

MANCHESTER TOWNSHIP SCHOOL DISTRICT



Manchester Township Board of Education
Manchester Township, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

"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, 2017**

**PREPARED BY MANCHESTER TOWNSHIP SCHOOL DISTRICT
BUSINESS OFFICE
MR. CRAIG LORETZEN
BUSINESS ADMINISTRATOR, BOARD ADMINISTRATOR**

**MANCHESTER TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS**

<u>Exhibits</u>	<u>Page</u>
Letter of Transmittal	1
Organization Chart	11
Roster of Officials	12
Independent Auditors and Advisors	13
Certificate of Excellence	14
 FINANCIAL SECTION	
Independent Auditors' Report	15
 Required Supplementary Information – Part I	
Management's Discussion and Analysis	18
 Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	28
A-2 Statement of Activities	29
 Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	30
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	31
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Proprietary Funds:	
B-4 Statement of Net Position	33
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	34
B-6 Statement of Cash Flows	35
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	36
B-8 Statement of Changes in Fiduciary Net Position	37
 Notes to the Basic Financial Statements	 38

Table of Contents (continued)

	Page
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II	
Schedule of the District's Proportionate Share of the Net Pension Liability – Public Employee's Retirement System	76
Schedule of District Contributions – Public Employee's Retirement System	77
Schedule of State's Proportionate Share of the Net Pension Liability Associated with the District – Teacher's Pension and Annuity Fund	78
Notes to Required Supplementary Information	79
Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Budgetary Basis)	80
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Not Applicable	N/A
C-1b Community Development Block Grant – Budget and Actual (Budgetary Basis)	N/A
C-2 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund (Budgetary Basis)	89
Note to Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	90
Supplementary Information	
D School Level Schedules - Not Applicable	N/A
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	91
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	92
F-1 Schedules of Project Revenues, Expenditures, Project Balance (a-f) and Project Status – Budgetary Basis	93
F-2 Summary Schedule of Project Expenditures	99

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Supplementary Information (continued)	
Proprietary Funds:	
Enterprise Funds:	
G-1 Combining Statement of Net Position	N/A
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-3 Combining Statement of Cash Flows	N/A
Internal Service Funds:	
G-4 Combining Statement of Net Position	N/A
G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-6 Combining Statement of Cash Flows	N/A
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	100
H-2 Combining Statement of Changes in Fiduciary Net Position	N/A
H-3 Schedule of Cash Receipts and Cash Disbursements – Student Activity Agency Fund	101
H-4 Schedule of Cash Receipts and Cash Disbursements – Payroll Agency Fund	102
Long-Term Debt:	
I-1 Schedule of Serial Bonds Payable	103
I-2 Schedule of Obligations Under Capital Leases	104
I-3 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund	105
STATISTICAL SECTION – OTHER INFORMATION (Unaudited)	
Financial Trends:	
J-1 Net Position by Component	106
J-2 Changes in Net Position	107
J-3 Fund Balances, Governmental Funds	109
J-4 Changes in Fund Balances, Governmental Funds	110
J-5 General Fund Other Local Revenue by Source	111
Revenue Capacity:	
J-6 Assessed Value and Actual Value of Taxable Property	112
J-7 Property Tax Rates – Direct and Overlapping Governments	113
J-8 Principal Property Tax Payers	114
J-9 Property Tax Levies and Collections	115
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	116
J-11 Ratios of Net General Bonded Debt Outstanding	117

Table of Contents (continued)

	<u>Page</u>
STATISTICAL SECTION – OTHER INFORMATION (Unaudited) (continued)	
J-12 Ratios of Overlapping Governmental Activities Debt	118
J-13 Legal Debt Margin Information	119
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	120
J-15 Principal Employers	121
J-16 Full-Time Equivalent District Employees by Function/Program	122
Operating Information:	
J-17 Operating Statistics	123
J-18 School Building Information	124
J-19 Schedule of Required Maintenance for School Facilities	125
J-20 Insurance Schedule	126
SINGLE AUDIT SECTION	
K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	128
K-2 Report on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by the Uniform Guidance and New Jersey OMB 15-08	130
K-3 Schedule A – Schedule of Expenditures of Federal Awards - Supplementary Information	133
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information	134
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	135
K-6 Schedule of Findings and Questioned Costs – Part I – Summary of Auditors’ Results	138
K-7 Schedule of Finding and Questioned Costs – Parts II and III – Schedule of Financial Statement Findings and Federal and State Award Findings and Questioned Costs	142
K-8 Summary Schedule of Prior Audit Findings	144

Introductory Section



Manchester Township Board of Education

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

732-350-5900
FAX 732-350-0436

DAVID TRETAWAY
Superintendent of Schools

CRAIG A. LORENTZEN, CPA
Business Administrator
Board Secretary

DONALD WEBSTER, JR.
President

JAKIE BERMUDEZ
Vice President

November 3, 2017

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, 2017, 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, 2017 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 and supplementary 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 Federal Uniform Guidance and New Jersey OMB Circular 15-08. 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 PK through 12. These include regular, special education, vocational education opportunities, student guidance, counseling, English language programs, STEM, STEAM, credit recovery, health services, preschool, extracurricular activities many other support services.

The District completed the 2016/2017 fiscal year with an average daily enrollment of 2,944.2 students. The average daily enrollment at the State's Regional Day School at Jackson (RDS) administered by the District for 2016/2017 was 63.8. 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
2016-2017 (RDS)	2,944.2 63.8	(0.00)% (3.19)%
2015-2016 (RDS)	2,943.9 65.9	(1.10) (17.52)
2014-2015 (RDS)	2,976.30 79.9	(1.77) 3.09
2013-2014 (RDS)	3,029.9 77.5	0.44 (8.28)
2012-2013 (RDS)	3,016.60 84.5	(1.91) (5.05)

The District has experienced a slight decline in enrollment over the past few years. There has been a big push for new non-age restricted development in town. With some of this new development, the District expects to see enrollment hold or increase slightly in the near future with the potential for larger increases in the long-term. The District projects that enrollment for 2017-2018 school year to be 2,950 and 62 respectively.

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 and non-age restricted housing developments that will materialize in the future which will help increase the net assessed evaluation of the community and enrollment.

Manchester currently has six school buildings ranging in age from 25 years old to 60 years old. Given the age of the buildings, the schools are in excellent condition. The District passed two referendums in the last 8 years which have allowed for significant improvements to infrastructure, HVAC equipment, lighting, security, grounds and building appearance. The focus of this work was to improve school security and improve energy efficiency. The referendums were partially financed by Regular Operating District Grants (ROD) and Debt Service aid which paid for 40% of the project cost with the taxpayers only paying 60% of the project cost.

3. Major Initiatives and Long-Term Planning

Implementation of the goals through specific objectives is a continuous process. However, implementation of the specific objectives occurs within specific timelines. The goals implemented and completed in 2016-2017 were:

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:

- PARCC Prep Program
- Summer Jump Start Program focuses on Reading and Math.
- PARCC updates and revisions to test have been shared with teachers. Teachers developed task charts with writing samples and constructed response tasks consistent with PARCC assessment.
- Elementary Supervisor
- Open ended question strategies (RARE)
- Use RAFTS to prepare students for explanatory and persuasive writing.
- Developmental Reading Assessment (DRA)
- Foundations Reading Program Implemented into Kindergarten
- Guided Reading
- 6+1 Writing Traits
- Daily Five Program
- Flexible Grouping
- Formative Assessments
- Benchmark Assessments
- Writers Workshop
- School Assessment Committee
- Power Hour
- Discovery Club
- Winning Wildcat Club
- Unpacking the Next Generation Science Standards (NGSS)

Middle School:

- Tutor Time
- Project Boost
- Summer Enrichment Program
- School Assessment Committee
- Pre/Post Test in Math and Language Arts
- Interdisciplinary Literacy and Vocabulary Initiative
- Benchmark Assessments – Linkit!
- Developmental Reading Assessment (DRA)
- Stepping Up – Summer Program

High School:

- Student Opportunities for Achievement and Readiness (SOAR)
- Transition Program
- College and Career Readiness (CCR) Prep classes Language Arts and Math
- School Assessment Committee
- Special Education/General Education articulation

- Credit Recovery Program- Apex Learning
- Formative Assessments
- School Assessment Committee
- Constructed Response Takes Aligned to PARCC
- Educational Proficiency Plans
- Science Curriculum revised to reflect Next Generation Science Standards (NGSS)

District:

- District Assessment Committee
- Professional Development Committee
- Curriculum Articulation meetings
- Parental Engagement Meetings – Literacy Summer Kick Off and Family Skills Night
- Parent Advisory Committees (PAC)
- School Safety Teams
- ESL Parent Advisory Committee Meetings
- Basic skills teacher/parent meetings
- All curriculum was reviewed and revised to align with most recent New Jersey Student Learning Standards, Common Core Curriculum Content Standards, Technology Standards and Next Generation Science Standards (grades 6-12). This process allows us to get full credit during the QSAC evaluation. The Curriculum Committee also identified strengths and weaknesses and made revisions.

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

Status: The District started renovations to five schools in May 2015 as part of a school improvement project that was passed by the voters in September 2014. The renovations included but were not limited to roof repair and replacement, heating, ventilation, and air conditioning replacement, security upgrades, energy efficient lighting and fixtures, electric to natural gas conversion at two schools and site work. This project is addressing some of the most critical needs in the district. It is expected that the project will be complete in the fall of 2017.

- 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.
- The District maintained two full time security staff members for the 2016-2017 school year at the high school to assist the School Resource Officer. After extensive research including conversations with parents, staff, Township Police and other representatives it was determined that additional security personnel would provide another level of safety at the high school. The new members are unarmed.
- Continue to have meetings to review our lock-down, active shooter/A.L.I.C.E training, and bomb threat and evacuation procedures. The relationships between the Township and the schools have been excellent in this area.

- The District implemented a pilot program at Whiting Elementary School called Share 911. This notification program will alert administrative staff and police when an event occurs. It will allow staff and law enforcement to communicate in real time. It will also be used to locate staff and students during an event. The remainder of the district will be set up with Share 911 during the 2017-2018 school year.
- 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.
- Continued implementation of a new surveillance and card access/reader system for building entry at all schools.
- All schools have a security vestibules with card readers and upgraded cameras to assist with entry procedures.
- 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 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 \$4.0 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.

Through the school improvement project passed by the taxpayers in September 2014, the District has upgraded much of its lighting to LED lights with occupancy sensors, converting fully electric buildings to include a natural gas component, installing energy efficient HVAC equipment and updating controls for this equipment.

Goal: Implement a full block schedule program at the High School for the 2016-2017 school year.

Status: The District implemented a Block Schedule at the High School for the 2016-2017 school year. The implementation of the block schedule was very well received by both staff and students. The schedule raised academic rigor and standards, provided more contact time between students and staff, reduced student discipline, improved student attendance and provided more opportunities for the students which the new schedule provides.

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 District's 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: 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 MOBI's, Epson Bright's, Laptops Chromebooks, and document cameras to be used as part of the instructional process in all the district schools. The District has fully implemented new state testing mandates under the PARCC Program. The District installed a wireless network throughout the district and added additional bandwidth, new computer labs, laptops, Chromebooks and desktops to meet the testing requirements. This State mandate is unfunded. At present, the District has over 3,200 Chromebooks in the district. The additional technology equipment required upgrade to our Wi-Fi access points which was complete in the Summer of 2016. The district focus going forward is a maintenance and replacement plan for our equipment.

Long-Term Planning:

As we look to the future of Manchester Township School District the following assumptions are made:

- Tax levies for the school district cannot exceed 2% unless we meet one of the few exceptions. This means our cost, many of which are beyond our control must remain within the tax levy cap.
- School personnel and healthcare cost have the largest impact on the school budget. Therefore, these costs will have a significant role on future budgets.
- Energy costs have been relatively stable thanks to a program the district implemented in October 2009. To date, the program has saved the district over \$3.5 million dollars in energy cost. The District has maintained solar panels at the high school since 2004 and through our recent referendum upgraded nearly 70% of its heating, ventilation, air conditioning, lighting and controls in an effort to save energy costs.
- All other controllable expenditures will be held to an inflationary growth of 2% or less in future budget cycles.

- The District will work to maintain Capital and Maintenance reserves despite the 2% tax levy cap and flat state funding so it can address needs that may arise to improve or add to our existing facilities.

The District will face many challenges in the upcoming years. With the tax levy cap and limited to no increase in state funding, the District will have to find additional ways to control expenses and look for other ways to bring alternative revenue sources into the District.

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. 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 assigned fund balance at June 30, 2017.

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. Other Information

A. Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of PKF O'Connor Davies 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 Federal Uniform Guidance and New Jersey OMB Circular 15-08. 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, 2016. This is the twenty-second 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 2016/2017 certificate.

8. 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 effects of the cut in 2010-2011 will be felt in all future budgets until this funding is restored. The District receives less than 9% of its revenues from state sources and expects further decreases in the future. This 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.

Manchester is currently in a good financial position. With the implementation of the 2% tax levy cap a few years ago, it has been extremely challenging developing budgets within that cap that provide the resources needed for the district to provide a thorough and efficient education. The district has been able to maintain staff and programs, develop curriculum, expand technology, improve security, introduce some new programs and maintain facilities. Each year the district is faced with new challenges. With the uncertainty of available funding for state and federal school aid, the tax levy cap, certain costs increasing each year well beyond the tax levy cap, the uncertainty of special education costs and new mandates from the state, planning for the future is on a year to year basis.


9. 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 make the future of funding education in Manchester unclear.

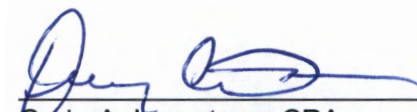
10. Acknowledgments

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

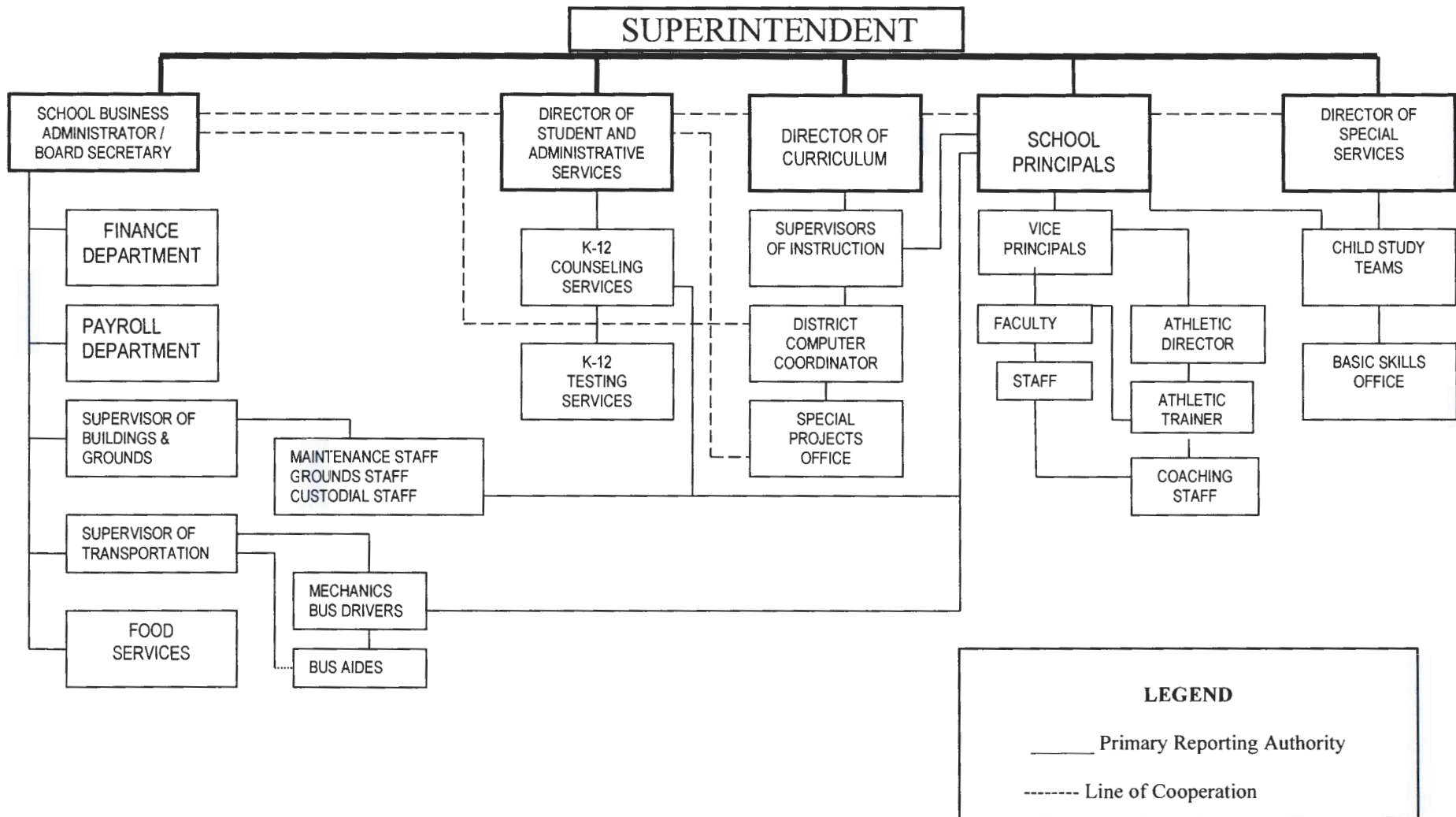


Craig A. Lorentzen, CPA
Board Secretary
Business Administrator

MANCHESTER TOWNSHIP SCHOOL DISTRICT

Organization Chart

BOARD OF EDUCATION



Manchester Township School District
Manchester Township, New Jersey

Roster of Officials

June 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Donald Webster, Jr., President	2019
Jackie Bermudez, Vice President	2020
Jennifer Hudak	2017
Jaqueline Paolillo	2017
Christopher Nolan	2019
Patrick Barry	2020
Gayle Mount (Lakehurst Board Representative)	2017

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

PKF O'Connor Davies, LLP
20 Commerce Drive, Suite 301
Cranford, NJ 07016

Attorney

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

Official Depositories

Ocean First Bank
400 Lacey Road
Whiting, New Jersey 08759



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Manchester Township School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

**Honorable President and Members
of the Board of Education
Manchester Township School District
Page 2**

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, 2017, 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, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF 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.

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 introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, and are also not a required part of the basic financial statements.

**Honorable President and Members
of the Board of Education
Manchester Township School District**
Page 3

The combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

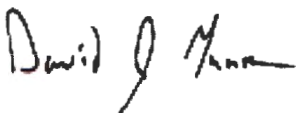
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2017 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 effectiveness of the District's 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 and compliance.

PKF O'Connor Davies, LLP

November 3, 2017
Cranford, New Jersey



David J. Gannon
Licensed Public School Accountant
No. 2305

This page left blank intentionally

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

Manchester Township School District
Management's Discussion and Analysis
Year ended June 30, 2017

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, 2017. 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 (2016-2017) and the prior fiscal year (2015-2016) 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 of resources, deferred inflows of resources 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.

The government-wide financial statements can be found on pages 28 - 29 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 30 – 32 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 33 - 35 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 36 - 37 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 38 - 75 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 76 - 105 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. The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2017 and 2016:

Manchester Township Board of Education
Manchester Township, New Jersey

Net Position

	June 30, 2017			June 30, 2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 3,969,330	\$ (214,945)	\$ 3,754,385	\$ 5,765,708	\$ (89,140)	\$ 5,676,568
Capital assets, net	50,643,995	192,917	50,836,912	49,138,664	248,046	49,386,710
Total assets	54,613,325	(22,028)	54,591,297	54,904,372	158,906	55,063,278
Deferred outflows of resources	11,277,882	1,391,001	12,668,883	5,380,692	588,545	5,969,537
Liabilities:						
Current Liabilities	1,576,107	469,595	2,045,702	1,575,102	353,839	1,928,941
Net pension liabilities	29,137,482	3,938,392	33,075,874	20,481,689	2,778,348	23,260,037
Long-term liabilities outstanding	32,250,419		32,250,419	35,236,937	2,065	35,239,002
Total liabilities	62,964,008	4,407,987	67,371,995	57,293,728	3,134,252	60,427,980
Deferred inflow of resources	-			328,075	45,902	373,977
Net position:						
Net investment in capital assets	23,070,376	192,917	23,263,293	18,617,647	245,981	18,863,628
Restricted	2,853,959		2,853,959	4,272,611		4,272,611
Unrestricted (deficit)	(22,997,136)	(3,231,931)	(26,229,067)	(20,226,997)	(2,678,384)	(22,905,381)
Total net pension	\$ 2,927,199	\$ (3,039,014)	\$ (111,815)	\$ 2,663,261	\$ (2,432,403)	\$ 230,858

Governmental Activities

Current and other assets decreased from the prior fiscal year based on continued progress towards completion of ongoing capital projects and utilizing accumulated fund balance amounts as part of its annual debt service fund budget. Capital assets increased based on the ongoing capital project offset by current year depreciation expense.

Significant changes to deferred outflows and deferred inflows of resources pertain primarily to the impact of the changes in the GASB 68 net pension liability calculation performed in the schedule of employer allocations and schedule of pension amounts by employer. The changes in 2017 from the prior year resulted from changes in assumptions calculated by the actuary in conjunction with the net pension liability calculation for the measurement date of June 30, 2016 and rolled forward to June 30, 2017. The net pension liability associated with the District's governmental activities at June 30, 2017 amounted to \$29,137,482 also increased in the amount of approximately \$8,656,000 resulting from changes in the net pension calculation. Long-term liabilities decreased by principal payments made in the amount of \$2,430,000 in bonds payable.

The largest portion of the District's net position is its net investment in capital assets, \$23,070,376 (e.g., land, construction-in-progress, buildings and improvements, and furniture and equipment), less accumulated depreciation and 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 in the amount of \$2,853,959 is comprised of unexpended amounts in the Capital Projects Fund in the amount of \$876,863, amounts restricted for Maintenance Reserve in the amount of \$523,391, amounts restricted for Capital Reserve in the amount of \$700,000, and excess surplus in the amount of \$753,705 that is restricted to be utilized in the District's 2017 and 2018 fiscal year budgets.

The remaining deficit balance, (\$22,997,136) of unrestricted net position reflects long-term obligations, such as compensated absences and the net pension liability.

Business-Type Activities

There was a decrease of approximately \$607,000 in net position reported in connection with the District's business-type activities as a result of the following:

- For the Regional Day School, overall net position for the program decreased \$599,000. Tuition generated by the program increased approximately \$283,000 resulting from an increase in tuition rates. The decrease in net position resulted from the challenges of managing certain fixed costs of the Regional Day School that are mandated by State law, while the expansion of the student population at the school has been hindered by the trend in education to keep students with special needs within a school district's own system in order to minimize the costs for out of district placements.
- The Regional Day School's share of the net pension liability increased by approximately \$1,160,000 to \$3,938,392 causing a majority of the overall unrestricted net position to be a deficit of \$(3,270,482).

- Without the effects of the net pension liability, the Regional Day School's unrestricted net position is a deficit of \$604,000.

District activities. The key elements of the District's changes in net position for the years ended June 30, 2017 and 2016 are as follows:

Manchester Township Board of Education
Manchester Township, New Jersey

Changes in Net Position
Year Ended

	June 30, 2017			June 30, 2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,623,223	\$ 6,084,929	\$ 8,708,152	\$ 2,566,224	\$ 5,807,848	\$ 8,374,072
Operating and capital grants and contributions	2,488,272	781,410	3,269,682	5,085,502	771,717	5,857,219
General revenues:						
Property taxes	45,592,545		45,592,545	44,822,686		44,822,686
Federal and state aid not restricted to specific purposes	23,885,859		23,885,859	18,719,469		18,719,469
Investment earnings	37,809		37,809	46,900		46,900
Miscellaneous	60,622		60,622	97,590		97,590
Total revenues	74,688,330	6,866,339	81,554,669	71,338,371	6,579,565	77,917,936
Expenses:						
Instructional services	43,853,098	2,104,090	45,957,188	40,049,220	2,248,370	42,297,590
Support services	29,614,664	5,368,860	34,983,523	26,852,602	5,023,051	31,875,653
Interest on long-term liabilities	956,631		956,631	1,106,501		1,106,501
Total expenses	74,424,392	7,472,950	81,897,342	68,008,323	7,271,421	75,279,744
Change in net position	263,938	(606,611)	(342,673)	3,330,048	(691,856)	2,638,192
Net position (deficit) - beginning	2,663,261	(2,432,403)	230,858	(666,787)	(1,740,547)	(2,407,334)
Net position (deficit) - ending	\$ 2,927,199	\$ (3,039,014)	\$ (111,815)	\$ 2,663,261	\$ (2,432,403)	\$ 230,858

Governmental Activities

Operating and capital grants and contributions decreased in the current year resulting from the District utilizing its New Jersey Schools Development Authority funding in the prior year. During the 2017 fiscal year, the District substantially completed the referendum projects. In 2016 the District expended approximately \$10,000,000 in capital related projects and was awarded approximately 40% of that amount through New

Jersey Schools Development Authority funding. At June 30, 2017, the District expended approximately \$2,700,000 attributing to less state aid from the Authority.

Property tax revenue increased \$769,859 as a result of continued flat funding of unrestricted aid from the State.

Included in the State Aid amount is the TPAF-Pension and Social Security Employer Share. The increase from 2015/16 to 2016/17 can be attributed to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. Under the new GASB Statements, the District records the on-behalf pension expense and revenue for contributions incurred by the State as calculated by an actuary. The increase in state aid was \$5,125,000 of which approximately \$5,385,000 was directly related to an increase in on-behalf payments made by the State for pension, and retiree medical and long-term liability expenses. This TPAF change in the current year is also reflected in the total governmental expenditures increase of \$6,416,069. The remaining difference in governmental expenditures of approximately \$1,660,000 which reflects a change of 3.26% is primarily driven by increases in normal operating costs, including increased medical premiums, increases in tuition costs and general salary increases.

Business-Type Activities

- Charges for services increased by \$277,000 from 2016, or 4.77% as a result of an increase in tuition rates in the Regional Day School and a relatively flat enrollment change from the prior year.
- Overall expenses increased by 2.77% primarily driven by the increases in employee benefits and the allocable proportion of the net pension expense charged to the Regional Day School based on the net pension liability calculation in the schedule of employer allocations and schedule of pension amounts by employer.

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, assigned and 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, 2017, and the increases in relation to the prior year.

Revenue	Amount	Percent of Total	Increase From 2016	Percent of Increase
Local Sources	\$ 47,946,515	77.26%	\$ 765,695	1.62%
State Sources	12,504,957	20.14%	1,064,915	9.31%
Federal Sources	1,611,174	2.60%	224,547	16.19%
Total	\$ 62,062,646	100%	\$ 2,055,157	3.42%

The increase in local sources is attributable to the tax levy increase of approximately \$770,000. 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 \$623,000.

The increase in federal sources is the result of the District receiving additional funding from Title I.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2017 and the increases and (decreases) related to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2016	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 24,748,311	39.78%	\$ 752,174	3.13%
Undistributed expenditures	33,755,626	54.26%	2,774,703	8.96%
Capital outlay	289,212	0.46%	(1,162,191)	-80.07%
Debt service:				
Principal	2,430,000	3.91%	(150,369)	-5.83%
Interest	982,582	1.59%	(169,008)	-14.68%
Total	\$ 62,205,731	100.00%	\$ 2,045,309	3.40%

The increase in instruction and undistributed expenditures is attributable primarily to new educational programs being offered within the district and continued maintenance to school facilities. Debt service amounts decreased due to the timing of the repayment schedule of outstanding debt and capital leases. It should be noted that total expenditures increased by 2.36% from the prior fiscal year when adjusted for the increase (\$623,000) in expenditures made on-behalf of the District by the State for pension, retiree medical and long-term disability insurance expenses and employer share of social security. The overall increase in expenditures reflects the District's continuing efforts to offer exceptional opportunities to its students while also controlling the growth in its budget.

General Fund

The fund balance increased by approximately \$218,000 during the 2017 fiscal year as a result of an increase in extraordinary aid in 2017 and relative flat spending increases from the prior year and the anticipated budget. As of June 30, 2017, the District has an unassigned fund balance of \$701,709 and excess surplus generated in the current year in the amount of \$131,953. The District designated \$621,752 in excess surplus for the subsequent years' expenditures, which is restricted for the subsequent years' budget. Additionally, the District maintains a capital reserve restricted fund balance in the amount of \$700,000 for future capital improvements, as well as, a maintenance reserve restricted fund balance in the amount of \$523,391 for future maintenance projects.

Special Revenue Fund

Expenditures incurred in the Special Revenue Fund increased by approximately \$186,000 as a result of an increase in Title I funding.

Capital Projects Fund

As of June 30, 2017, the District's Capital Project's Fund Balance was approximately \$877,000 which represented a decrease of \$1,691,000 as a result of the substantial completion of the capital project referendum projects.

Debt Service Fund

As of June 30, 2017, the District's Debt Service Fund Balance was \$3,483. This is a decrease from the prior year of approximately \$360,000. The debt service fund balance in 2016 included a transfer of approximately \$363,000 resulting from the close out of several capital projects.

Capital Asset and Debt Administration

Capital Assets. The District has capital assets, net of accumulated depreciation, including land, construction in progress, buildings, facilities, equipment and vehicles noted as follows at June 30, 2017 and 2016:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 1,220,818	\$ 1,220,818			\$ 1,220,818	\$ 1,220,818
Construction in process	14,280,583	11,556,295			14,280,584	11,556,295
Buildings and building improvements	31,746,441	32,884,506			31,746,441	32,884,506
Machinery, equipment and vehicles	3,396,153	3,477,045	\$ 192,917	\$ 248,046	3,589,069	3,725,091
Total capital assets, net	<u>\$ 50,643,995</u>	<u>\$ 49,138,664</u>	<u>\$ 192,917</u>	<u>\$ 248,046</u>	<u>\$50,836,912</u>	<u>\$ 49,386,710</u>

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, 2017 and 2016:

	Governmental Activities	
	2017	2016
Bonds payable (net)	\$ 26,996,429	\$ 29,502,842
Capital leases payable	1,509,729	2,037,799
Total long-term liabilities	<u>\$ 28,506,158</u>	<u>\$ 31,540,641</u>

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

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:

- Various salary account lines to account for changes in the position control at the time the budget was developed to the time that school opened in the fall.
- Increase in the student transportation line for contracted services from special education vendors in the amount of \$276,000 was required for an increase in specific routes that were required during the school year and were not able to be anticipated during the time of the budget.
- Health benefits – a decrease of approximately \$470,000 to more closely align to actual expenditures incurred and utilize for other budgetary needs.

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 2016-2017 school year the District's state aid did not increase. It remained flat at 2015-2016 funding levels. The District's Debt Service Assessment payable remained the same as the prior year but it reduces our total state aid received by the amount of the required payment.

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 MOBI's, Epson Bright's, Laptops Chromebooks, and document cameras to be used as part of the instructional process in all the district schools. The District has fully implemented new state testing mandates under the PARCC Program. The District installed a wireless network throughout the district and added additional bandwidth,

new computer labs, laptops, Chromebooks and desktops to meet the testing requirements. This State mandate is unfunded. At present, the District has over 3,200 Chromebooks in the district. Additionally, our instructional classrooms are now equipped with interactive projectors. The additional technology equipment required another increase in Wi-Fi capability which was implemented over the summer of 2016.

The District is near the completion of renovations to five schools as part of a school improvement project that was passed by the voters in September 2014. The renovations included but were not limited to roof repair and replacement, heating, ventilation, and air conditioning replacement, security upgrades, energy efficient lighting and fixtures, electric to natural gas conversion at two schools and site work. This project is addressing some of the most critical needs in the district.

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 \$3,500,000 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 undue hardship on most districts in the state and Manchester is no exception. The fact of receiving 9% of its general fund budget from categorical state aid, excluding on-behalf TPAF, FICA and pension when the average is approximately 41% in other Districts 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 22 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 2017-2018 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

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, 2017.

Manchester Township School District

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 168,970	\$ 47,829	\$ 216,799
Accounts receivable	1,802,072	437,128	2,239,200
Internal balances	715,000	(715,000)	-
Inventories		15,098	15,098
Investments	59,897		59,897
Restricted assets:			
Cash and cash equivalents	1,142,053		1,142,053
Other accounts receivable	81,338		81,338
Capital assets, non-depreciable	15,501,401		15,501,401
Capital assets, depreciable, net	35,142,594	192,917	35,335,511
Total assets	<u>54,613,325</u>	<u>(22,028)</u>	<u>54,591,297</u>
Deferred Outflows of Resources			
	10,345,343	1,391,001	11,736,344
Deferred loss on defeasance of debt	932,539		932,539
Total deferred outflows of resources	<u>11,277,882</u>	<u>1,391,001</u>	<u>12,668,883</u>
Liabilities			
Accounts payable	1,201,162	454,892	1,656,054
Accrued interest payable	374,535		374,535
Unearned revenue	410	14,703	15,113
Net pension liability	29,137,482	3,938,392	33,075,874
Current portion of long-term obligations	2,760,737		2,760,737
Noncurrent portion of long-term obligations	29,489,682		29,489,682
Total liabilities	<u>62,964,008</u>	<u>4,407,987</u>	<u>67,371,995</u>
Net Position			
Net Investment in capital assets	23,070,376	192,917	23,263,293
Restricted for:			
Capital projects	876,863		876,863
Capital Reserve	700,000		700,000
Maintenance Reserve	523,391		523,391
Excess Surplus	753,705		753,705
Unrestricted (deficit)	(22,997,136)	(3,231,931)	(26,229,067)
Total net position	<u>\$ 2,927,199</u>	<u>\$ (3,039,014)</u>	<u>\$ (111,815)</u>

See accompanying notes to basic financial statements.

Manchester Township School District

Statement of Activities

Year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
Instruction	\$ 43,853,098	\$ 2,246,563	\$ 1,311,358		\$ (40,295,177)		\$ (40,295,177)
Support services:							
Attendance/social work	77,840				(77,840)		(77,840)
Health services	457,646				(457,646)		(457,646)
Other support services	5,908,780		143,899		(5,764,881)		(5,764,881)
improvement of instruction	1,652,019				(1,652,019)		(1,652,019)
Other support:							
Instructional staff	33,877				(33,877)		(33,877)
School library	776,286				(776,286)		(776,286)
General administration	4,073,454				(4,073,454)		(4,073,454)
School administration	5,392,517				(5,392,517)		(5,392,517)
Required maintenance of plant services	340,994				(340,994)		(340,994)
Operation of plant	5,014,731			\$ 1,033,015	(3,981,716)		(3,981,716)
Student transportation	5,886,524	376,660			(5,509,864)		(5,509,864)
Business and other support services and benefits							
Interest on long-term debt	956,631				(956,631)		(956,631)
Total governmental activities	74,424,392	2,623,223	1,455,257	1,033,015	(69,312,897)		(69,312,897)
Business-type activities	1,353,564						
Food service		731,712	614,425		\$ (7,427)		(7,427)
Regional day school	6,119,386	5,353,217	166,985		(599,184)		(599,184)
Total business-type activities	7,472,950	6,084,929	781,410	-	(606,611)		(606,611)
	\$ 81,897,342	\$ 8,708,152	\$ 2,236,667	\$ 1,033,015	(69,312,897)	(606,611)	(69,919,508)
General revenues:							
Property taxes, levied for general purposes					42,772,366		42,772,366
Property taxes, levied for debt service					2,820,179		2,820,179
Federal sources, unrestricted					165,244		165,244
State sources, unrestricted					23,720,615		23,720,615
Investment earnings					37,809		37,809
Miscellaneous income					60,622		60,622
Total general revenues					69,576,835	-	69,576,835
Change in net position					263,938	(606,611)	(342,673)
Net position (deficit)—beginning					2,663,261	(2,432,403)	230,858
Net position (deficit)—ending					\$ 2,927,199	\$ (3,039,014)	\$ (111,815)

See accompanying notes to basic financial statements.

Fund Financial Statements

Governmental Funds

Manchester Township School District
Governmental Funds

Balance Sheet

June 30, 2017

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents		\$ 410	\$ 165,428	\$ 3,132	\$ 168,970
Investments	\$ 59,897				59,897
Accounts receivable:					
State	528,469		914,208		1,442,677
Other	121,701		91,066		212,767
Interfund receivable	788,141			351	788,492
Restricted assets:					
Cash and cash equivalents	1,142,053				1,142,053
Other accounts receivable	81,338				81,338
Total assets	\$ 2,721,599	\$ 410	\$ 1,170,702	\$ 3,483	\$ 3,896,194
Liabilities					
Accounts payable	\$ 34,150		\$ 293,488		\$ 327,638
Interfund payable			351		351
Unearned revenue		\$ 410			410
Total liabilities	34,150	410	293,839		328,399
Fund balances:					
Restricted for:					
Excess Surplus - current year	131,953				131,953
Excess Surplus - prior year - designated for subsequent year's expenditures	621,752				621,752
Maintenance reserve	523,391				523,391
Capital reserve	700,000				700,000
Debt service				\$ 3,483	3,483
Capital projects			876,863		876,863
Assigned to:					
Other purposes	8,644				8,644
Unassigned:					
General fund	701,709				701,709
Total fund balances	2,687,449	-	876,863	3,483	3,567,795
Total liabilities and fund balances	\$ 2,721,599	\$ 410	\$ 1,170,702	\$ 3,483	

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 \$98,929,579 and the accumulated depreciation is \$48,285,584.	50,643,995
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.	73,487
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.	(374,535)
Accounting loss on advanced refunding.	932,539
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	10,345,343
Accrued pension contributions for the June 30, 2017 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(873,524)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(29,137,482)
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.	(32,250,419)
Net position of governmental activities	\$ 2,927,199

Manchester Township School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local sources:					
Local tax levy	\$ 42,772,366			\$ 2,820,179	\$ 45,592,545
Tuition	2,246,563				2,246,563
Interest on investments	13,611				13,611
Interest Income			\$ 351		351
Investment Income	23,847				23,847
Miscellaneous	60,622	\$ 9,327			69,949
Total local sources	45,117,009	9,327	351	2,820,179	47,946,866
State sources	12,273,987		1,033,015	230,970	13,537,972
Federal sources	165,244	1,445,930			1,611,174
Total revenues	57,556,240	1,455,257	1,033,366	3,051,149	63,096,012
Expenditures:					
Current:					
Instruction	21,316,439	1,311,358			22,627,797
Undistributed-current:					
Instruction	2,120,514				2,120,514
Attendance/social work	44,595				44,595
Health services	457,646				457,646
Support services	2,810,154	143,899			2,954,053
Improvement of instruction	862,782				862,782
School library	421,014				421,014
Instructional staff training	32,096				32,096
General administration	513,461				513,461
School administration	1,808,793				1,808,793
Central services	596,680				596,680
Information technology	456,848				456,848
Required maintenance for school facilities	727,338				727,338
Operation of plant	3,879,926				3,879,926
Student transportation	3,517,953				3,517,953
Unallocated benefits	11,228,945				11,228,945
On-behalf TPAF social security and pension contributions	6,253,496				6,253,496
Capital outlay	289,212		2,724,288		3,013,500
Debt service:					
Principal interest				2,430,000	2,430,000
				982,582	982,582
Total expenditures	57,337,892	1,455,257	2,724,288	3,412,582	64,930,019
(Deficiency) of revenues (under expenditures)	218,348	-	(1,690,922)	(361,433)	(1,834,007)
Other financing sources (uses):					
Transfers in				351	351
Transfers out			(351)		(351)
Total other financing sources (uses)	-		(351)	351	-
Net change in fund balances	218,348	-	(1,691,273)	(361,082)	(1,834,007)
Fund balances, July 1	2,469,101	-	2,568,136	364,565	5,401,802
Fund balances, June 30	<u>\$ 2,687,449</u>	<u>\$ -</u>	<u>\$ 876,863</u>	<u>\$ 3,483</u>	<u>\$ 3,567,795</u>

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).

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, 2017

Total net change in fund balances - governmental funds (from B-2) **\$ (1,834,007)**

Amounts reported for governmental activities in the statement
of net activities (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 capital additions exceeded depreciation in the period.

	Capital Additions	\$ 3,568,836	
	Depreciation Expense	<u>(2,063,504)</u>	1,505,332

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	2,430,000	
	Obligations Under Capital Leases	<u>528,070</u>	2,958,070

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Pension Expense		(2,343,443)
--	-----------------	--	-------------

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 Premiums on Bonds	81,062	
	Amortization of Discounts on Bonds	(4,649)	
	Amortization of Deferred Loss on Defeasance	<u>(87,086)</u>	(10,673)

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.

36,624

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).

(47,965)

Change in net position of governmental activities (A-2)

\$ 263,938

See accompanying notes to basic financial statements.

This page left blank intentionally

Proprietary Funds

Manchester Township School District
Proprietary Funds

Statement of Net Position

June 30, 2017

	Major Funds			Governmental Activities Internal Service Fund
	Business Type Activities - Enterprise Funds			
	Food Service	Regional Day School	Totals	
Assets				
Current assets:				
Cash and cash equivalents		\$ 47,829	\$ 47,829	
Accounts receivable:				
State	\$ 739	7,992	8,731	
Federal	36,858		36,858	
Other	16,910	374,629	391,539	\$ 146,628
Inventories	15,098		15,098	
Total current assets	69,605	430,450	500,055	146,628
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	703,060	2,600,869	3,303,929	
Accumulated depreciation	(684,144)	(2,426,868)	(3,111,012)	
Total capital assets, net	18,916	174,001	192,917	
Total noncurrent assets	18,916	174,001	192,917	
Total assets	88,521	604,451	692,972	146,628
Deferred Outflows of Resources				
Pension deferrals		1,391,001	1,391,001	
Liabilities				
Current liabilities:				
Accounts payable	16,351	438,541	454,892	
Interfund payable		715,000	715,000	73,141
Unearned revenue	14,703		14,703	
Total current liabilities	31,054	1,153,541	1,184,595	73,141
Noncurrent liabilities:				
Net pension liability		3,938,392	3,938,392	
Total noncurrent liabilities		3,938,392	3,938,392	
Total liabilities	31,054	5,091,933	5,122,987	73,141
Net Position				
Net investment in capital assets	18,916	174,001	192,917	
Unrestricted (deficit)	38,551	(3,270,482)	(3,231,931)	73,487
Total net position (deficit)	\$ 57,467	\$ (3,096,481)	\$ (3,039,014)	\$ 73,487

Manchester Township School District
Proprietary Funds

Statement of Revenues, Expenses and
Changes in Fund Net Position

Year ended June 30, 2017

	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	\$ 264,874		\$ 264,874	
Daily food sales non-reimbursable programs	338,128		338,128	
Special functions	128,710		128,710	
Tuition		\$ 5,352,559	5,352,559	
Miscellaneous revenue		658	658	
Total local sources	731,712	5,353,217	6,084,929	
Transportation services provided to other funds				\$ 376,660
Total operating revenues	731,712	5,353,217	6,084,929	376,660
Operating expenses:				
Salaries	494,533	3,634,253	4,128,786	112,494
Employee benefits	105,048	2,028,208	2,133,256	68,500
Purchased professional services	17,035	12,055	29,090	131,398
Purchased property services	35,734		35,734	
Other purchased services	128,072	221,865	349,937	
Supplies and materials	45,621	126,759	172,380	
Depreciation	3,196	51,933	55,129	
Cost of sales program	454,605		454,605	
Cost of sales non-program	68,907		68,907	
Other objects	813	44,313	45,126	64,268
Total operating expenses	1,353,564	6,119,386	7,472,950	376,660
Operating (loss)	(621,852)	(766,169)	(1,388,021)	-
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	9,978		9,978	
Reimbursed TPAF social security contribution		166,985	166,985	
Federal sources:				
National school lunch program	399,317		399,317	
National breakfast program	98,621		98,621	
Healthy Hunger-Free Kids Act (HHFKA)	12,221		12,221	
Food donation program	94,288		94,288	
Total nonoperating revenues (expenses)	614,425	166,985	781,410	
Change in net position	(7,427)	(599,184)	(606,611)	-
Total net position (deficit)-beginning	64,894	(2,497,297)	(2,432,403)	73,487
Total net position (deficit)-ending	\$ 57,467	\$ (3,096,481)	\$ (3,039,014)	\$ 73,487

Manchester Township School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2017

	Major Funds			
	Business Type Activities			Governmental
	Enterprise Funds			Activities
Food Service	Regional Day School	Totals	Internal Service Fund	
Cash flows from operating activities				
Receipts from customers	\$ 747,856	\$ 5,260,238	\$ 6,008,094	\$ 353,488
Payments to employees	(494,533)	(3,634,253)	(4,128,786)	(112,494)
Payments for employee benefits	(105,048)	(1,716,223)	(1,821,271)	(68,500)
Payments to suppliers	(729,792)	(378,556)	(1,108,348)	(195,666)
Payments for insurance	(17,035)	(12,055)	(29,090)	
Net cash (used in) operating activities	(598,552)	(480,849)	(1,079,401)	(23,172)
Cash flows from noncapital financing activities				
Cash received from state and federal reimbursements	603,480	169,431	772,911	
Negative cash balance implicitly financed	(7,685)	98,746	91,061	
Receipts and payments from (to) other funds	2,757	215,000	217,757	23,172
Net cash provided by noncapital financing activities	598,552	483,177	1,081,729	23,172
Cash flows from capital and related financing activities				
Payment of capital leases		(2,065)	(2,065)	
Net cash (used in) capital and related financing activities		(2,065)	(2,065)	
Net increase in cash and cash equivalents	-	263	263	-
Cash and cash equivalents, beginning of year	-	47,566	47,566	-
Cash and cash equivalents, end of year	\$ -	\$ 47,829	\$ 47,829	\$ -
Reconciliation of operating (loss) to net cash (used in) operating activities:				
Operating (loss)	\$ (621,852)	\$ (766,169)	\$ (1,388,021)	
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:				
Depreciation	3,196	51,933	55,129	
Change in assets, deferred outflows, liabilities and deferred inflows:				
Decrease (increase) in accounts receivable	3,114	(92,979)	(89,865)	\$ (23,172)
Decrease in inventory	3,960		3,960	
(Increase) in deferred outflows of resources		(802,156)	(802,156)	
(Decrease) in deferred inflows of resources		(45,902)	(45,902)	
Increase in net pension liability		1,160,044	1,160,044	
Increase in accounts payable		14,380	14,380	
Increase in unearned revenue	13,030		13,030	
Net cash (used in) operating activities	\$ (598,552)	\$ (480,849)	\$ (1,079,401)	\$ (23,172)

Noncash noncapital related financing activities:

The District received \$94,288 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2017.

This page left blank intentionally

Fiduciary Funds

Manchester Township School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2017

	<u>Private-Purpose Scholarship Fund</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
Assets			
Cash and cash equivalents	\$ 196,095	\$ 194,162	\$ 2,493,835
Interfund receivable		124,246	
Total assets	<u>196,095</u>	<u>318,408</u>	<u>\$ 2,493,835</u>
Liabilities			
Payroll deductions and withholdings payable			\$ 2,168,729
Accounts payable		3,294	
Interfund payable			124,246
Due to student groups			200,860
Total liabilities		<u>3,294</u>	<u>\$ 2,493,835</u>
Net Position			
Held in trust for unemployment claims		<u>\$ 315,114</u>	
Held in trust for scholarships	<u>\$ 196,095</u>		

Manchester Township School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2017

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
Additions		
Contributions:		
Employee contributions		\$ 63,467
Donations	\$ 999	
Total contributions	999	63,467
Investment earnings:		
Interest	259	62
Total additions	1,258	63,529
Deductions		
Unemployment payments		20,161
Scholarship payments	21,500	
Total deductions	21,500	20,161
Change in net position	(20,242)	43,368
Net position-beginning of the year	216,337	271,746
Net position-end of the year	\$ 196,095	\$ 315,114

Manchester Township School District
Notes to the Basic Financial Statements
Year ended June 30, 2017

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 activities) 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 statements. Governmental activities, which

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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 ("DOE") 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, except for reimbursement grants, the District considers revenues to be available if they are collected within one year 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, the net pension liability 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, 2017

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.

In accordance with GASB 72 implemented during fiscal year ended June 30, 2016, funds invested in solar renewable energy certificates associated with the current fiscal period are considered revenue under the full accrual and modified accrual basis of accounting. These investments, however, are not recognized on the budgetary basis of accounting until sold or expected to be sold within 60 days after year end.

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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.

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, 2017

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 statement of net position and balance sheet. Unearned revenue 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 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

In accordance with P.L. 2011, which became effective January 17, 2012, the District elected to move the annual school board election from April to the date of the annual November general election, thereby eliminating the vote on the annual based budget. 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 Ocean County office of the DOE for approval. Budgets are prepared using the

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

modified accrual basis of accounting and the special revenue fund uses a non-GAAP 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, 2017 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, 2017, the unused Food Donation Program commodities of \$3,031 are reported as unearned revenue.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

G. Capital Assets

Capital assets, which include land, construction in progress, buildings 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.

Buildings, machinery 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, 2017, a liability existed for compensated absences in the government-wide financial statements in the amount of \$3,744,261 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, 2017

1. Summary of Significant Accounting Policies (continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, including deferred amounts from the refunding of debt and deferred amounts related to pensions. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

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 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

K. Deferred Loss on Defeasance of Debt

Deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. As of June 30, 2017, the District has recorded an unamortized balance of \$932,539 as a deferred outflow of resources and recognized amortization expense of \$87,085.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

L. Net Position

Net Position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities in the government-wide financial statements. Net position net investment in capital assets 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.

M. 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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

- 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.

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 \$2,687,449 of fund balances in the General Fund, \$8,644 of encumbrances is assigned to other purposes, \$621,752 has been classified as restricted fund balance designated for subsequent years expenditures – prior year excess surplus, \$1,223,391 has been classified as restricted for maintenance reserve and capital reserve in the amounts of \$523,391 and \$700,000, respectively, \$131,953 has been restricted for excess surplus – current year and \$701,709 is classified as unassigned. Of the fund balance in the Capital Projects Fund, \$876,863 is restricted for capital projects. All of the fund balance in the debt service fund in the amount of \$3,483 is restricted for future debt service payments.

N. 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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

O. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and post-retirement medical and pension contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$11,215,658 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

P. 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 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 expired on June 30, 2017. The District renewed the Regional Day School contract for the period July 1, 2017 through June 30, 2022.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Q. 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 excess fund balance at June 30, 2017 was \$753,705. Of this amount, \$621,752 has been appropriated in the 2017/18 budget and the remaining \$131,953 is required to be appropriated in the 2018/19 budget.

R. GASB Pronouncements

GASB Pronouncements implemented in the 2017 Fiscal Year

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements. Although the Township of Manchester entered into four tax abatements during the school fiscal year ended June 30, 2017, none were deemed material to the Manchester Township School District and therefore disclosure is not required. Furthermore if the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth. As previously mentioned the Township of Manchester's four tax abatements did not materially affect the realized tax revenues of the Manchester Township School District.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements to be implemented in future years

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the District in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2017 through November 3, 2017, the date that the financial statements are issued and the effects of those that provide additional pertinent information about conditions that existed at the balance sheet date, have been recognized in the accompanying financial statements. The District entered into a capital lease agreement on July 25, 2017 in the amount of \$845,000 for the acquisition of new equipment. Annual installments are due and payable on October 1, 2017 through October 1, 2024 in the amounts of \$110,000 through \$140,000 plus interest charged at a fixed interest rate of 1.99%.

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, net of unamortized premiums and discounts, capital leases and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

The details of this \$35,250,419 difference are as follows:

Bonds payable	\$ 26,175,000
Premium on bonds	871,410
Discount on bonds	(49,981)
Capital leases payable	1,509,729
Compensated absences	<u>3,744,261</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 32,250,419</u>

3. Cash and Equivalents

Cash and equivalents – Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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.

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Cash and Equivalents (continued)

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%.

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 one institution. At June 30, 2017 the carrying amount of the District's deposits was \$2,784,018 and the bank balance was \$5,510,612. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2017 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$2,939,259. \$2,321,353 held in the District's payroll and agency accounts are not covered by GUDPA.

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Cash and Equivalents (continued)

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

As of June 30, 2017, the District's investment balances of \$59,897 were in Solar Renewable Energy Certificates. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurement as of June 30, 2017:

- Solar Renewable Energy Credits in the amount of \$59,897 are valued using quoted market prices (Level 1 inputs)

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF"). 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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Cash and Equivalents (continued)

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, 2017, the District's balance was \$1,145,411. 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.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2017, all of the District's cash investments were invested at 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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,220,818			\$ 1,220,818
Construction in process	11,556,294	\$ 2,724,289		14,280,583
Total capital assets, not being depreciated	12,777,112	2,724,289		15,501,401
Capital assets, being depreciated:				
Buildings and building improvements	63,645,559			63,645,559
Machinery, equipment and vehicles	19,189,626	844,547	\$ (251,554)	19,782,619
Total capital assets being depreciated	82,835,184	844,547	(251,554)	83,428,178
Less accumulated depreciation for:				
Buildings and building improvements	30,761,053	1,138,064		31,899,118
Machinery, equipment and vehicles	15,712,580	925,440	(251,554)	16,386,466
Total accumulated depreciation	46,473,633	2,063,504	(251,554)	48,285,584
Total capital assets, being depreciated, net	36,361,551	(1,218,958)		35,142,594
Governmental activities capital assets, net	<u>\$ 49,138,664</u>	<u>\$ 1,505,330</u>		<u>\$ 50,643,995</u>

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

Instruction	\$ 872,903
General administration	1,190,601
Total depreciation expense – governmental activities	<u>\$ 2,063,504</u>

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

4. Capital Assets (continued)

The following is a summarization of the business-type activities changes in capital assets for the fiscal year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Business-type activities:			
Capital assets, being depreciated:			
Equipment and vehicles	\$ 3,303,929		\$ 3,303,929
Less accumulated depreciation for:			
Equipment and vehicles	3,055,883	\$ 55,129	3,111,012
Total business-type activities			
capital assets, net	<u>\$ 248,046</u>	<u>\$ (55,129)</u>	<u>\$ 192,917</u>

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

5. Long-Term Liabilities

During the fiscal year ended June 30, 2017, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Compensated absences payable	\$ 3,696,296	\$ 319,631	\$ 271,666	\$ 3,744,261	\$ 175,000
Bonds payable	28,605,000		2,430,000	26,175,000	2,075,000
Premium on bonds	952,472		81,062	871,410	81,062
Discount on bonds	(54,630)		(4,649)	(49,981)	(4,649)
Obligations under capital leases	2,037,799		528,070	1,509,729	434,324
Subtotal	35,236,937	319,631	3,306,149	32,250,419	2,760,737
Net pension liability	20,481,689	8,655,793	-	29,137,482	
Governmental activity long-term liabilities	<u>\$ 55,718,626</u>	<u>\$ 8,975,424</u>	<u>\$ 3,306,149</u>	<u>\$ 61,387,901</u>	<u>\$ 2,760,737</u>
Business-type activities:					
Net pension liabilities	2,778,348	1,160,044		3,938,392	
	<u>\$ 2,778,348</u>	<u>\$ 1,160,044</u>		<u>\$ 3,938,392</u>	

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

5. Long-Term Liabilities (continued)

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

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 March 2011, the District issued \$8,375,000 of School District Bonds in order to fund the Board's 2011 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 3.000% to 4.125%.

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. The bonds are due to mature annually through the 2028 fiscal year at annual interest rates ranging from 3.00% to 5.00%.

In December 2014, the District issued \$9,605,000 of School District Bonds in order to fund various facility upgrades within the school district. The bonds are due to mature annually through the 2030 fiscal year at annual interest rates ranging from 2.25% to 3.00%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2018	\$ 2,075,000	\$ 908,106	\$ 2,983,106
2019	2,150,000	838,856	2,988,856
2020	2,185,000	759,855	2,944,856
2021	2,220,000	676,467	2,896,468
2022	2,245,000	595,006	2,840,006
2023-2027	10,805,000	1,550,913	12,355,913
2028-2030	4,495,000	475,197	4,970,197
	<u>\$ 26,175,000</u>	<u>\$ 5,804,402</u>	<u>\$ 31,979,402</u>

See page 103 for additional information regarding the District's bonds payable.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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 0.00% to 5.00%. 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, 2017:

<u>Fiscal Year</u>	<u>Amounts</u>
Year ending June 30:	
2018	\$460,842
2019	394,313
2020	198,206
2021	198,296
2022	198,402
2023	135,453
Total minimum lease payment	<u>\$1,585,519</u>
Less amount representing interest	
	<u>(75,790)</u>
Present value of net future minimum lease payments	<u>\$1,509,729</u>

See page 104 for additional information regarding the District's capital leases

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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.

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

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.

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 six 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, 2017, the State of New Jersey contributed \$4,713,748 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 \$1,539,748 during the year ended June 30, 2017 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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2017, 2016, and 2015 was \$992,133, \$890,832 and \$848,064, respectively, equal to the required contributions for each year.

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

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

Public Employees' Retirement System (PERS)

At June 30, 2017, the District reported a liability of \$33,075,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.1116781800 percent, which was an increase of 0.0080607500 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$3,647,562 in the government-wide financial statements. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

	Deferred Outflows of resources	Deferred Inflows of Resources
Changes of assumptions	\$ 6,851,554	
Net difference between projected and actual earnings on pension plan investments	1,261,213	
Changes in proportion	2,016,333	
Difference between expected and actual Experience	615,111	
District contributions subsequent to the measurement date	992,133	
	<u>\$ 11,736,344</u>	<u>\$ -</u>

\$992,133 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the net pension liability as follows:

Year ended June 30:	
2018	\$ 2,454,129
2019	2,454,129
2020	2,741,084
2021	2,299,013
2022	795,856
	<u>\$ 10,744,211</u>

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

	June 30, 2016
Inflation	3.08%
Salary increases	
2021-2026	1.65 - 4.15%
	Based on age
Thereafter	2.65 - 5.15%
	Based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
U.S. Treasuries	1.50%	1.64%
Investment Grade Credit	8.00%	1.79%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

Discount rate

Discount Rate – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
District's proportionate share of the net pension liability	40,530,623	33,075,874	26,921,332

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances of the local group at June 30, 2016 are as follows:

Deferred outflows of resources	8,685,338,380
Deferred inflows of resources	870,133,595
Net pension liability	29,617,131,759
District's Proportion	0.1116781800%

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 5.57, 5.72 and 6.44 years, respectively.

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2016 was \$183,449,057. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State's proportionate share of the TPAF net pension liability associated with the District was 0.2331988423 percent, which was an increase of 0.0005914704 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$13,783,644 for contributions incurred by the State.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Mortality Rates

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Sensitivity of the State's proportionate share of the net pension liability associated with the District to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's proportionate share of the net pension liability associated with the District	219,079,170	183,449,057	154,352,471

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

Additional Information

Collective balances of the local group at June 30, 2016 are as follows:

Deferred outflows of resources	\$ 17,581,004,496
Deferred inflows of resources	\$ 300,836,088
Net pension liability	\$ 79,028,907,033
State's proportionate share associated with the District	0.2331988423%

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Collective pension expense for the plan for the measurement period ended June 30, 2016 is \$5,938,166,374.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 8.3, 8.3 and 8.5 years, respectively.

7. 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, 2016 there was 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The State paid. 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

7. Post-Retirement Benefits (continued)

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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, 2017, 2016, and 2015 were \$2,139,716, \$2,223,177, and \$2,006,530, 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.

The School Employees Health Benefits Program (SEHBP) 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 Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

8. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2017 amounted to \$912,738 analyzed as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 788,141	
Debt Service Fund	351	
Capital Projects Fund		\$ 351
Enterprise Fund - Food Service		
Enterprise Fund – Regional Day School		715,000
Trust Fund – Unemployment	124,246	
Payroll Agency Fund		124,246
Internal Service Fund		73,141
	<u>\$ 912,738</u>	<u>\$ 912,738</u>

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Interfund Receivables and Payables (continued)

The interfund receivable in the Enterprise Fund – Regional Day School of \$715,000 was loaned from the general fund to ensure sufficient cash flow was maintained as of year- end.

The interfund payable in the Payroll Agency Fund and respective interfund receivable in Unemployment Trust Fund represents payroll withholdings for unemployment not transferred at June 30, 2017.

The interfund payable in the Capital Projects Fund represents interest income earned designated for future payments of debt service payments.

The interfund payable in the Internal Service Fund represents a short term loan from the General Fund at June 30, 2017 in the amount of \$73,141 to fund transportation costs.

All interfunds are expected to be liquidated within one year.

9. 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.

10. 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, 2017 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, 2017

11. 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.

12. 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 unearned under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

13. Restricted Assets

The funds set aside for capital and maintenance reserve are classified as restricted assets (cash and cash equivalents and other accounts receivable) as they are restricted for use for future capital projects and maintenance requirements.

14. Maintenance Reserve Account

A maintenance reserve account was established by the District by way of a Board approved resolution in the amount of \$350,000 in June 2014 for the accumulation of funds for use as maintenance expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

14. Maintenance Reserve Account (continued)

placed in the maintenance reserve account are restricted to maintenance projects in the District's approved Comprehensive Maintenance Plan (CMP).

Upon submission of the CMP to the New Jersey Department of Education, the District may increase the balance in the maintenance reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amounts, or both. The District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the account cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year. The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$	323,391
Deposit:		
Approved by June 2017 Board resolution		200,000
Ending balance, June 30, 2017	\$	<u>523,391</u>

The balance in the maintenance reserve does not exceed four percent of the replacement cost of the school district's school facilities for the current year at June 30, 2017.

15. Capital Reserve Account

A capital reserve account was established by the District in June 2015, by way of a Board resolution, and issued for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years in the amount of \$450,000. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

15. Capital Reserve Account (continued)

authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRF. P.

Beginning balance, July 1, 2016	\$ 700,000
Ending Balance, June 30, 2017	<u>\$ 700,000</u>

The June 30, 2017 LRF. P. balance of local support costs of uncompleted projects exceeds the amount set aside in capital reserve.

16. Commitments

The District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$8,644 and in the capital projects fund as balance restricted for capital projects in the amount of \$612,909.

17. Transfers

The following presents a reconciliation of transfers during the 2017 fiscal year:

	<u>In</u>	<u>Out</u>
Debt Service Fund	\$ 351	
Capital Projects Fund		\$ 351
	<u>\$ 351</u>	<u>\$ 351</u>

The transfer from the capital projects fund to the debt service fund represents a transfer of interest income.

Required Supplementary Information – Part II
Schedules Related to Accounting and Reporting for Pensions
(GASB 68)

Manchester Township School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System

	Last Ten Fiscal Years									
	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	0.0969028258%	0.1028722510%	0.1036174300%	0.1116781800%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 18,520,055	\$ 19,260,499	\$ 23,260,037	\$ 33,075,874
District's covered-employee payroll	\$ 5,798,502	\$ 6,064,402	\$ 6,555,589	\$ 6,826,912	\$ 6,763,745	\$ 6,573,606	\$ 6,621,053	\$ 6,984,188	\$ 7,435,341	\$ 7,371,084
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	279.71%	275.77%	312.83%	448.72%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	48.72%	48.62%	47.93%	40.14%

N/A - Not Available

See Note to Required Supplementary Information

Manchester Township School District
Schedule of District Contributions
Public Employee's Retirement System

Last Ten Fiscal Years

	Year Ended June 30, 2008	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017
Contractually required contribution	\$ 354,987	\$ 386,923	\$ 559,998	\$ 735,431	\$ 769,696	\$ 783,546	\$ 730,143	\$ 848,064	\$ 890,832	\$ 982,133
Contributions in relation to the contractually required contribution	(354,987)	(386,923)	(559,998)	(735,431)	(769,696)	(783,546)	(730,143)	(848,064)	(890,832)	(982,133)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,064,402	\$ 6,555,589	\$ 6,826,912	\$ 6,763,745	\$ 6,573,606	\$ 6,621,053	\$ 6,984,188	\$ 7,435,341	\$ 7,371,084	\$ 7,789,867
Contributions as a percentage of covered-employee payroll	5.85%	5.90%	8.20%	10.87%	11.71%	11.83%	10.45%	11.41%	12.06%	12.74%

See Note to Required Supplementary Information

Manchester Township School District
Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2017
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.2335380145%	0.2337903127%	0.2331988423%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 124,818,468	\$ 147,765,461	\$ 183,449,057
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 124,818,468</u>	<u>\$ 147,765,461</u>	<u>\$ 183,449,057</u>
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make contributions to this plan.

See Note to Required Supplementary Information

Manchester Township School District

**Notes to Required Supplementary Information
Year Ended June 30, 2017**

1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

2. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016.

Required Supplementary Information – Part III

Schedules of Revenues, Expenditures, and Changes in Fund
Balances – Budget and Actual (Budgetary Basis)

Manchester Township School District
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)
Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ 42,772,366		\$ 42,772,366	\$ 42,772,366	
Tuition	2,246,063		2,246,063	2,246,563	\$ 500
Interest on investments	150		150	13,611	
Investment income				59,897	59,897
Miscellaneous	35,000		35,000	60,622	25,622
Total revenues - local sources	45,053,579		45,053,579	45,153,059	99,480
State sources:					
Special Education Categorical Aid	1,709,627		1,709,627	1,709,627	
Security Aid	410,680		410,680	410,680	
Adjustment Aid	1,531,444		1,531,444	1,531,444	
Categorical Transportation Aid	1,826,200		1,826,200	1,826,200	
Professional Learning Community Aid	27,510		27,510	27,510	
PARCC Readiness Aid	28,080		28,080	28,080	
Per Pupil Growth Aid	28,080		28,080	28,080	
Extraordinary aid	250,000		250,000	444,728	194,728
On-behalf TPAF pension contributions (non-budgeted)				4,713,748	4,713,748
Reimbursed TPAF social security contributions (non-budgeted)				1,539,748	1,539,748
Other state aid				7,379	7,379
Total - state sources	5,811,621		5,811,621	12,267,224	6,455,603
Federal sources:					
Medical Assistance Program	59,167	\$ 6,665	65,832	165,244	99,412
Total - federal sources	59,167	6,665	65,832	165,244	99,412
Total revenues	50,924,367	6,665	50,931,032	57,585,527	6,654,495
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool/kindergarten	683,587	(61,383)	622,204	621,138	1,066
Grades 1-5	5,257,029	293,610	5,550,639	5,546,222	4,417
Grades 6-8	3,127,924	(20,500)	3,107,424	3,106,182	1,242
Grades 9-12	5,056,725	6,080	5,062,805	5,047,910	14,895
	14,125,265	217,807	14,343,072	14,321,452	21,620
Home instruction:					
Salaries of teachers	152,500	5,152	157,652	154,367	3,285
Other purchased services	2,500	(1,750)	750	303	447
	155,000	3,402	158,402	154,670	3,732
Undistributed instruction-regular programs					
Unused vacation payment to		60,000	60,000	60,000	
Other purchased services	54,671	(800)	53,871	52,549	1,322
General supplies	413,678	162,181	575,859	568,554	7,305
Textbooks	97,125	(22,367)	74,758	74,746	12
Other objects	115,300	14,912	130,212	125,344	4,868
	680,774	213,926	894,700	881,193	13,507
Total instruction - regular programs	14,961,039	435,135	15,396,174	15,357,315	38,859

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	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	\$ 127,448	\$ 3,266	\$ 130,714	\$ 129,917	\$ 797
Other salaries for instruction	106,157	(12,263)	93,894	93,609	285
General supplies	4,300	(1,768)	2,532	1,696	836
Other objects	1,400	418	1,818	1,505	313
Total preschool disabilities - part-time	239,305	(10,347)	228,958	226,727	2,231
Learning and/or language disabilities:					
Salaries of teachers	288,198	19,892	308,090	307,019	1,071
Other salaries for instruction	1,052,690	178,304	1,230,994	1,230,994	
General supplies	8,100	(584)	7,516	4,678	2,838
Textbooks	2,000	(1,600)	400		400
Total learning and/or language disabilities	1,350,988	196,012	1,547,000	1,542,691	4,309
Multiple disabilities:					
Salaries of teachers	234,223	11,861	246,084	245,459	625
Other salaries for instruction	234,941	(8,849)	226,092	225,494	598
General supplies	3,250		3,250	2,689	561
Textbooks	500	(500)			
Other objects	250		250		250
Total multiple disabilities	473,164	2,512	475,676	473,642	2,034
Autism					
Salaries of teachers	199,082	4,878	203,960	203,898	62
Other Salaries for Instruction	192,022	20,859	212,881	209,005	3,876
General supplies	4,500	(1,700)	2,800	2,106	694
	395,604	24,037	419,641	415,009	4,632
Resource room/center:					
Salaries of teachers	2,209,896	(210,076)	1,999,820	1,999,820	
Unused vacation payment to terminated/retired staff		14,626	14,626	14,626	
General supplies	8,650	1,136	9,786	8,311	1,475
Textbooks	2,000		2,000	1,250	750
Total resource room/center	2,220,546	(194,314)	2,026,232	2,024,007	2,225
Total special education	4,679,607	17,900	4,697,507	4,682,076	15,431

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Bilingual education:					
Salaries of teachers	\$ 190,965	\$ 871	\$ 191,836	\$ 191,836	
General supplies	750		750	281	\$ 469
Textbooks	250		250		250
Other objects	200		200	59	141
Total bilingual education	192,165	871	193,036	192,176	860
School - sponsored cocurricular activities:					
Salaries	226,000	(39,475)	186,525	185,808	717
Supplies and materials	6,000		6,000	3,500	2,500
Other objects	10,850	(3,400)	7,450	7,450	
Total school - sponsored cocurricular activities	242,850	(42,875)	199,975	196,758	3,217
School - sponsored athletics - instruction:					
Salaries	480,000	45,500	525,500	525,414	86
Purchased services	18,500	(5,700)	12,800	12,800	
Supplies and materials	81,150	7,394	88,544	86,378	2,166
Other objects	104,350	(6,250)	98,100	97,231	869
Total school - sponsored athletics - instruction	684,000	40,944	724,944	721,823	3,121
Other instructional programs:					
Salaries	128,867	38,173	167,040	166,291	749
Total other instructional programs	128,867	38,173	167,040	166,291	749
Total instruction	20,888,528	490,148	21,378,676	21,316,439	62,237

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	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	\$ 165,000	\$ 28,945	\$ 193,945	\$ 193,945	
Tuition to County Voc. School Dist.-Regular	79,500	29,180	108,680	108,680	
Tuition to CSSD and regional day schools	1,070,000	10,576	1,080,576	1,080,525	\$ 51
Tuition to private school for the handicapped - within state	830,000	(179,286)	650,714	650,652	62
Tuition - state facilities	64,612		64,612	64,612	
Tuition - other		22,100	22,100	22,100	
Total undistributed instruction-tuition	2,209,112	(88,485)	2,120,627	2,120,514	113
Attendance and social work services:					
Salaries	37,576	(4,042)	33,534	33,534	
Other objects	11,000	61	11,061	11,061	
Total attendance and social work service	48,576	(3,981)	44,595	44,595	-
Health services:					
Salaries	400,494	8,681	409,175	409,025	150
Purchased professional and technical services	44,350	(44,350)	35,532	35,532	
Supplies and materials	7,175	7,532	14,707	13,089	1,618
Total health services	452,019	7,395	459,414	457,646	1,768
Other support services - students - Speech,OT,PT, & Related Services:					
Salaries	430,171	1,033	431,204	431,204	
Supplies and materials	3,675	(1,427)	2,248	1,904	344
Total other support services - students - related services	433,846	(394)	433,452	433,108	344
Other support services - students - extra services:					
Salaries	24,379	5,096	29,475	29,447	28
Purchased professional educational services	6,944	(5,200)	1,744	1,628	116
Supplies and materials	2,700		2,700	2,613	87
Other objects	1,000		1,000		1000
Total other support services - students - extra services	35,023	(104)	34,919	33,688	1,231

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	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	\$ 749,758	\$ (1,113)	\$ 748,645	\$ 748,628	\$ 17
Salaries of secretarial and clerical assts.	146,485	(18,375)	128,110	128,110	
Other objects	10,500	(7,699)	2,801	1,879	922
Total guidance	906,743	(27,187)	879,556	878,617	939
Child Study Teams:					
Salaries of other professional staff	1,056,295	2,285	1,058,580	1,058,034	546
Salaries of secretarial and clerical assts.	177,018	269	177,287	177,287	
Unused vacation payment to terminated/retired staff		40,000	40,000	40,000	
Purchased professional - educational services	145,000	(3,543)	141,457	137,077	4,380
Miscellaneous purchased services	5,000	2,500	7,500	7,467	33
Supplies and materials	3,000	7,779	10,779	10,174	605
Other objects	34,450	507	34,957	34,702	255
Total child study teams	1,420,763	49,797	1,470,560	1,464,741	5,819
Improvement of instructional services:					
Salaries of supervisors of instruction	411,847	2,936	414,783	414,767	16
Salaries of other professional staff	281,234		281,234	281,234	
Salaries of secretarial and clerical assts	93,608	6,497	100,105	100,105	
Supplies and materials	26,000	18,710	44,710	44,710	
Other objects	23,400	(1,339)	22,061	21,966	95
Total improvement of instructional services	836,089	26,804	862,893	862,782	111
Educational media services/ school library:					
Salaries	354,262	4,101	358,363	358,363	
Unused vacation payment to terminated/retired		20,000	20,000	20,000	
Supplies and materials	45,160	(1,422)	43,738	42,651	1,087
Total educational media services/ school library	399,422	22,679	422,101	421,014	1,087

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	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	\$ 5,500	\$ (3,399)	\$ 2,101	\$ 2,101	
Other purchased services	1,000	(833)	167	167	
Other objects	41,783	(11,754)	30,029	29,628	\$ 201
Total instructional staff training services	48,283	(15,986)	32,297	32,096	201
Support services-general administration:					
Salaries	229,502	1,726	231,228	231,228	
Purchased professional services	132,000	(18,480)	113,520	101,221	12,299
Other purchased professional services	32,500	(6,500)	26,000	10,850	15,150
Communications/telephone	56,715	(26,572)	30,143	29,378	765
BOE other purchased services	41,677	(2,940)	38,737	33,479	5,258
Other purchased services	55,700	12,128	67,828	67,628	200
BOE membership dues and fees	25,000	1,566	26,566	26,042	524
General supplies	5,000	(5,000)			
Miscellaneous expenditures	30,000	(14,549)	15,451	13,635	1,816
Total support services-general administration	608,094	(58,621)	549,473	513,461	36,012
Support services-school administration:					
Salaries of principals/assistant principals	1,116,296	4,569	1,120,865	1,120,865	
Salaries of secretarial and clerical assistants	686,193	298	686,491	686,491	
Unused vacation payment to terminated/retired		1,437	1,437	1,437	
Total support services-school administration	1,802,489	6,304	1,808,793	1,808,793	-
Undistributed expenditures-Central services:					
Salaries	469,756	13,381	483,137	483,137	
Miscellaneous purchased services	7,500	7,647	15,147	15,147	
Miscellaneous expenditures	82,000	16,998	98,998	98,396	602
Total undistributed expenditures-central services	559,256	38,026	597,282	596,680	602
Undistributed expenditures-Admin. info tech.:					
Salaries	255,592		255,592	255,564	
Unused vacation payment to		44,918	44,918	44,918	
Miscellaneous purchased services	80,049	600	80,649	79,931	718
Supplies and materials	60,000	9,405	69,405	68,935	470
Other Objects	11,500	(3,500)	8,000	7,500	500
Total undistributed expenditures-admin. info.	407,141	51,423	458,564	456,848	1,716
Required maintenance for school facilities:					
Salaries	133,598	37,783	171,381	170,539	842
Cleaning, repair and maintenance services	690,660	(142,061)	548,599	546,814	1,785
General supplies	33,500	(23,514)	9,986	9,985	1
Total required maintenance for school facilities	857,758	(127,792)	729,966	727,338	2,628

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Operations and maintenance of plant					
Custodial Services					
Salaries	\$ 1,395,401	\$ 23,827	\$ 1,419,228	\$ 1,419,228	
Unused vacation payment to retirees		46,967	46,967	46,967	
Cleaning, repair and maintenance services	305,370	4,059	309,429	309,269	\$ 160
Other purchased property services	144,350	(11,689)	132,661	130,194	2,467
Insurance	580,000	(22,028)	557,972	557,949	23
General supplies	114,500	11,942	126,442	125,612	830
Energy (Propane Gas)		1,500	1,500	750	750
Energy (Electricity)	811,000	(89,940)	721,060	716,751	4,309
Energy (Natural Gas)	97,000	25,483	122,483	111,970	10,513
Energy (Oil)	24,000	(12,500)	11,500	9,653	1,847
Other objects	118,470	(882)	117,588	114,662	2,926
Total custodial services	3,590,091	(23,261)	3,566,830	3,543,005	23,825
Care and Upkeep of Grounds:					
Salaries	212,207	(9,094)	203,113	203,113	
General Supplies	56,950	(8,145)	48,805	43,494	5,311
Total care and upkeep of grounds	269,157	(17,239)	251,918	246,607	5,311
Security:					
Salaries	61,800	(1,486)	60,314	60,314	
Purchased professional and technical	30,000		30,000	30,000	
Total security	91,800	(1,486)	90,314	90,314	
Total operation and maintenance of plant services and required maintenance	4,808,806	(169,778)	4,639,028	4,607,264	29,136
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - regular	1,331,603	(83,607)	1,247,996	1,245,906	2,090
Between home and school - special	317,666	(4,176)	313,490	312,792	698
Other than between home and school-	457,587	(24,501)	433,086	432,749	337
Unused vacation payment to		12,259	12,259	12,259	
Lease purchase payments-buses	317,086	26	317,112	317,112	
Contracted services:					
Aid in lieu	40,000	(1,200)	38,800	36,510	2,290
Between home and school-vendors	7,300	(4,306)	2,994	1,813	1,181
Special ed. Vendors	470,000	276,885	746,885	735,487	11,398
General supplies	271,500	(90,974)	180,526	178,940	1,586
Miscellaneous purchased services	35,150	2,765	37,915	35,356	2,559
Transportation supplies	160,000	16,047	176,047	176,047	
Other objects	46,500	(13,497)	33,003	32,982	21
Total student transportation services	3,454,392	85,721	3,540,113	3,517,953	22,160
Unallocated benefits:					
Social security contributions	765,000	68,625	833,625	833,625	
Other retirement contributions-regular	887,000	9,826	896,826	896,826	
Health benefits	9,888,500	(470,453)	9,418,047	9,417,935	112
Tuition reimbursement	95,000	(14,339)	80,661	80,559	102
Total unallocated benefits	11,635,500	(406,341)	11,229,159	11,228,945	214

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures					
On-behalf TPAF pension contributions (non-budgeted)				\$ 2,567,986	
On-behalf TPAF post-retirement contributions (non-budgeted)				2,139,716	
On-behalf TPAF long-term disability ins contributions (non-budgeted)				6,046	
Reimbursed TPAF social security contributions (non-budgeted)				1,539,748	1,539,748
Total undistributed expenditures	\$ 30,065,554	\$ (482,728)	\$ 29,582,826	35,732,241	(6,149,415)
Total expenditures - current	50,954,082	7,420	50,961,502	57,048,980	(6,087,478)
Capital outlay:					
Equipment:					
Undistributed expenditures:					
Support services - students-spec.	2,000	4,866	6,866	6,866	
Non-instructional equipment	110,453	(92,149)	18,304	18,304	
School buses- regular		9,724	9,724	9,724	
Non-instructional services		88,685	88,685	88,685	
Total equipment	112,453	11,126	123,579	123,579	-
Facilities acquisition and construction services:					
Assessment for Debt Service on SDA funding					
	165,633		165,633	165,633	
Total facilities acquisition and construction services	165,633	-	165,633	165,633	
Total expenditures - capital outlay	278,086	11,126	289,212	289,212	-

Manchester Township School District
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Total expenditures	\$ 51,232,168	\$ 18,546	\$51,250,714	\$ 57,337,892	\$ (6,087,178)
(Deficiency) excess of revenues (under) over expenditures	(307,801)	(11,881)	(319,682)	247,635	567,317
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(307,801)	(11,881)	(319,682)	247,635	567,317
Fund balances, July 1	2,961,900		2,961,900	2,961,900	-
Fund balances, June 30	\$ 2,654,099	\$ (11,881)	\$ 2,642,218	\$ 3,209,535	\$ 567,317
Recapitulation of (deficiency) excess of revenues (under) over expenditures					
Budgeted fund balance	\$ (307,801)		\$ (307,801)	\$ 259,516	\$ 567,317
Adjustment for prior year encumbrances		\$ (11,881)	(11,881)	(11,881)	
Total	\$ (307,801)	\$ (11,881)	\$ (319,682)	\$ 247,635	\$ 567,317
-					
Recapitulation of fund balance:					
Assigned to:					
Year end encumbrances				\$ 8,644	
Restricted for:					
Excess surplus-current year				131,953	
Designated for subsequent years expenditures - prior year excess surplus				621,752	
Maintenance Reserve				523,391	
Capital Reserve				700,000	
Unassigned fund balance				1,223,795	
				<u>3,209,535</u>	
Reconciliation to Government Funds Statements					
GAAP:					
Last two state aid payments not recognized on GAAP basis				(522,086)	
Fund balance per Government Funds (GAAP)				<u>\$ 2,687,449</u>	

Manchester Township School District
Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
(Budgetary Basis)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Federal sources	\$ 1,068,052	\$ 378,288	\$ 1,446,340	\$ 1,445,930	\$ (410)
Local sources		9,327	9,327	9,327	
Total revenues	1,068,052	387,615	1,455,667	1,455,257	(410)
Expenditures:					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	168,502	138,998	307,500	307,500	
Other salaries for instruction	17,000	242,450	259,450	259,450	
Tuition	638,260	94,531	732,791	732,791	
Supplies and materials		12,027	12,027	11,617	410
Total instruction	823,762	488,006	1,311,768	1,311,358	410
Support services:					
Salaries - professional staff		5,688	5,688	5,688	-
Personal services-employee benefits	45,112	58,940	104,052	104,052	
Purchased professional services	199,178	(165,019)	34,159	34,159	
Total support services	244,290	(100,391)	143,899	143,899	-
Total expenditures	1,068,052	387,615	1,455,667	1,455,257	410
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Manchester Township School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2017

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 57,585,527	\$ 1,455,257
State aid payments recognized for GAAP statements in the current year, not previously recognized	(522,086)	
The last state aid payments from the prior year 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).	528,849	
Adjustment to record the value of Solar Renewable Energy Credits (SREC) income on the modified accrual basis.	(36,050)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$ 57,556,240	\$ 1,455,257
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 57,337,892	\$ 1,455,257
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 57,337,892	\$ 1,455,257

This page left blank intentionally

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, 2017

	Title I	I.D.E.A.		Title II	Stem Grant	NJSIG Security Grant	Totals
		Part B Regular	Part B Preschool	Part A			
Revenues:							
Federal sources	\$ 612,324	\$ 700,111	\$ 32,680	\$ 91,025	\$ 9,790		\$ 1,445,930
Local sources						\$ 9,327	9,327
Total revenues	\$ 612,324	\$ 700,111	\$ 32,680	\$ 91,025	\$ 9,790	\$ 9,327	\$ 1,455,257
Expenditures:							
Current expenditures:							
Instruction:							
Salaries:							
Salaries of teachers	\$ 241,812			\$ 60,000			\$ 301,812
Other salaries for instruction	257,638				\$ 7,500		265,138
Tuition		\$ 700,111	\$ 32,680				732,791
Supplies and materials					2,290	\$ 9,327	11,617
Total instruction	499,450	700,111	32,680	60,000	9,790	9,327	1,311,358
Support services:							
Salaries - professional staff	5,688						5,688
Personal services—employee benefits	87,510			16,542			104,052
Purchased professional services	19,676			14,483			34,159
Total support services	112,874			31,025			143,899
Total expenditures	\$ 612,324	\$ 700,111	\$ 32,680	\$ 91,025	\$ 9,790	\$ 9,327	\$ 1,455,257

This page left blank intentionally

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, 2017

	Current Year
Revenues and Other Financing Sources	
State Sources - SDA Grant	\$ (233,911)
Bond Sale Proceeds	
Revenue from Other Sources	
Total Revenues and Other Financing Sources	(233,911)
Expenditures and Other Financing Uses	
Purchased Professional Services	71,735
Construction Services	2,652,553
Other Expense	
Transfer out	
Total Expenditures and Other Financing Uses	2,724,288
 (Deficiency) of Revenues (Under) Expenditures	 (2,958,199)
Fund Balance, July 1	4,053,194
Fund Balance, June 30	\$ 1,094,995
<u>Reconciliation of budgetary basis to GAAP basis:</u>	
Fund Balance, Budgetary Basis	\$ 1,094,995
Less: Revenue not recognized on a GAAP basis	(218,132)
Fund Balance - June 30, 2017 GAAP Basis	\$ 876,863

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, 2017

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 5,878,446	\$ (233,911)	\$ 5,644,535	\$ 5,878,446
Bond Sale Proceeds	9,605,000		9,605,000	9,605,000
Revenue from Other Sources				
Total Revenues	<u>15,483,446</u>	<u>(233,911)</u>	<u>15,249,535</u>	<u>15,483,446</u>
Expenditures and Other Financing				
Purchased Professional Services	1,052,726	71,735	1,124,461	
Construction Services	10,503,569	2,652,553	13,156,122	
Other Expense				
Transfer Out to Other Funds				
Total Expenditures	<u>11,556,295</u>	<u>2,724,288</u>	<u>14,280,583</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 3,927,151</u>	<u>\$ (2,958,199)</u>	<u>\$ 968,952</u>	<u>\$ 15,483,446</u>

Manchester Township School District
Capital Projects Fund

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

Referendum Project - Manchester Township Elementary School

From Inception and for the year ended June 30, 2017

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 835,844	\$ (35,425)	\$ 800,419	\$ 835,844
Bond Sale Proceeds	1,433,665		1,433,665	1,433,665
Revenue from Other Sources			-	
Total Revenues	<u>2,269,509</u>	<u>(35,425)</u>	<u>2,234,084</u>	<u>2,269,509</u>
Expenditures and Other Financing				
Purchased Professional Services	127,749	28,593	156,342	
Construction Services	1,627,929	209,951	1,837,880	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>1,755,678</u>	<u>238,544</u>	<u>1,994,222</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 513,831</u>	<u>\$ (273,969)</u>	<u>\$ 239,862</u>	<u>\$ 2,269,509</u>
Additional project information				
Project number	2940-043-14-1005 and 2940-043-14-1006			
Grant date	January 6, 2014			
Bond authorization date	December 10, 2014			
Bonds Authorized	\$ 1,433,665			
Bonds Issued	1,433,665			
Original Authorized Cost	\$ 2,269,509			
Additional Authorized Cost				
Revised Authorized Cost	2,269,509			
Percentage Increase over Original				
Authorized Cost	0.00%			
Percentage completion	87.87%			
Original target completion date	September 2016			
Revised target completion date	August 2017			

Manchester Township School District
Capital Projects Fund

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

Referendum Project - Ridgeway Elementary School

From Inception and for the year ended June 30, 2017

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 727,592	\$ (9,547)	\$ 718,045	\$ 727,592
Bond Sale Proceeds	1,241,739		1,241,739	1,241,739
Revenue from Other Sources				
Total Revenues	<u>1,969,331</u>	<u>(9,547)</u>	<u>1,959,784</u>	<u>1,969,331</u>
Expenditures and Other Financing				
Purchased Professional Services	122,343	5,663	128,006	
Construction Services	1,184,000	487,635	1,671,635	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>1,306,343</u>	<u>493,298</u>	<u>1,799,641</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 662,988</u>	<u>\$ (502,845)</u>	<u>\$ 160,143</u>	<u>\$ 1,969,331</u>
Additional project information				
Project number	2940-050-14-1012 and 2940-050-14-1013			
Grant date	January 6, 2014			
Bond authorization date	December 10, 2014			
Bonds Authorized	\$ 1,241,739			
Bonds Issued	1,241,739			
Original Authorized Cost	\$ 1,969,331			
Additional Authorized Cost				
Revised Authorized Cost	1,969,331			
Percentage Increase over Original				
Authorized Cost	0.00%			
Percentage completion	91.38%			
Original target completion date	September 2016			
Revised target completion date	August 2017			

Manchester Township School District
Capital Projects Fund

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

Referendum Project - Whiting Elementary School

From Inception and for the year ended June 30, 2017

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 645,469		\$ 645,469	\$ 645,469
Bond Sale Proceeds	1,122,945		1,122,945	1,122,945
Revenue from Other Sources				
Total Revenues	<u>1,768,414</u>	<u>-</u>	<u>1,768,414</u>	<u>1,768,414</u>
Expenditures and Other Financing				
Purchased Professional Services	175,758	\$ 9,024	184,782	
Construction Services	1,053,735	401,937	1,455,672	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>1,229,493</u>	<u>410,961</u>	<u>1,640,454</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 538,921</u>	<u>\$ (410,961)</u>	<u>\$ 127,960</u>	<u>\$ 1,768,414</u>
Additional project information				
Project number	2940-060-14-1015 and 2940-060-14-1017			
Grant date	January 6, 2014			
Bond authorization date	December 10, 2014			
Bonds Authorized	\$ 1,122,945			
Bonds Issued	1,122,945			
Original Authorized Cost	\$ 1,768,414			
Additional Authorized Cost				
Revised Authorized Cost	1,768,414			
Percentage Increase over Original				
Authorized Cost	0.00%			
Percentage completion	92.76%			
Original target completion date	September 2016			
Revised target completion date	August 2017			

Manchester Township School District
Capital Projects Fund

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

Referendum Project - Manchester Township Middle School

From Inception and for the year ended June 30, 2017

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 1,886,510	\$ (120,328)	\$ 1,766,182	\$ 1,886,510
Bond Sale Proceeds	3,044,665		3,044,665	3,044,665
Revenue from Other Sources				
Total Revenues	<u>4,931,175</u>	<u>(120,328)</u>	<u>4,810,847</u>	<u>4,931,175</u>
Expenditures and Other Financing				
Purchased Professional Services	357,297	14,661	371,958	
Construction Services	3,326,703	785,960	4,112,663	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>3,684,000</u>	<u>800,621</u>	<u>4,484,621</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 1,247,175</u>	<u>\$ (920,949)</u>	<u>\$ 326,226</u>	<u>\$ 4,931,175</u>
Additional project information				
Project number	2940-045-14-1007 and 2940-045-14-1009			
Grant date	January 6, 2014			
Bond authorization date	December 10, 2014			
Bonds Authorized	\$ 3,044,665			
Bonds Issued	3,044,665			
Original Authorized Cost	\$ 4,931,175			
Additional Authorized Cost				
Revised Authorized Cost	4,931,175			
Percentage Increase over Original				
Authorized Cost	0.00%			
Percentage completion	90.94%			
Original target completion date	September 2016			
Revised target completion date	August 2017			

Manchester Township School District
Capital Projects Fund

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

Referendum Project - Manchester Township High School

From Inception and for the year ended June 30, 2017

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 1,783,031	\$ (68,611)	\$ 1,714,420	\$ 1,783,031
Bond Sale Proceeds	2,761,986		2,761,986	2,761,986
Revenue from Other Sources				
Total Revenues	<u>4,545,017</u>	<u>(68,611)</u>	<u>4,476,406</u>	<u>4,545,017</u>
Expenditures and Other Financing				
Purchased Professional Services	269,579	13,793	283,372	
Construction Services	3,311,202	767,071	4,078,273	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>3,580,781</u>	<u>780,864</u>	<u>4,361,645</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 964,236</u>	<u>\$ (849,475)</u>	<u>\$ 114,761</u>	<u>\$ 4,545,017</u>
Additional project information				
Project number	2940-040-14-1001 and 2940-040-14-1002			
Grant date	January 6, 2014			
Bond authorization date	December 10, 2014			
Bonds Authorized	\$ 2,761,986			
Bonds Issued	2,761,986			
Original Authorized Cost	\$ 4,545,017			
Additional Authorized Cost				
Revised Authorized Cost	4,545,017			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	95.97%			
Original target completion date	September 2016			
Revised target completion date	August 2017			

Manchester Township School District
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2017

Issue/Project Title	Appropriations	Expenditures to Date		NJSDA Funds Canceled	Unexpended Balance
		Prior Year	Current Year		
Referendum Project - Various Improvements - 2014	\$ 15,483,446	\$ 11,556,295	\$ 2,724,288	\$ (233,911)	\$ 968,952
New Jersey Clean Energy Rebate Program	126,043				126,043
	<u>\$ 15,609,489</u>	<u>\$ 11,556,295</u>	<u>\$ 2,724,288</u>	<u>\$ (233,911)</u>	<u>\$ 1,094,995</u>
<u>2014 Referendum Project:</u>					
Bond and note proceeds	\$ 9,605,000				
State Share	5,878,446				
Total referendum	<u>\$ 15,483,446</u>				

Fiduciary Funds

Manchester Township School District
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2017

	<u>Trust</u>			<u>Agency</u>		
	<u>Private Purpose Scholarship Fund</u>	<u>Unemployment Compensation Fund</u>	<u>Total Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency</u>
Assets						
Cash and cash equivalents	\$ 196,095	\$ 194,162	\$ 390,257	\$ 200,860	\$2,292,975	\$ 2,493,835
Interfund receivable		124,246	124,246			
Total assets	<u>196,095</u>	<u>315,408</u>	<u>514,503</u>	<u>\$ 200,860</u>	<u>\$2,292,975</u>	<u>\$ 2,493,835</u>
Liabilities						
Accounts payable		3,294	3,294		\$2,168,729	\$ 2,168,729
Interfund payable					124,246	124,246
Due to student groups				\$ 200,860		200,860
Total liabilities		<u>3,294</u>	<u>3,294</u>	<u>\$ 200,860</u>	<u>\$2,292,975</u>	<u>\$ 2,493,835</u>
Net Position						
Held in Trust	196,095	315,114	511,209			
Total net position	<u>\$ 196,095</u>	<u>\$ 315,114</u>	<u>\$ 511,209</u>			

Manchester Township School District
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2017

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
Elementary Schools:				
Manchester Elementary	\$ 14,907	\$ 30,323	\$ 27,642	\$ 17,588
Regional Day School	4,547	22,346	21,587	5,306
Ridgeway School	20,918	41,616	30,170	32,364
Whiting School	5,853	22,922	16,217	12,558
Total Elementary Schools	<u>46,225</u>	<u>117,207</u>	<u>95,616</u>	<u>67,816</u>
Middle School	30,445	74,691	70,853	34,283
Senior High School	89,600	320,042	310,881	98,761
Total All Schools	<u>\$ 166,270</u>	<u>\$ 511,940</u>	<u>\$ 477,350</u>	<u>\$ 200,860</u>

Manchester Township School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2017

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
Assets				
Cash and cash equivalents	\$ 2,074,408	\$ 61,516,935	\$ 61,298,368	\$ 2,292,975
Total assets	<u>\$ 2,074,408</u>	<u>\$ 61,516,935</u>	<u>\$ 61,298,368</u>	<u>\$ 2,292,975</u>
Liabilities				
Accounts payable	\$ 2,013,629	\$ 61,453,468	\$ 61,298,368	\$ 2,168,729
Interfund payable	60,779	63,467		124,246
Total liabilities	<u>\$ 2,074,408</u>	<u>\$ 61,516,935</u>	<u>\$ 61,298,368</u>	<u>\$ 2,292,975</u>

This page left blank intentionally

Long-Term Debt

Manchester Township School District
Long-Term Debt

Schedule of Serial Bonds Payable

Year ended June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2016	Retired	Balance June 30, 2017		
			Date	Amount						
Referendum	3/1/2011	\$ 8,375,000	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					
								\$ 7,250,000	\$ 500,000	\$ 6,750,000
Refunding Bonds	3/28/2012	13,525,000	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					
								12,300,000	1,080,000	11,220,000
			School Bonds	12/10/2014	9,605,000	3/15/18	500,000	2.250		
3/15/19	525,000	2.250								
3/15/20	550,000	2.250								
3/15/21	575,000	2.250								
3/15/22	600,000	2.250								
3/15/23	620,000	2.250								
3/15/24	645,000	3.000								
3/15/25	655,000	3.000								
3/15/26	675,000	3.000								
3/15/27	685,000	3.000								
3/15/28	700,000	3.000								
3/15/29	725,000	3.000								
3/15/30	750,000	3.000								
								9,055,000	850,000	8,205,000
					<u>\$ 28,605,000</u>	<u>\$ 2,430,000</u>	<u>\$26,175,000</u>			

Manchester Township School District
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year Ended June 30, 2017

	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2016	Retired Current Year	Amount Outstanding June 30, 2017
School buses	5.00%	\$ 872,588	\$ 69,158	\$ 69,158	\$ -
School buses	1.68%	635,000	365,620	65,620	300,000
School buses/equipment	1.71%	557,250	327,683	77,536	250,147
Office equipment	0.00%	4,300	2,542	968	1,574
Office equipment	Variable	171,811	24,101	24,101	-
Office equipment	Variable	199,971	108,276	40,599	67,677
Laptop Computers	Variable	331,192	199,361	65,319	134,042
Textbooks	Variable	300,000	181,351	58,787	122,564
School buses	Variable	194,808	115,707	39,191	76,516
Bus and Camera System	1.937%	725,000	644,000	86,791	557,209
			<u>\$ 2,037,799</u>	<u>\$ 528,070</u>	<u>\$ 1,509,729</u>

Manchester Township School District
Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local tax levy	\$ 2,820,179		\$ 2,820,179	\$ 2,820,179	
State sources:					
Debt Service Aid	230,970		230,970	230,970	
Total revenues	<u>3,051,149</u>	-	<u>3,051,149</u>	<u>3,051,149</u>	-
Expenditures:					
Principal on bonds	2,430,000		2,430,000	2,430,000	
Interest on bonds	982,582		982,582	982,582	
Total expenditures	<u>3,412,582</u>	-	<u>3,412,582</u>	<u>3,412,582</u>	-
(Deficiency) of revenues (under) expenditures	(361,433)		(361,433)	(361,433)	-
Other financing sources:					
Transfers in	351		351	351	-
Total other financing sources	<u>351</u>	-	<u>351</u>	<u>351</u>	-
Net change in fund balance	(361,082)	-	(361,082)	(361,082)	-
Fund balance, July 1	364,565	-	364,565	364,565	-
Fund balance, June 30	<u>\$ 3,483</u>	<u>\$ -</u>	<u>\$ 3,483</u>	<u>\$ 3,483</u>	<u>\$ -</u>

This page left blank intentionally

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.*

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

(accrual basis of accounting)
Unaudited

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 18,305,578	\$ 17,886,665	\$ 17,700,524	\$ 17,031,547	\$ 16,198,934	\$ 16,337,248	\$ 16,519,291	\$ 17,067,636	\$ 18,617,647	\$ 23,070,376
Restricted	557,225	278,105	33,709	226,678	835,861	1,273,553	1,100,096	2,157,654	4,272,611	2,853,959
Unrestricted (deficit)	338,351	(4,155,299)	(4,033,482)	(3,881,640)	(3,306,942)	(3,207,568)	(2,974,389)	(19,892,077)	(20,226,997)	(22,997,136)
Total governmental activities net position	<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>	<u>\$ 14,644,998</u>	<u>\$ (666,787)</u>	<u>\$ 2,663,261</u>	<u>\$ 2,927,199</u>
Business-type activities										
Net investment in capital assets	\$ 668,255	\$ 592,784	\$ 559,432	\$ 552,016	\$ 476,579	\$ 409,863	\$ 354,499	\$ 303,085	\$ 245,981	\$ 192,917
Unrestricted (deficit)	402,289	511,290	514,629	251,722	189,117	307,919	221,059	(2,043,632)	(2,678,384)	(3,231,831)
Total business-type activities net position	<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>	<u>\$ 575,558</u>	<u>\$ (1,740,547)</u>	<u>\$ (2,432,403)</u>	<u>\$ (3,039,014)</u>
District-wide										
Net investment in capital assets	\$ 18,973,833	\$ 18,479,449	\$ 18,259,956	\$ 17,583,563	\$ 16,675,513	\$ 16,747,111	\$ 16,873,790	\$ 17,370,721	\$ 18,863,628	\$ 23,263,293
Restricted	557,225	278,105	33,709	226,678	835,861	1,273,553	1,100,096	2,157,654	4,272,611	2,853,959
Unrestricted (deficit)	740,640	(3,644,009)	(3,518,853)	(3,629,918)	(3,117,825)	(2,899,649)	(2,753,330)	(21,935,709)	(22,905,381)	(26,229,067)
Total district net position	<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>	<u>\$ 15,220,556</u>	<u>\$ (2,407,334)</u>	<u>\$ 230,858</u>	<u>\$ (111,815)</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).

GASB 68 was implemented during the 2015 fiscal year, which required the restatement of beginning net position in the amount of \$18,520,055. This amount is not reflected in the June 30, 2014 Net Position above.

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

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction	\$ 29,053,870	\$ 29,642,243	\$ 30,637,226	\$ 31,147,739	\$ 31,926,646	\$ 32,597,470	\$ 33,208,247	\$ 37,767,835	\$ 40,049,220	\$ 43,853,098
Support Services:										
Attendance and social work	35,269	39,033	45,080	53,507	51,304	56,380	59,051	69,405	76,771	77,840
Health services	473,064	481,711	329,056	392,958	439,139	458,276	405,372	420,468	433,965	457,646
Other support services	3,546,483	3,918,777	3,801,323	4,037,786	4,335,845	4,471,862	4,487,682	4,881,718	5,074,174	5,908,780
Improvement of instruction	807,232	929,658	946,132	964,068	1,067,319	1,110,423	1,094,227	1,216,005	1,426,602	1,652,019
Other support instructional staff	70,159	79,851	70,729	24,912	43,983	42,573	84,119	152,661	43,587	33,877
School library	606,745	625,575	648,935	637,551	694,645	699,204	662,340	649,888	666,302	776,286
General administration	2,014,377	2,194,515	2,137,006	2,171,113	1,849,178	1,921,716	1,816,954	1,819,761	2,159,962	4,073,454
School administration	3,122,970	3,120,614	3,108,069	3,171,830	3,364,903	3,588,481	3,598,870	3,983,005	4,403,487	5,392,517
Required maintenance of plant	834,356	585,542	530,628	1,050,808	997,008	1,210,371	1,340,786	1,240,265	1,146,279	340,994
Operation of plant	4,224,377	4,904,404	4,943,156	4,163,393	3,938,430	3,968,355	3,917,771	5,149,114	6,245,086	5,014,731
Student transportation	3,647,380	3,925,035	4,009,434	3,824,863	4,099,245	4,270,167	4,320,873	4,405,350	5,176,387	5,886,524
Capital outlay	32,653									
Interest on long-term debt	960,311	918,261	1,003,390	1,091,494	920,735	982,757	1,025,175	988,251	1,106,501	956,630
Total governmental activities expenses	49,429,246	51,365,220	52,210,164	52,732,022	53,728,380	55,378,035	56,021,467	62,743,726	68,008,323	74,424,392
Business-type activities:										
Food service	1,211,826	1,246,249	1,323,504	1,340,909	1,597,000	1,330,323	1,370,914	1,349,835	1,318,449	1,353,564
Regional Day School	5,842,404	6,413,550	6,552,213	6,528,926	6,164,162	5,990,245	5,977,857	6,102,914	5,952,972	6,119,386
Total business-type activities expense	7,054,230	7,659,799	7,875,717	7,869,835	7,761,162	7,320,568	7,348,771	7,452,749	7,271,421	7,472,950
Total district expenses	\$ 56,483,476	\$ 59,025,019	\$ 60,085,881	\$ 60,601,857	\$ 61,489,542	\$ 62,698,603	\$ 63,370,238	\$ 70,196,475	\$ 75,279,744	\$ 81,897,342
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 2,361,549	\$ 2,239,340	\$ 2,085,000	\$ 2,147,109	\$ 2,225,318	\$ 2,342,906	\$ 2,238,606	\$ 2,147,960	\$ 2,184,663	\$ 2,246,563
Pupil transportation	221,128	280,158	282,722	281,160	240,753	286,081	262,741	281,230	381,561	376,660
Operating grants and contributions	1,330,645	1,155,824	1,595,822	1,738,700	1,248,364	1,296,586	1,132,307	1,187,486	1,268,792	1,455,257
Capital grants and contributions			16,621	68,549				576,678	3,816,710	1,033,015
Total governmental activities program revenues	3,913,322	3,675,322	3,963,544	4,183,590	3,782,984	3,925,573	3,633,654	4,199,354	7,651,726	5,111,495
Business-type activities:										
Charges for services:										
Food service	778,950	820,402	825,512	800,212	952,129	705,089	772,900	750,700	738,033	731,712
Regional Day School	5,518,583	6,255,896	6,334,639	6,105,215	5,878,950	5,940,486	5,677,829	5,828,791	5,069,815	5,353,217
Operating grants and contributions	538,379	612,645	681,419	685,840	792,020	727,079	755,818	774,004	771,717	781,410
Total business-type activities program revenues	6,835,912	7,688,943	7,841,570	7,591,267	7,623,099	7,372,654	7,206,547	7,353,495	6,579,565	6,866,339
Total district program revenues	\$ 10,749,234	\$ 11,364,265	\$ 11,805,114	\$ 11,774,857	\$ 11,406,083	\$ 11,298,227	\$ 10,840,201	\$ 11,552,849	\$ 14,231,291	\$ 11,977,834
Net (Expense)/Revenue										
Governmental activities	\$ (45,515,924)	\$ (47,689,898)	\$ (48,246,620)	\$ (48,548,430)	\$ (49,945,394)	\$ (51,452,462)	\$ (52,387,813)	\$ (58,544,372)	\$ (60,356,597)	\$ (69,312,897)
Business-type activities	(218,318)	29,144	(34,147)	(278,568)	(138,063)	52,086	(142,224)	(99,254)	(691,856)	(606,611)
Total district-wide net expense	\$ (45,734,242)	\$ (47,660,754)	\$ (48,280,767)	\$ (48,826,998)	\$ (50,083,457)	\$ (51,400,376)	\$ (52,530,037)	\$ (58,643,626)	\$ (61,048,453)	\$ (69,919,508)

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

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 32,772,653	\$ 34,439,117	\$ 35,706,257	\$ 37,489,885	\$ 38,560,101	\$ 39,331,303	\$ 40,117,929	\$ 40,920,287	\$ 41,933,692	\$ 42,772,366
Property taxes levied for debt service	2,119,492	2,137,674	2,106,952	2,233,421	2,102,060	2,185,454	2,110,991	2,185,251	2,888,994	2,820,179
Unrestricted grants and contributions	10,266,111	9,255,839	9,781,745	8,163,511	9,529,730	10,588,044	10,279,911	16,279,924	18,719,469	23,885,859
Investment earnings	128,395	48,588	64,083	72,853	2,429		1,152	1,620	46,900	37,809
Miscellaneous income	512,093	293,699	278,863	264,594	102,342	23,041	119,595	148,709	97,590	60,622
Transfers	(2,209)									
Total governmental activities	45,796,535	46,174,917	47,937,900	48,224,264	50,296,662	52,127,842	52,629,578	59,535,791	63,686,645	69,576,835
Business-type activities:										
Investment earnings and miscellaneous revenue	18,386	4,386	4,134	8,245	21					
Transfers	2,209									
Total business-type activities	20,595	4,386	4,134	8,245	21					
Total district-wide	\$ 45,817,130	\$ 46,179,303	\$ 47,942,034	\$ 48,232,509	\$ 50,296,683	\$ 52,127,842	\$ 52,629,578	\$ 59,535,791	\$ 63,686,645	\$ 69,576,835
Change in Net Position										
Governmental activities	\$ 280,611	\$ (1,514,981)	\$ (308,720)	\$ (324,166)	\$ 351,268	\$ 675,380	\$ 241,765	\$ 991,419	\$ 3,330,048	\$ 263,938
Business-type activities	(197,723)	33,530	(30,013)	(270,323)	(138,042)	52,086	(142,224)	(99,254)	(691,856)	(606,611)
Total district	\$ 82,888	\$ (1,481,451)	\$ (338,733)	\$ (594,489)	\$ 213,226	\$ 727,466	\$ 99,541	\$ 892,165	\$ 2,638,192	\$ (342,673)

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 585,279	\$ 365,297	\$ 6,793							
Unreserved	697,745	325,861	154,219							
Restricted for						\$ 547,437	\$ 616,036	\$ 1,125,368	\$ 1,704,475	\$ 1,977,096
Assigned to				\$ 56,120	\$ 474,520	303,227	577,463	51,503	260,350	8,644
Unassigned				362,868	458,967	560,212	644,242	597,485	504,276	701,709
Total general fund	<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>	<u>\$ 1,837,741</u>	<u>\$ 1,774,356</u>	<u>\$ 2,469,101</u>	<u>\$ 2,687,449</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue fund (deficit)	\$ (12,530)									
Capital projects fund (deficit)			\$ 7,601,036							
Debt service fund (deficit)	4,441	\$ 4,441	33,709							
Restricted for:										
Capital projects fund				\$ 762,598	\$ 835,861	\$ 691,434	\$ 484,060	\$ 9,096,410	\$ 2,568,136	\$ 876,863
Debt service fund						34,682		116,620	364,565	3,483
Assigned to:										
Capital projects fund				336,205						
Debt service fund				226,678						
Total all other governmental funds	<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>	<u>\$ 484,060</u>	<u>\$ 9,213,030</u>	<u>\$ 2,932,701</u>	<u>\$ 880,346</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

	Year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 34,892,145	\$ 36,576,791	\$ 37,813,209	\$ 39,723,306	\$ 40,862,161	\$ 41,516,757	\$ 42,228,920	\$ 43,105,538	\$ 44,822,666	\$ 45,592,545
Tuition charges	2,193,257	2,239,340	2,085,000	2,147,109	2,225,318	2,342,906	2,238,605	2,147,960	2,184,663	2,246,563
Interest earnings	128,395	48,588	64,063	72,853	2,429		1,152	1,620	10,850	13,962
Investment Income										36,050
Miscellaneous	544,187	353,670	286,669	264,671	115,247	34,982	139,974	139,424	188,739	69,949
State sources	10,486,684	9,242,797	9,721,863	8,124,104	9,279,419	10,480,849	10,033,552	11,286,416	15,256,752	13,537,972
Federal sources	1,075,878	1,108,895	1,647,898	1,794,651	1,534,324	1,381,706	1,346,241	1,269,795	1,366,627	1,611,174
Total revenue	49,322,646	49,570,081	51,618,722	52,126,694	53,818,898	55,757,200	55,958,445	57,952,753	63,866,367	63,096,012
Expenditures										
Instruction										
Regular and Special Education Instruction	20,226,147	21,016,971	22,282,855	21,676,305	22,101,488	22,742,019	23,171,860	23,613,152	23,996,137	24,748,311
Support Services:										
Attendance and social work	26,604	29,822	34,474	39,353	37,732	41,467	42,996	45,196	46,757	44,595
Health services	343,838	357,234	329,056	392,958	439,139	458,276	405,372	420,468	433,965	457,646
Other support services	2,600,908	2,833,901	2,905,702	3,009,236	2,953,130	3,069,456	3,035,844	2,866,769	2,707,183	2,954,653
Improvement of instruction	598,678	663,131	713,368	692,721	737,602	771,886	770,009	730,833	829,877	862,762
School library	435,654	461,542	483,454	454,334	496,541	492,813	462,567	402,797	383,963	421,014
Instructional staff training	61,024	67,141	58,852	21,482	38,587	40,087	81,713	148,707	38,948	32,096
General administration	708,460	772,067	749,770	573,929	609,425	654,483	582,681	594,733	433,467	513,461
School administration	1,577,163	1,598,231	1,650,711	1,600,763	1,809,806	1,760,603	1,684,968	1,671,547	1,661,378	1,808,793
Central services	500,949	462,950	458,664	460,591	423,719	456,357	498,932	488,253	549,135	596,680
Information technology	159,272	159,810	181,162	181,243	317,799	302,039	323,395	289,925	244,824	456,948
Required maintenance of plant	747,839	503,492	522,361	593,432	829,477	1,042,988	866,329	1,176,131	1,045,440	727,338
Operation of plant	3,909,563	4,331,538	4,557,923	3,967,952	3,678,275	3,741,112	3,859,701	3,696,402	3,904,894	3,879,926
Student transportation	2,803,368	2,845,464	3,107,656	2,854,924	3,014,850	3,110,748	3,136,588	2,806,538	3,063,089	3,517,953
Business and other support services and benefits	11,713,457	11,459,961	11,599,774	12,472,192	13,425,509	14,034,792	14,035,305	14,679,951	15,638,003	17,482,441
Special Schools			59,848							
Costs of issuance			1,131,105	6,745,245	734,502	1,253,165	1,588,828	3,179,926	11,487,932	3,013,500
Capital outlay	194,459	555,039								
Debt service:										
Cost of Issuance					72,000					
Principal	1,285,000	1,325,000	1,340,000	1,345,000	1,420,000	1,385,000	1,320,000	2,002,983	2,580,369	2,430,000
Interest and other charges	933,953	897,001	852,439	1,135,454	1,059,320	853,212	912,089	902,375	1,151,590	882,582
Total expenditures	48,832,936	50,340,095	53,018,974	58,217,114	54,000,911	56,209,503	56,565,157	59,718,168	70,196,951	64,930,019
Excess (Deficiency) of revenues over (under) expenditures	489,710	(770,014)	(1,400,252)	(6,090,420)	(182,013)	(452,303)	(576,712)	(1,765,415)	(6,310,584)	(1,834,007)
Other Financing sources (uses)										
Capital leases (non-budgeted)		170,024	125,410	39,132	134,892	819,947	761,521	826,000	725,000	
Bond proceeds			8,375,000					9,605,000		
Proceeds of refunding debt					13,525,000					
Payment to refunded debt escrow agent					(14,875,597)					
Original issue premium					1,296,985					
Original issue discount					(74,398)					
Transfers in	214,318	20,854	33,890	278,875	2,000			116,620	370,623	351
Transfers out	(234,433)	-	(33,890)	(278,875)	(2,000)			(116,620)	(370,623)	(351)
Total other financing sources (uses)	(20,115)	190,678	8,500,410	39,132	206,892	819,947	761,521	10,431,000	725,000	-
Net change in fund balances	\$ 469,595	\$ (579,336)	\$ 7,100,158	\$ (6,051,288)	\$ 24,879	\$ 367,644	\$ 184,809	\$ 8,685,585	\$ (5,585,584)	\$ (1,834,007)
Debt service as a percentage of noncapital expenditures	4.6%	4.5%	4.2%	4.8%	4.7%	4.1%	4.1%	5.1%	6.4%	5.5%

Source: CAFR Schedule B-2

Note: The change in fund balance in 2010 was the result of the issuance of \$8,375,000 of bonds offset by expenditures incurred relating to the District's approved referendum.
The change in fund balance in 2015 was the result of the issuance of \$9,605,000 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,	SREC Revenue	Insurance Refunds	Other Refunds	Misc.	Energy/E-rate Reimbursements	Total
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
2014	22,293	41	8,308	76,905		107,547
2015		18,225	1,200	21,133		40,558
2016	36,050	15,390	4,060	102,372		157,872
2017	23,847			60,622		84,469

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/Qual	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b
2017	\$ 111,405,500	\$ 2,538,362,185	\$ 5,735,400	\$ 311,203,800	\$ 24,436,600	\$ 259,361,500	\$ 3,250,504,985	\$ 3,708,597	\$ 3,254,213,582	\$ 1.419
2016	118,976,900	2,513,100,885	5,506,100	323,818,400	24,436,600	259,361,500	3,245,200,385	3,811,602	3,249,011,987	1.391
2015	124,982,600	2,490,770,585	5,666,300	327,057,000	24,436,600	259,361,500	3,232,274,585	4,115,976	3,236,390,561	1.358
2014	133,048,200	2,470,952,785	4,936,400	327,605,000	24,436,600	261,657,500	3,222,636,485	4,038,726	3,226,675,211	1.322
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	3,650,351,281	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

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

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	
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
2014	1.255	0.067	1.322	0.663	0.451	2.436
2015	1.292	0.066	1.358	0.652	0.477	2.487
2016	1.313	0.078	1.391	0.664	0.479	2.534
2017	1.333	0.086	1.419	0.651	0.495	2.565

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	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Cedar Glen Lakes	\$ 56,569,000	1	1.74%	\$ 49,989,100	2	2.50%
Crestwood Village Co-Op IV	41,213,500	2	1.27%	50,311,500	1	2.50%
Crestwood Village Co-Op II	35,617,700	3	1.09%	40,343,000	4	2.00%
Pine Ridge MHC LLC	35,000,000	4	1.08%			
Crestwood Village Co-Op III	34,559,000	5	1.06%	41,216,000	3	2.10%
Manchester Plaza	33,547,500	6	1.03%			
Crestwood Village Co-Op I	27,678,000	7	0.85%	31,914,000	5	1.60%
Briarhill At Manchester	27,500,000	8	0.85%			
Hovson's	27,112,900	9	0.83%	14,074,600	10	0.70%
Sprintpoint At Crestwood	24,601,800	10	0.76%			
Presbyterian Homes				14,393,400	9	0.70%
Cedar Glen West				22,486,000	6	1.10%
Keswick Pines				15,210,600	8	0.80%
Cedar Glen Homes				17,644,700	7	0.90%
Total	\$ 343,399,400		10.55%	\$ 297,582,900		14.90%

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	
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%	
2014	42,228,920	42,228,920	100.00%	
2015	43,105,538	43,105,538	100.00%	
2016	44,822,686	44,822,686	100.00%	
2017	45,592,545	45,592,545	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 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	Total District	Percentage of Per Capita Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Capital Leases			
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
2014	22,440,000		1,630,151	20,278	24,090,429	0.18%	43,200
2015	30,620,000		1,878,168	5,470	32,503,638	0.13%	43,214
2016	28,605,000		2,037,799	2,065	30,644,864	0.14%	44,381
2017	26,175,000		1,509,729		27,684,729	0.17%	46,109

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		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2008	\$ 21,984,000		\$ 21,984,000	1.02%	\$ 526
2009	20,659,000	\$ 4,441	20,654,559	0.51%	494.55
2010	27,694,000	33,709	27,660,291	0.68%	660.97
2011	26,349,000	226,678	26,122,322	0.64%	605.41
2012	25,145,000		25,145,000	0.63%	581.01
2013	23,760,000	34,682	23,725,318	0.74%	564.63
2014	22,440,000		22,440,000	0.70%	517.74
2015	30,620,000	116,620	30,503,380	0.94%	700.34
2016	28,605,000	364,565	28,240,435	0.87%	636.32
2017	26,175,000	3,483	26,171,517	0.81%	601.06

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.

Manchester Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2017

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	\$ 19,494,706	100.0%	\$ 19,494,706
County of Ocean	457,267,841	3.9%	<u>17,833,446</u>
Subtotal, overlapping debt			37,328,152
Manchester Township School District Direct Debt			<u>26,175,000</u>
Total direct and overlapping debt			<u><u>\$ 63,503,152</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

Equalized Valuation Basis	
2017	\$ 3,795,545,288
2016	3,720,666,573
2015	3,617,138,076
	<u>\$ 11,133,349,937</u>
	<u>\$ 3,711,116,646</u>
Debt limit (4 % of average equalization value)	\$ 148,444,666
	26,175,000
	<u>\$ 122,269,666</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 168,508,775	\$ 183,456,512	\$ 191,025,092	\$ 184,281,147	\$ 178,030,202	\$ 160,186,863	\$ 150,693,231	\$ 141,669,385	\$ 145,477,074	\$ 148,444,666
Total net debt applicable to limit	<u>21,984,000</u>	<u>20,654,559</u>	<u>33,709</u>	<u>226,678</u>	<u>25,145,000</u>	<u>23,725,318</u>	<u>22,440,000</u>	<u>30,503,380</u>	<u>28,240,435</u>	<u>26,171,517</u>
Legal debt margin	<u>\$ 146,524,775</u>	<u>\$ 162,801,953</u>	<u>\$ 163,331,092</u>	<u>\$ 184,054,469</u>	<u>\$ 203,175,202</u>	<u>\$ 136,461,545</u>	<u>\$ 128,253,231</u>	<u>\$ 111,166,005</u>	<u>\$ 117,236,639</u>	<u>\$ 122,273,149</u>
Total net debt applicable to the limit as a percentage of debt limit	13.05%	11.26%	14.50%	0.12%	14.12%	14.81%	14.89%	21.53%	19.41%	17.63%

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
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%
2013	43,342		43,200	12.8%
2014	43,555		43,214	9.1%
2015	44,381		44,381	7.7%
2016	43,542		46,109	6.7%

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	2017			2008		
	Employees*	Rank (Optional)	Percentage of Total	Employees	Rank (Optional)	Percentage of Total
Joint Base - Lakehurst	3,550	1	63.39%	3,550	1	63.59%
Manchester Township Board of Education	600	2	10.71%	501	2	8.97%
Whiting Healthcare	140	3	2.50%	237	5	4.25%
Manchester Township	228	4	4.07%	190	7	3.40%
Arista Healthcare	225	5	4.02%			
Crestwood Manor	225	6	4.02%	260	4	4.66%
Shoprite	200	7	3.57%	359	3	6.43%
Manchester Manor	192	8	3.43%	192	6	3.44%
Lowe's	120	9	2.14%			
Arbors Care Center	120	10	2.14%			
				140	8	2.51%
				120	9	2.15%
				34	10	0.60%
	<u>5,600</u>		<u>100.00%</u>	<u>5,583</u>		<u>100.00%</u>

Source: Manchester Township CFO and Official Statements

* Estimated

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

Unaudited

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	213.1	214	209.6	215	215.6	215.6	214.6	214.1	212.1	219.1
Special education	47.1	54	52	68	67.4	67.4	68.4	68.4	68.4	68.4
Other special education	42	42	42	35	38	38	38	38	38	38
Support Services:										
Student & instruction related services	48	57	59.8	69	68.7	68.7	70.7	77.7	84.7	84.7
General administrative services	5	5	5	2	2.1	2.1	2.1	2.1	2.1	2.1
School administrative services	24	24	24	24	23.9	23.9	25.4	26.4	28.4	28.4
Business administrative services	8	8	8	7	6.9	6.9	6.9	6.9	6.9	6.9
Technical administrative services	2	2	2	2	1.8	1.8	1.8	3	4	4
Plant operations and maintenance	36	36.5	33	32	32.4	34.4	34.4	36.5	36.5	36.5
Pupil transportation	58	59	57	58	58.3	58.3	58.3	62.62	62.62	62.62
Special Schools	48	46	45	-	-	-	-	-	-	-
Total	<u>531.20</u>	<u>547.50</u>	<u>537.40</u>	<u>512.00</u>	<u>515.10</u>	<u>517.10</u>	<u>520.60</u>	<u>535.72</u>	<u>543.72</u>	<u>550.72</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

Pupil/Teacher Ratio

Fiscal Year	October 15 Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
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%
2014	3,125	52,744,260	16,881	7.78%	276	11:1	10:1	11:1	3,107	2,941	-1.83%	94.66%
2015	3,069	53,632,884	17,479	5.63%	276	11:1	10:1	11:1	3,056	2,816	-1.45%	94.66%
2016	3,067	54,977,060	17,925	6.19%	276	11:1	10:1	11:1	3,009	2,853	-3.15%	94.89%
2017	3,082	58,503,937	18,982	8.60%	275	11:1	10:1	11:1	3,008	2,850	-1.57%	94.75%

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).

Manchester Township School District
School Building Information
Last Ten Fiscal Years

Unaudited

<u>District Building</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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
Capacity (students)	711	711	711	711	711	711	711	711	711	711
Enrollment	589	601	585	581	597	601	601	547	547	547
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
Capacity (students)	694	694	694	694	694	694	694	694	694	694
Enrollment	490	479	545	527	516	506	506	488	488	488
Whiting Elementary (1954)										
Square Feet	36,900	36,900	36,900	36,900	36,900	36,900	36,900	36,900	36,900	36,900
Capacity (students)	336	336	336	336	336	336	336	336	336	336
Enrollment	290	259	285	280	247	239	239	264	264	264
<u>Middle School</u>										
Manchester Middle (1983)										
Square Feet	104,948	104,948	104,948	104,948	104,948	104,948	104,948	104,948	104,948	104,948
Capacity (students)	822	822	822	822	822	822	822	822	822	822
Enrollment	749	711	703	666	667	681	681	675	675	675
<u>High School</u>										
Manchester High School (1976)										
Square Feet	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400
Capacity (students)	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402
Enrollment	1,133	1,153	1,137	1,123	1,051	1,001	1,001	980	980	980

Number of Schools at June 30, 2017

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 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,									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Central Office		\$ 234,994	\$ 221,690	\$ 176,935	\$ 161,307	\$ 180,085	\$ 109,067	\$ 82,941	\$ 82,475	\$ 58,269	\$ 70,319
High School	40	122,208	289,847	391,864	160,717	197,972	229,602	159,957	115,391	158,345	222,565
Manchester Elementary School	43	56,862	157,077	155,822	93,312	127,434	97,080	81,975	89,188	63,929	98,214
Manchester Middle School	45	170,154	217,836	228,808	198,324	401,210	180,858	125,249	84,716	95,848	148,843
Ridgeway Elementary School	50	88,902	92,039	131,489	188,149	100,861	124,450	77,947	92,910	77,917	122,082
Whiting Elementary School	60	54,217	66,951	91,213	64,520	35,426	88,420	65,363	57,681	49,185	75,505
Total School Facilities		\$ 727,338	\$1,045,440	\$ 1,176,131	\$ 866,329	\$ 1,042,988	\$ 829,477	\$ 593,432	\$ 522,361	\$ 503,492	\$ 737,528

Source: District records of required maintenance.

Manchester Township School District
Insurance Schedule
Year ended June 30, 2017
Unaudited

Type of Coverage	Coverage	Deductible
Multi Peril Package Policy - New Jersey School Board Association Ins. Group		
Section I - Property:		
Blanket building and contents	\$ 450,000,000	\$ 5,000
Extra expense	50,000,000	5,000
Flood/Earthquake /Terrorism	126,000,000	500,000
Valuable papers	10,000,000	5,000
Demolition and Inc. Cost of Construction	25,000,000	
Limited Builders Risk	5,000,000	
Other	520,000	
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	
Products and Completed Operations	11,000,000	
Personal Injury and Adv. Injury	11,000,000	
Employee Benefits Liability	11,000,000	10,000
Terrorism	1,000,000	
Section VI - Automobile:		
Bodily Injury and Property Damage	11,000,000	
Uninsured/underinsured	1,000,000	
Personal Injury Protection	250,000	
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, 2017
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	1,000,000	10,000
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2017.

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.

PKF O'Connor Davies, LLP

November 3, 2017
Cranford, New Jersey

David J. Gannon

David J. Gannon
Licensed Public School Accountant
No. 2305

Report on Compliance For Each Major Federal and State Program and
on Internal Control Over Compliance Required by the
Uniform Guidance and New Jersey OMB Circular 15-08

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's, in the County of Ocean, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal 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 our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 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 of the District's compliance.

Opinion on Each Major Federal and State Program

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

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 the Uniform Guidance and New Jersey OMB Circular 15-08, 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 the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purposes.

PKF O'Connor Davies, LLP

November 3, 2017
Cranford, New Jersey

David J. Gannon

David J. Gannon
Licensed Public School Accountant
No. 2305

This page left blank intentionally

Manchester Township School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016	Carryover/ (Walkover) Amount	Cash Received	Total Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2017		
					From	To							(Accounts Receivable)	Unearned Revenue	Due to Grantor
U.S. Department of Health and Human Services - Passed Through State Department of Education															
General Fund:															
Medical Assistance Program (SEMI)	93.778	1605NJ5MAP	Not available	\$ 124,096	7/1/15	6/30/16	\$ (39,441)		\$ 39,441						
Medical Assistance Program (SEMI)	93.778	1705NJ5MAP	Not available	158,566	7/1/16	6/30/17			158,566	\$ (158,566)					
Medical Assistance Program (SEMI) - ARRA	93.778	1705NJ5MAP	Not available	6,678	10/1/08	12/31/10			6,678	(6,678)					
Total General Fund							(39,441)		204,685	(165,244)					
U.S. Department of Defense - Direct															
Special Revenue Fund:															
STEM grant	12.000	Not applicable	Not available	10,200	7/1/16	6/30/18			10,200	(9,790)			\$ 410		
U.S. Department of Education - Passed Through State Department of Education															
Special Revenue Fund:															
Title I, Part A, Grants to Local Educational Agencies	84.010A	S010A160030	NCLB-2940-08	612,324	7/1/16	6/30/17			612,324	(612,324)					
Special Education Cluster:															
IDEA Special Education Grants to States	84.027A	H027A160100	FT294008	700,111	7/1/16	6/30/17			700,111	(700,111)					
IDEA Preschool Grants for Children with Disabilities	84.173A	H173A160114	PS294007	32,680	7/1/16	6/30/17			32,680	(32,680)					
Subtotal of Special Education Cluster:									732,791	(732,791)					
Title II, Part A, Improving Teacher Quality State Grants	84.367A	S367A160029	NCLB-2940-07	91,025	7/1/16	6/30/17			91,025	(91,025)					
Total Special Revenue Fund							-		1,446,340	(1,445,930)			410		
U.S. Department of Agriculture—Passed-Through NJ Department of Agriculture															
Enterprise Fund:															
Child Nutrition Cluster:															
Food Donation Program (NC)	10.555	16161NJ304N1099	N/A	87,453	7/1/15	6/30/17	4,389			(4,389)					
Food Donation Program (NC)	10.555	171NJ304N1099	N/A	92,930	7/1/16	6/30/17			92,930	(89,899)			3,031		
National School Lunch Program	10.555	16161NJ304N1099	N/A	393,626	7/1/15	6/30/16	(20,856)		20,856						
National School Lunch Program	10.555	171NJ304N1099	N/A	399,317	7/1/16	6/30/17			370,981	(399,317)		\$ (28,336)			
School Breakfast Program	10.553	16161NJ304N1099	N/A	101,812	7/1/15	6/30/16	(5,920)		5,920						
School Breakfast Program	10.553	171NJ304N1099	N/A	98,621	7/1/16	6/30/17			91,014	(98,621)		(7,607)			
Subtotal Child Nutrition Cluster:							(22,387)		581,701	(592,226)		(35,943)	3,031		
Healthy Hunger-Free Kids Act	10.551	16161NJ304N1099	N/A	12,281	7/1/15	6/30/16	(682)		682						
Healthy Hunger-Free Kids Act	10.551	171NJ304N1099	N/A	12,221	7/1/16	6/30/17			11,306	(12,221)		(915)			
Total Enterprise Fund							(23,069)		593,689	(604,447)		(36,858)	3,031		
Total Federal Awards							\$ (62,510)	\$ -	\$ 2,244,714	\$ (2,215,621)	\$ -	\$ -	\$ (36,858)	\$ 3,441	\$ -

NC-non cash expenditures.

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

Manchester Township School District
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2016		Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2017		MEMO		
					Unearned Rev (Accounts Receivable)	Due to Grantor						Intergovernmental (Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:																
General Fund:																
Transportation Aid	16-495-034-5120-014	\$ 1,828,278	7/1/2015	6/30/2016	\$ (175,440)		\$ 175,440									
Transportation Aid	17-495-034-5120-014	1,826,200	7/1/2016	6/30/2017			1,654,769	\$ (1,826,200)						\$ (171,431)	\$ (1,826,200)	
Social Education Categorical Aid	16-495-034-5120-068	1,089,918	7/1/2015	6/30/2016	(162,165)		192,165									
Social Education Categorical Aid	17-495-034-5120-068	1,709,827	7/1/2016	6/30/2017			1,549,139	(1,709,827)						(160,488)	(1,709,827)	
Extraordinary Aid	16-100-034-5120-044	244,511	7/1/2015	6/30/2016	(244,511)		244,511									
Extraordinary Aid	17-100-034-5120-044	444,728	7/1/2016	6/30/2017				(444,728)				\$ (444,728)			(444,728)	
Security Aid	16-495-034-5120-084	405,330	7/1/2015	6/30/2016	(38,896)		38,896									
Security Aid	17-495-034-5120-084	410,680	7/1/2016	6/30/2017			372,128	(410,680)						(38,552)	(410,680)	
Adjustment Aid	16-495-034-5120-085	1,531,444	7/1/2015	6/30/2016	(146,958)		146,958									
Adjustment Aid	17-495-034-5120-085	1,531,444	7/1/2016	6/30/2017			1,387,683	(1,531,444)						(143,761)	(1,531,444)	
PARCC Readiness Aid	16-495-034-5120-098	28,060	7/1/2015	6/30/2016	(2,695)		2,695									
PARCC Readiness Aid	16-495-034-5120-097	28,060	7/1/2015	6/30/2016	(2,695)		2,695									
PARCC Readiness Aid	17-495-034-5120-098	28,060	7/1/2016	6/30/2017			25,444	(28,060)						(2,636)	(28,060)	
PARCC Readiness Aid	17-495-034-5120-097	28,060	7/1/2016	6/30/2017			25,444	(28,060)						(2,636)	(28,060)	
Professional Learning Community Aid	17-495-034-5120-101	27,510	7/1/2016	6/30/2017			24,928	(27,510)						(2,582)	(27,510)	
Other State Aid (NP Transportation Aid)	Not Available	7,429	7/1/2015	6/30/2016	(7,429)		7,429									
Other State Aid (NP Transportation Aid)	Not Available	7,379	7/1/2016	6/30/2017				(7,379)								
On-Behalf TPAF Medical Contributions (NC)	17-495-034-5094-001	2,139,716	7/1/2016	6/30/2017			2,139,716	(2,139,716)				(7,379)			(2,139,716)	
On-Behalf TPAF Long-Term Disability Insurance (NC)	17-495-034-5094-001	6,046	7/1/2016	6/30/2017			6,046	(6,046)							(6,046)	
TPAF Pension and Annuity Fund (NC)	17-495-034-5094-002	2,567,986	7/1/2016	6/30/2017			2,567,986	(2,567,986)							(2,567,986)	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	1,462,030	7/1/2015	6/30/2016	(96,053)		96,053									
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	1,539,748	7/1/2016	6/30/2017			1,463,386	(1,539,748)						(76,362)	(1,539,748)	
Targeted At Risk Aid	07-495-034-5120-005	135,500	7/1/2007	6/30/2011	10,388					\$ (10,388)						
Total General Fund					(866,454)		12,093,511	(12,267,224)		(10,388)		(528,469)		(522,086)	(12,267,224)	
Capital Projects Fund:																
NJ School Development Authority (SDA)	Various	5,878,446	6/5/2015	Completion	(492,206)		611,013	(1,033,015)				(914,208)			(5,426,403)	
Total Capital Projects Fund					(492,206)		611,013	(1,033,015)				(914,208)			(5,426,403)	
Debt Service Fund:																
Debt Service Aid	17-495-034-5120-017	230,970	7/1/2016	6/30/2017			230,970	(230,970)							(230,970)	
Total Debt Service Fund							230,970	(230,970)							(230,970)	
State Department of Agriculture:																
Enterprise Fund:																
National School Lunch Program (State Share)	16-100-010-3350-023	10,045	7/1/2015	6/30/2016	(552)		552									
National School Lunch Program (State Share)	17-100-010-3350-023	9,978	7/1/2016	6/30/2017			9,239	(9,978)				(739)			(9,978)	
State Department of Education:																
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	196,863	7/1/2015	6/30/2016	(10,438)		10,438									
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	174,513	7/1/2016	6/30/2017			158,993	(166,985)				(7,992)			(166,985)	
Total Enterprise Fund					(10,990)		179,222	(176,963)				(8,731)			(176,963)	
Total state awards					\$ (1,369,650)	\$ -	\$ -	\$ 13,114,715	\$ (13,708,172)	\$ (10,388)	\$ -	\$ (1,451,408)	\$ -	\$ -	\$ (522,086)	\$ (18,101,500)
State Financial Assistance Not Subject to Single Audit Determination:																
General Fund:																
On-Behalf TPAF Medical Contributions (NC)	17-495-034-5094-001	2,139,716	7/1/2016	6/30/2017			(2,139,716)	2,139,716								2,139,716
On-Behalf TPAF Long-Term Disability Insurance (NC)	17-495-034-5094-001	6,046	7/1/2016	6/30/2017			(6,046)	6,046								6,046
TPAF Pension and Annuity Fund (NC)	17-495-034-5094-002	2,567,986	7/1/2016	6/30/2017			(2,567,986)	2,567,986								2,567,986
Total State Financial Assistance Subject to Single Audit Determination					\$ (1,369,650)	\$ -	\$ -	\$ 8,400,968	\$ (8,994,424)	\$ (10,388)	\$ -	\$ (1,451,408)	\$ -	\$ -	\$ (522,086)	\$ (13,387,812)

NC-non cash expenditures.

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

Manchester Township School District

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

Year ended June 30, 2017

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state financial assistance 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 on the budgetary basis of accounting with the exception of programs recorded in the enterprise 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 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules 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 District's basic financial statements. 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.

Manchester Township School District

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

Year ended June 30, 2017

3. Relationship to Basic Financial Statements (continued)

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 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 \$(6,763) for the general fund and no adjustment required for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State 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	\$ 165,244	\$ 12,273,987	\$ 12,439,231
Special Revenue Fund	1,445,930		1,445,930
Capital Projects Fund		1,033,015	1,033,015
Debt Service Fund		230,970	230,970
Enterprise Fund/Food Service	604,447	9,978	614,425
Enterprise Fund/Regional Day School		166,985	166,985
Total financial award revenues	<u>\$ 2,215,621</u>	<u>\$ 13,714,935</u>	<u>\$ 15,930,556</u>

Manchester Township School District

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

Year ended June 30, 2017

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, 2017.

The post retirement pension, medical and long-term disability benefits received on-behalf of the District for the year ended June 30, 2017 amounted to \$4,713,748. Since on-behalf post retirement pension, medical and long-term disability benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 15-08, however they are reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

6. Indirect Costs

The District did not use the 10% de minimis indirect cost rate.

Manchester Township School District
Schedule of Findings and Questioned Costs
June 30, 2017

Part I—Summary of Auditors Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	___	Yes	___	X	No
Are any significant deficiencies identified?	___	Yes	___	X	None Reported
Is any noncompliance material to financial statements noted?	___	Yes	___	X	No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified?	___	Yes	___	X	No
Are any significant deficiencies identified?	___	Yes	___	X	None Reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___	Yes	___	X	No
--	-----	-----	-----	---	----

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2017

Part I—Summary of Auditors Results (continued)

Federal Awards Section (continued)

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number</u>	<u>Name of Federal Program or Cluster</u>
		Child Nutrition Cluster:
10.555	171NJ304N1099	Food Donation Program
10.555	171NJ304N1099	National School Lunch Program
10.553	171NJ304N1099	School Breakfast Program

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

Auditee qualified as low-risk auditee? X Yes No

Manchester Township School District

Schedule of Findings and Questioned Costs

June 30, 2017

Part I—Summary of Auditors Results (continued)

State Awards

Internal control over major state programs:

Are any material weaknesses identified? _____ Yes X No

Are any significant deficiencies identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major state programs: _____ Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 15-08? _____ Yes X No

Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
495-034-5120-089	Special Education Categorical Aid
495-034-5120-084	Security Aid
495-034-5120-085	Adjustment Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness
495-034-5120-101	Professional Learning Community Aid

Manchester Township School District

Schedule of Findings and Questioned Costs

June 30, 2017

Part I—Summary of Auditors Results (continued)

Dollar threshold used to distinguish between Type A and Type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

 X Yes No

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2017

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, 2017

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section 516(a) and New Jersey Treasury Circular OMB 15-08, respectively.

Federal Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a).

State Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with New Jersey Treasury Circular OMB 15-08.

Manchester Township School District
Summary Schedule of Prior Audit Findings

June 30, 2017

Not applicable.