	7/1/12-6/30/13	563				(563)			(563)		
Total General Fund					(35,301)		74,797	(107,195)			(67,699)		
U.S. Department of Education - Passed Through State Department of Education													
Special Revenue Fund:													
Title I	84.010A	NCLB-2940-08	9/1/12-8/31/13	344,870			264,672	(334,417)			(69,745)		
Title I, carryover	84.010A	NCLB-2940-08	9/1/11-8/31/12	393,732	(78,689)		130,482	(51,793)					
IDEA Part B, Basic, Regular	84.027A	FT294008	9/1/12-8/31/13	714,992			666,148	(714,992)			(48,844)		
IDEA Part B, Basic, Regular carryover	84.027A	FT294008	9/1/11-8/31/12	711,385	(46,510)		46,510						
IDEA Part B, Preschool	84.173A	PS294007	9/1/12-8/31/13	33,388			33,388	(33,388)					
Title II, Part A	84.367A	NCLB-2940-07	9/1/12-8/31/13	96,015			86,038	(93,793)			(7,755)		
Title II, Part A, carryover	84.367A	NCLB-2940-07	9/1/11-8/31/12	107,016	(12,540)		17,540	(5,000)					
Race To The Top	84.416	N/A	9/1/12-8/31/13	29,630			25,208	(25,208)					
U.S. Department of Agriculture-Passed-Through State Department of Education													
Special Revenue Fund:													
Healthier US School Challenge (Silver Award)	10.574	N/A	7/1/11-6/30/13	3,000	1,000				(1,000)				
U.S. Department of Homeland Security													
Special Revenue Fund:													
Federal Emergency Management Agency (FEMA)	97.036	Not available	11/1/12-6/30/13	14,920			14,920	(14,920)					
Total Special Revenue Fund					(136,739)		1,284,906	(1,274,511)			(126,344)		
U.S. Department of Agriculture-Passed-Through State Department of Education													
Enterprise Fund:													
Food Donation Program (NC)	10.555	N/A	7/1/12-6/30/13	83,601			83,601	(77,432)		\$ 6,169			
Food Donation Program (NC)	10.555	N/A	7/1/11-6/30/12	99,414	4,014			(4,014)					
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	369,961			348,253	(369,961)			(21,708)		
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	420,209	(69,165)		69,165						
School Breakfast Program	10.553	N/A	7/1/12-6/30/13	74,562			69,428	(74,562)			(5,134)		
School Breakfast Program	10.553	N/A	7/1/11-6/30/12	76,403	(3,404)		3,404						
Healthy Hunger-Free Kids Act	10.551	N/A	7/1/12-6/30/13	12,135			11,347	(12,135)			(788)		
Total Enterprise Fund					(68,555)		585,198	(538,104)			6,169	(27,630)	
Total Federal Awards					\$ (240,595)	\$ -	\$ -	\$ 1,944,901	\$ (1,919,810)	\$ -	\$ 6,169	\$ (221,673)	\$ -

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

NC-non cash expenditures.

Manchester Township School District
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2012		Carryover/Walkover	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Adjustments	Balance at June 30, 2013			MEMO		
				Due to Grantor	Unearned Rev (Accounts Receivable)						Unearned Revenue	(Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:																
General Fund:																
Transportation Aid	495-034-5120-014	7/01/12-6/30/13	\$ 1,845,725				\$ 1,668,440	\$ (1,845,725)							\$ (177,285)	\$ (1,845,725)
Transportation Aid	495-034-5120-014	7/01/11-6/30/12	1,745,945	\$	(168,232)		168,232									
Special Education Categorical Aid	495-034-5120-089	7/01/12-6/30/13	1,676,006				1,515,023	(1,676,006)							(160,983)	(1,676,006)
Special Education Categorical Aid	495-034-5120-089	7/01/11-6/30/12	1,599,072		(154,080)		154,080									
Extraordinary Aid	100-034-5120-473	7/01/12-6/30/13	248,284					(248,284)				\$ (248,284)				(248,284)
Extraordinary Aid	100-034-5120-473	7/01/11-6/30/12	202,754		(202,754)		202,754									
Security Aid	495-034-5120-084	7/01/12-6/30/13	401,647				363,068	(401,647)							(38,579)	(401,647)
Security Aid	495-034-5120-084	7/01/11-6/30/12	397,151		(38,268)		38,268									
Adjustment Aid	495-034-5120-085	7/01/12-6/30/13	1,446,639				1,307,688	(1,446,639)							(138,951)	(1,446,639)
Adjustment Aid	495-034-5120-085	7/01/11-6/30/12	1,506,141		(145,125)		145,125									
Other State Aid (NP Transportation Aid)	Not Available	7/01/12-6/30/13	18,846					(18,846)								(18,846)
Other State Aid (NP Transportation Aid)	Not Available	7/01/11-6/30/12	17,283		(17,283)		17,283									
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/12-6/30/13	1,561,873				1,483,006	(1,561,873)							(78,867)	(1,561,873)
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/11-6/30/12	1,563,776		(79,144)		79,144									
Targeted At Risk Aid	495-034-5120-005	7/01/07-6/30/11	135,500		10,388						\$ 10,388					
Total General Fund					(794,498)		7,142,111	(7,199,020)			10,388		(345,997)		(515,798)	(7,199,020)
Capital Projects Fund:																
NJ School Development Authority (SDA)	Various	7/01/10-Completion	57,270		(57,270)		57,270									57,270
Total Capital Projects Fund					(57,270)		57,270	-								57,270
Debt Service Fund																
Debt Service Aid	495-034-5120-017	7/01/12-6/30/13	87,440				87,440	(87,440)								(87,440)
Total Debt Service Fund							87,440	(87,440)								(87,440)
Enterprise Fund:																
National School Lunch Program (State Share)	100-010-3350-023	7/01/12-6/30/13	10,700				10,066	(10,700)							(634)	(10,700)
National School Lunch Program (State Share)	100-010-3350-023	7/01/11-6/30/12	13,654		(503)		503									
State Department of Education:																
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/12-6/30/13	178,275				169,807	(178,275)							(8,468)	(178,275)
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/11-6/30/12	181,946		(8,390)		8,390									
Total Enterprise Fund					(8,893)		188,766	(188,975)							(9,102)	(188,975)
Total state awards					(860,661)		\$ 7,475,587	\$ (7,475,435)				\$ 10,388		\$ (355,099)	\$ (515,798)	\$ (7,418,165)

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

NC-non cash expenditures.

Manchester Township School District

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2013

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state award programs of the Manchester Township School District (District). The District is defined in Note 1 to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the modified accrual basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting, and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis of accounting with the exception of the revenue recognition of the last two state aid payments in the current year, which is mandated pursuant to NJSA 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent year due to the

Manchester Township School District

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2013

3. Relationship to Basic Financial Statements (continued)

state deferral and recording of the last state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$10,093 for the general fund and no adjustment required for the special revenue fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general fund and special revenue fund.

Additionally, as discussed further in note 5, the State of New Jersey makes contributions on-behalf of the District for TPAF post retirement medical and pension contributions. The total amount of these contributions during the 2013 fiscal year was \$3,204,482.

Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 107,195	\$10,393,409	\$ 10,500,604
Special Revenue Fund	1,274,511		1,274,511
Debt Service Fund		87,440	87,440
Enterprise Funds	538,104	188,975	727,079
Total financial award revenues	<u>\$ 1,919,810</u>	<u>\$ 10,669,824</u>	<u>\$ 12,589,634</u>

Manchester Township School District

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2013

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions respectively.

TPAF Social Security Contributions represent the amounts reimbursed by the State for the employer's share of social security for TPAF members for the year ended June 30, 2013.

The State of New Jersey also makes TPAF post retirement medical and pension contribution expenditures on behalf of the District. These expenditures are not subject to New Jersey OMB Circular 04-04 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore have not been included on the Schedule of State Awards, as directed by the funding agency.

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2013

Part I—Summary of Auditors Results

Financial Statement Section

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/>	No

Federal and State Awards Section

Dollar threshold used to distinguish between type A and type B programs:	Federal - \$300,000 State - \$300,000		
Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____	No
Type of auditor’s report issued on compliance for major programs:	Unmodified		
Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/>	None Reported
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section 510(a)) and New Jersey OMB Circular 04-04?	_____ Yes	_____ <input checked="" type="checkbox"/>	No

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2013

Part I—Summary of Auditors Results (continued)

Federal and State Awards Section (continued)

Identification of major programs:

CFDA Number(s) or State Program Number Name of Federal or State Program or Cluster

Federal:

84.010A	Title I
10.553 & 10.555	Child Nutrition Cluster

State:

495-034-5095-002	Reimbursed TPAF Social Security Contributions
495-034-5120-014	Transportation Aid & Non Public Transportation Aid

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2013

Part II—Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2013

Part III–Schedule of Federal and State Award Findings and Questioned Costs

No federal or state award findings and questioned costs noted that are required to be reported in accordance with OMB Circular A-133 or New Jersey OMB Circular 04-04.

Manchester Township School District
Summary Schedule of Prior Audit Findings

June 30, 2013

Not applicable.