

MANCHESTER TOWNSHIP SCHOOL DISTRICT



Manchester Township Board of Education
Manchester Township, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

"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, 2018**

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

**MANCHESTER TOWNSHIP SCHOOL DISTRICT
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Introductory Section



Manchester Township Public Schools

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DAVID TRETAWAY
Superintendent of Schools

CRAIG A. LORENTZEN, CPA
School Business Administrator/
Board Secretary

JACKIE BERMUDEZ
President

KENNETH PATE
Vice President

February 5, 2019

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, 2018, 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, 2018 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 2017/2018 fiscal year with an average daily enrollment of 2,938.8 students. The average daily enrollment at the State's Regional Day School at Jackson (RDS) administered by the District for 2017/2018 was 60.9. 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
2017-2018 (RDS)	2,938.8 60.9	(0.18)% (4.54)%
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)	2,976.3 79.9	(1.77) 3.09
2013-2014 (RDS)	3,029.9 77.5	0.44 (8.28)

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 2018-2019 school year to be 2,950 and 65 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.

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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 2017-2018 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

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- 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. The project was completed as of June 2018.

- 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 2017-2018 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 program districtwide after piloting it last year called Share 911. This notification program alerts administrative staff and police when an event occurs. It allows staff and law enforcement to communicate in real time. It is also used to locate staff and students during an event.
- 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.
- The district will be installing approximately 52 strobe lights throughout the district this fall to assist in recognizing when there is a security event going on in locations that may not hear announcements such as gymnasiums, cafeterias, music rooms and exterior portions of the buildings.

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 \$4.3 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: Maintain the full block schedule program at the High School for the 2017-2018 school year.

Status: The District implemented a Block Schedule at the High School for the 2016-2017 school year. The schedule was continued in 2017-2018. The block schedule has been very well received by both staff and

students. The schedule has 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 3,300 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 \$4.3 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 recent passing of Bill S2 which eliminates the “hold harmless” provision from the school funding formula and funds districts based on enrollment and some other factors, the district is slated to lose at least \$1.4M in state aid over the next seven years. With the tax levy cap on top of that, 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, 2018.

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, 2017. This is the twenty-third 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 2017/2018 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 state developed a new funding plan that reduced the District’s 2010-2011 operating budget by \$2.3 million through state aid reductions. While the District did receive some of that aid back in past years, 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. With the recent passing of Bill S2 which removed the “hold harmless” provision of the state funding formula and now funds districts based on enrollment and several other factors; the district is slated to lose at least \$1.4M in state aid over the next seven years. The District currently receives less than 9% of its revenues from state sources and that is expected to decrease for the foreseeable future. That has caused budget preparation concerns because of the conscientious decision to work within the cap constraints and not increase the appropriation side of the budget. The need for increased state aid in the form of senior stabilization and as a “B” Level District, 100% funding to meet facility requirements is needed to help stabilize the tax rate for its citizens.

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.

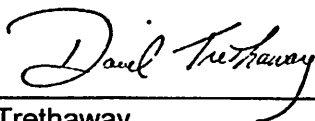
9. Significant Budget Variations or Modifications Discussion for Next Year

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.

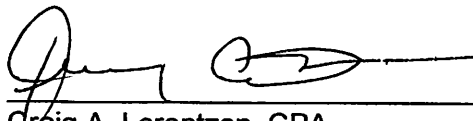
10. Acknowledgments

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



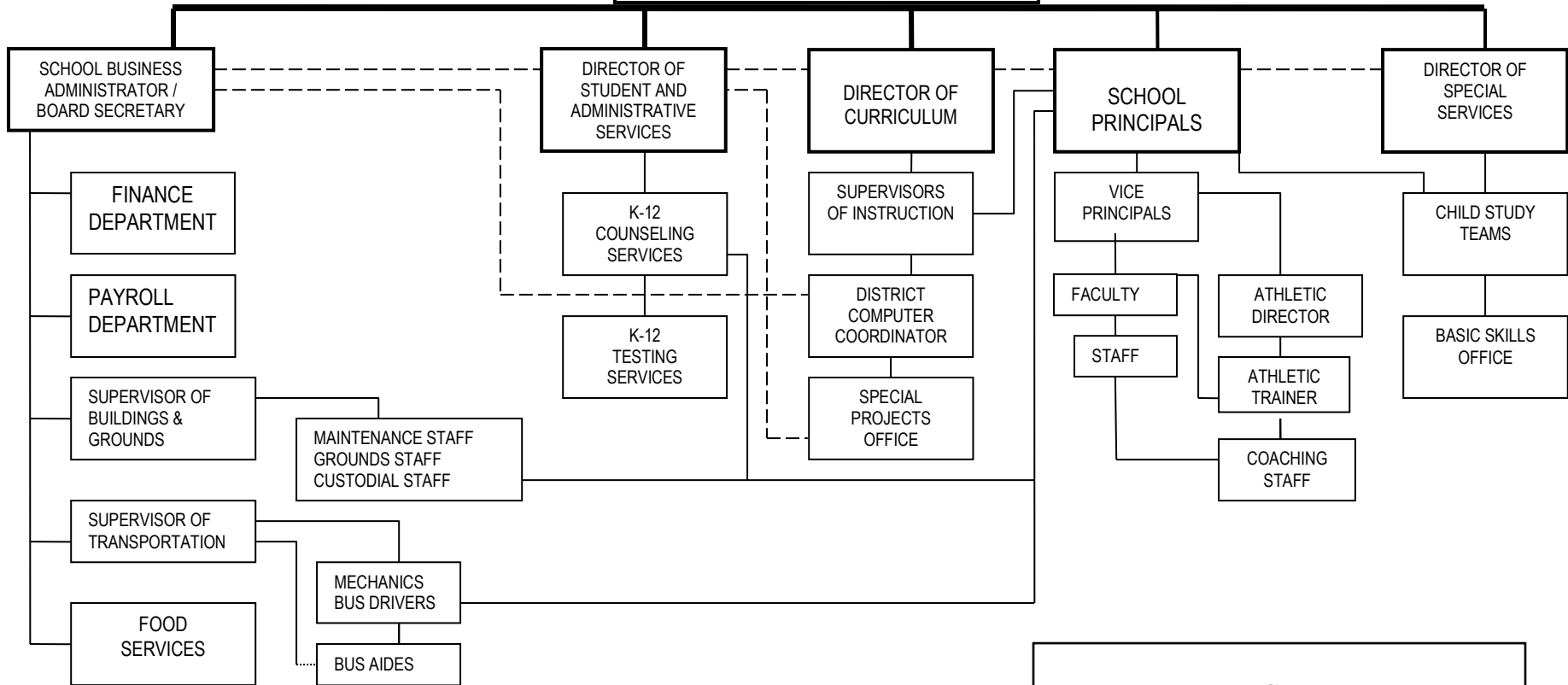
Craig A. Lorentzen, CPA
Board Secretary
Business Administrator

MANCHESTER TOWNSHIP SCHOOL DISTRICT

Organization Chart

BOARD OF EDUCATION

SUPERINTENDENT



LEGEND

_____ Primary Reporting Authority

----- Line of Cooperation

Manchester Township School District
Manchester Township, New Jersey

Roster of Officials

June 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Donald Webster, Jr., President	2018
Jackie Bermudez, Vice President	2019
Jennifer Hudak	2020
Ken Pate	2020
Christopher Nolan	2018
Patrick Barry	2019
Melanie Biscardi	2020
Dean Hetzel (Lakehurst Board Representative)	

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, 2017.

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



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE
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, 2018, 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.

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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, 2018, 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, schedule of State's proportionate share of the OPEB liability associated with the District 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*

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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.

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.

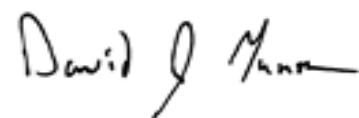
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2019 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

February 5, 2019
Cranford, New Jersey



David J. Gannon
Licensed Public School Accountant
No. 2305

Required Supplementary Information – Part I

Management's Discussion and Analysis

Manchester Township School District
Management's Discussion and Analysis
Year ended June 30, 2018

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, 2018. 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 (2017-2018) and the prior fiscal year (2016-2017) 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 29 - 30 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 31 – 33 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 34 - 36 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 37 - 38 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 39 - 78 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 79 - 109 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, 2018 and 2017:

Manchester Township Board of Education Manchester Township, New Jersey						
Net Position						
	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Current and other assets	\$ 3,356,435	\$ (382,434)	\$ 2,974,001	\$ 3,969,330	\$ (214,945)	\$ 3,754,385
Capital assets, net	49,318,193	166,982	49,485,175	50,643,995	192,917	50,836,912
Total assets	52,674,628	(215,452)	52,459,176	54,613,325	(22,028)	54,591,297
Deferred outflows of resources	8,330,670	1,019,801	9,350,471	11,277,882	1,391,001	12,668,883
Liabilities:						
Current liabilities	1,477,366	505,733	1,983,099	1,576,107	469,595	2,045,702
Net pension liabilities	22,601,713	3,090,152	25,691,865	29,137,482	3,938,392	33,075,874
Long-term liabilities outstanding	30,485,897		30,485,897	32,250,419		32,250,419
Total Liabilities	54,564,976	3,595,885	58,160,861	62,964,008	4,407,987	67,371,995
Deferred inflow of resources	4,771,355	619,247	5,390,602			
Net position:						
Net investments in capital assets	23,505,093	166,982	23,672,075	23,070,376	192,917	23,263,293
Restricted	2,058,828		2,058,828	2,853,959		2,853,959
Unrestricted (deficit)	(23,894,954)	(3,532,016)	(27,426,970)	(22,997,136)	(3,231,931)	(26,229,067)
Total net position	\$ 1,668,967	\$ (3,365,034)	\$ (1,696,067)	\$ 2,927,199	\$ (3,039,014)	\$ (111,815)

Governmental Activities

The decrease in current and other assets from the prior fiscal year was a result of a decrease in the state receivable in the capital projects fund. The District received approximately \$831,000 from the NJ Schools Development Authority during the 2018 fiscal year.

Capital assets decreased from the current year depreciation expense of \$2,744,663 offset with capital asset acquisitions of \$859,474 and an increase to construction in progress in the amount of \$559,387.

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 2018 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, 2018 amounted to \$22,601,713, which was a decrease of approximately \$6,536,000 and resulted from changes in the net pension calculation. Long-term liabilities decreased by principal payments made in the amount of \$2,075,000 in bonds payable.

The largest portion of the District's net position is its net investment in capital assets, \$23,505,093 (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 \$2,058,828 is comprised of unexpended amounts in the Capital Projects Fund in the amount of \$529,511, amounts restricted for Maintenance Reserve in the amount of \$347,410, amounts restricted for Capital Reserve in the amount of \$850,000, and excess surplus in the amount of \$331,907 that is restricted to be utilized in the District's 2019 and 2020 fiscal year budgets.

The remaining deficit balance, (\$23,894,954) 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 \$326,000 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 \$340,000. Although this fund sustained a loss at June 30, 2018, the Regional Day School was more profitable from the prior year and incurred less of a loss. Enrollment in the program actually increased yielding an increase in tuition revenue of approximately \$127,000 from the prior fiscal year. The significant expenses of health benefits and teacher's salaries attributed to the overall loss. With the increased enrollment and the expansion of the program to include preschool classrooms, increases to net position are expected in future years.
- The Regional Day School's share of the net pension liability decreased by approximately \$849,000 to \$3,090,152. There was a reported unrestricted net position deficit at year-end of \$(3,560,763).
- Without the current year effects of the net pension liability, the Regional Day School's unrestricted net position is a deficit of \$749,075.

District activities. The key elements of the District's changes in net position for the years ended June 30, 2018 and 2017 are as follows:

Manchester Township Board of Education
Manchester Township, New Jersey

Changes in Net Position
Year Ended

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,832,516	\$ 6,273,034	\$ 9,105,550	\$ 2,623,223	\$ 6,084,929	\$ 8,708,152
Operating and capital grants and contributions	1,711,440	778,418	2,489,858	2,488,272	781,410	3,269,682
General revenues:						
Property taxes	46,764,152		46,764,152	45,592,545		45,592,545
Federal and state aid not restricted to specific purposes	27,471,011		27,471,011	23,885,859		23,885,859
Investment earnings	46,614		46,614	37,809		37,809
Miscellaneous	119,928		119,928	60,622		60,622
Total revenues	78,945,661	7,051,452	85,997,113	74,688,330	6,866,339	81,554,669
Expenses:						
Instructional services	48,809,660	2,126,095	50,935,755	43,853,098	2,104,090	45,957,188
Support services	30,500,911	5,251,377	35,752,288	29,614,664	\$ 5,368,860	34,983,524
Interest on long-term liabilities	893,322		893,322	956,631		956,631
Total expenses	80,203,893	7,377,472	87,581,365	74,424,392	7,472,950	81,897,342
Change in net position	(1,258,232)	(326,020)	(1,584,252)	263,938	(606,611)	(342,673)
Net position (deficit) - beginning	2,927,199	(3,039,014)	(111,815)	2,663,261	(2,432,403)	230,858
Net position (deficit) - ending	\$ 1,668,967	\$ (3,365,034)	\$ (1,696,067)	\$ 2,927,199	\$ (3,039,014)	\$ (111,815)

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 2017, the District earned \$1,033,015 in NJSDA revenue vs. \$212,035 in 2018.

Property tax revenue increased to balance the budget for increases in salaries, benefits and pension costs. The total general fund tax levy in 2018 was \$43,977,813. That is an increase of \$1,205,477 over the 2017 general fund tax levy of \$42,772,336. The 2017-18 levy is below the state-mandated 2 percent cap.

The increase in state aid from 2016/17 to 2017/18 can be attributed to the implementation of Governmental Accounting Standards Board Statement No. 75 related to OPEBs. Under this GASB Standard, the District records the on-behalf OPEB expense and revenue for contributions incurred by the State as calculated by an actuary, which resulted in additional state aid of \$6,700,000. This was offset by a decrease in state aid related to GASB 68 for pensions in the amount of \$3,100,000.

The difference in governmental expenditures of \$5,779,501 which reflects a change of 7.77% is primarily driven by the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year ended June 30, 2018. This standard increased full accrual expenditures and state source revenue in the amount of \$6,724,317. The standard was implemented to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See footnote seven for further detail. The remaining difference in governmental expenditures pertains to a reduction in GASB 68 Pension expense and an increase in salaries and benefits.

Business-Type Activities

- Charges for services increased by \$188,105 from 2017, or 3.09% as a result of an increase in tuition enrollment in the Regional Day School driven by the new preschool program.
- Overall expenses remained in line with the prior year and fluctuated marginally with reductions to supplies and materials offset by modest increases to salary and health benefit expenses.

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, 2018, and the increases in relation to the prior year.

Revenue	Amount	Percent of Total	Increase (Decrease) From 2017	Percent of Increase (Decrease)
Local Sources	\$49,379,030	76.84%	\$1,432,515	2.99%
State Sources	13,300,388	20.70%	795,431	6.36%
Federal Sources	1,579,965	2.46%	(31,209)	(1.95%)
Total	\$64,259,383	100.00%	\$2,196,737	3.54%

The increase in local sources is mainly attributable to the tax levy increase of approximately \$1,205,477. As mentioned previously, 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, Medical and Long-term Disability Insurance contributions by \$795,823.

The decreases in federal sources is the result of the District receiving less Special Education Medicaid

Initiative (SEMI) program revenue in the current year from less qualifying students that graduated from the District in the prior fiscal year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2018 and the increases and (decreases) related to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2017	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$25,546,491	39.14%	\$798,180	3.23%
Undistributed expenditures	35,223,190	53.97%	1,467,564	4.35%
Capital outlay	1,517,587	2.33%	1,228,375	425%
Debt service:				
Principal	2,075,000	3.18%	(355,000)	-14.61%
Interest	908,105	1.39%	(74,477)	-7.58%
Total	\$65,270,373	100.00%	\$3,064,642	4.93%

The increase in instruction and undistributed expenditures is attributable primarily to an increase to enrollment in tuition to private school for the handicapped-within the state and general contractual salary raises and increases in health benefits. The increases to undistributed expenditures resulted from increases in TPAF pensions, medical and long-term disability insurance contributions in the amount of \$795,823. There was also an increase to the required maintenance line of \$267,706 resulting from the heating, ventilation and air conditioning replacement projects throughout the District. The remaining difference pertains to general contractual salary raises and increases in health benefits. Debt service amounts decreased due to the timing of the repayment schedule of outstanding debt. Capital outlay increased as a result of a capital lease during 2018 in the amount of \$845,000.

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 \$163,000 during the 2018 fiscal year as a result of an increase in the local tax levy 2018 in the amount of \$1,205,447 offset by overall increases to expenditures of salary and health benefit expenditures.

As of June 30, 2018, the District has an unassigned fund balance of \$851,425 and excess surplus generated in the current year in the amount of \$199,954. The District designated \$131,953 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 \$850,000 for future capital improvements, as well as, a maintenance reserve restricted fund balance in the amount of \$347,410 for future maintenance projects. \$50,764 is assigned and designated for subsequent; year's expenditures and \$93,085 is recorded in encumbrances and assigned for other purposes.

Special Revenue Fund

Expenditures incurred in the Special Revenue Fund increased by approximately \$40,000 as a result of an increase in the receipt of local grants.

Capital Projects Fund

As of June 30, 2018, the District's Capital Project's Fund Balance was approximately \$530,000 which represented a decrease of \$347,000 as a result of the substantial completion of the capital project referendum projects.

Debt Service Fund

As of June 30, 2018, the District's Debt Service Fund Balance was \$910. This is a decrease from the prior year of approximately \$2,573. The balance will be utilized to fund future principal and interest payments.

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, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$1,220,818	\$1,220,818			\$1,220,818	\$1,220,818
Construction in process		14,280,583				14,280,583
Buildings and building improvements	44,566,516	31,746,441			44,566,516	31,746,441
Machinery, equipment and vehicles	3,530,859	3,396,153	\$166,982	\$192,917	3,697,841	3,589,070
Total capital assets, net	\$49,318,193	\$50,643,995	\$166,982	\$192,917	\$49,485,175	\$50,836,912

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Bonds payable (net)	\$24,845,016	\$26,996,429
Capital leases payable	<u>1,813,538</u>	<u>1,509,729</u>
Total long-term liabilities	<u><u>\$26,658,554</u></u>	<u><u>\$28,506,158</u></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 and an appropriation of \$295,000 from Maintenance Reserve.

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

- Increase of approximately \$345,000 in enrollment in tuition to private school for the handicapped - within state.
- 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.
- Decrease of approximately \$94,000 in energy (electric) resulting from the district-wide energy savings plan.
- Health benefits – a decrease of approximately \$350,000 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 2017-2018 school year the District's state aid did not increase. It remained flat at 2016-2017 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. In 2018-2019 the districts state aid was cut \$332,000 as part of Senate Bill S2 which removed a provision that allowed districts to maintain its currently funding levels regardless of changes in enrollment "hold harmless provision". Under Senate Bill S2, based on current enrollment figures, the district will lose an additional \$539,000 over the next six years for a total state aid loss of \$871,000. Since state aid is now funded based on actual enrollment, it is anticipated the districts total loss of state aid under S2 will be larger than \$871,000 because enrollment has been and is continuing to decline. There are some residential development projects in the Township that could bring new families to Manchester and help mitigate the enrollment decline but the timing of the projects and preliminary student projections may not have a significant impact over the life of S2.

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 district received approximately 9% of its general fund budget from categorical state aid during 2017-2018 school year, excluding on-behalf TPAF, FICA and pension when the average ranges from 40-70% in other Districts of similar size and type to Manchester. This presents an enormous disadvantage to all the constituents of Manchester. District representatives have attended several meetings over the inequity of the school funding formula and how the formula determines that Manchester is wealthy based on income and property value when in reality our median income of \$41,000 is the 13th lowest in the state, we are 7.6% below the poverty level and the average home value is \$161,000. Clearly, the formula is flawed. However, it is not likely we will see changes to the formula anytime soon.

The District maintains over 1,100 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 requires us to continually monitor our Wi-Fi capabilities and make upgrades where needed.

The District completed the renovations to five schools as part of a school improvement project that was passed by the voters in September 2014 during 2017-2018 school year. 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 \$3,700,000 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 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 23 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 2018-2019 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, 2018.

Manchester Township School District

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 435,553	\$ 85,324	\$ 520,877
Accounts receivable	570,162	647,652	1,217,814
Internal balances	1,130,000	(1,130,000)	-
Inventories		14,590	14,590
Investments	23,310		23,310
Restricted assets:			
State accounts receivable	668,683		668,683
Other accounts receivable	528,727		528,727
Capital assets, non-depreciable	1,220,818		1,220,818
Capital assets, depreciable, net	48,097,375	166,982	48,264,357
Total assets	<u>52,674,628</u>	<u>(215,452)</u>	<u>52,459,176</u>
Deferred Outflows of Resources			
Pension deferrals	7,485,216	1,019,801	8,505,017
Deferred loss on defeasance of debt	845,454		845,454
Total deferred outflows of resources	<u>8,330,670</u>	<u>1,019,801</u>	<u>9,350,471</u>
Liabilities			
Accounts payable	1,078,789	487,790	1,566,579
Other liabilities	6,659		6,659
Accrued interest payable	349,079		349,079
Unearned revenue	42,839	17,943	60,782
Net pension liability	22,601,713	3,090,152	25,691,865
Current portion of long-term obligations	2,827,405		2,827,405
Noncurrent portion of long-term obligations	27,658,492		27,658,492
Total liabilities	<u>54,564,976</u>	<u>3,595,885</u>	<u>58,160,861</u>
Deferred Inflow Of Resources			
Pension deferrals	<u>4,771,355</u>	<u>619,247</u>	<u>5,390,602</u>
Net Position			
Net Investment in capital assets	23,505,093	166,982	23,672,075
Restricted for:			
Capital projects	529,511		529,511
Capital Reserve	850,000		850,000
Maintenance Reserve	347,410		347,410
Excess Surplus	331,907		331,907
Unrestricted (deficit)	<u>(23,894,954)</u>	<u>(3,532,016)</u>	<u>(27,426,970)</u>
Total net position	<u>\$ 1,668,967</u>	<u>\$ (3,365,034)</u>	<u>\$ (1,696,067)</u>

Manchester Township School District

Statement of Activities

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	\$ 48,809,660	\$ 2,402,372	\$ 1,343,167		\$ (45,064,121)		\$ (45,064,121)
Support services:							
Attendance/social work	73,762				(73,762)		(73,762)
Health services	477,856				(477,856)		(477,856)
Other support services	6,243,470		156,238		(6,087,232)		(6,087,232)
Improvement of instruction	1,749,547				(1,749,547)		(1,749,547)
Other support:							
Instructional staff	72,914				(72,914)		(72,914)
School library	777,082				(777,082)		(777,082)
General administration	2,365,497				(2,365,497)		(2,365,497)
School administration	5,638,278				(5,638,278)		(5,638,278)
Required maintenance of plant services	1,839,769				(1,839,769)		(1,839,769)
Operation of plant	5,062,146			\$ 212,035	(4,850,111)		(4,850,111)
Student transportation	6,200,588	430,144			(5,770,444)		(5,770,444)
Interest on long-term debt	893,322				(893,322)		(893,322)
Total governmental activities	80,203,893	2,832,516	1,499,405	212,035	(75,659,937)		(75,659,937)
Business-type activities							
Food service	1,352,051	752,912	613,574		\$ 14,435		14,435
Regional day school	6,025,421	5,520,122	164,844		(340,455)		(340,455)
Total business-type activities	7,377,472	6,273,034	778,418		(326,020)		(326,020)
	\$ 87,581,365	\$ 9,105,550	\$ 2,277,823	\$ 212,035	(75,659,937)	(326,020)	(75,985,957)
General revenues:							
Property taxes, levied for general purposes					43,977,813		43,977,813
Property taxes, levied for debt service					2,786,339		2,786,339
Federal sources, unrestricted					127,083		127,083
State sources, unrestricted					27,343,928		27,343,928
Investment earnings					46,614		46,614
Miscellaneous income					119,928		119,928
Total general revenues					74,401,705		74,401,705
Change in net position					(1,258,232)	(326,020)	(1,584,252)
Net position (deficit)—beginning					2,927,199	(3,039,014)	(111,815)
Net position (deficit)—ending					\$ 1,668,967	\$ (3,365,034)	\$ (1,696,067)

Fund Financial Statements

Governmental Funds

Manchester Township School District
Governmental Funds

Balance Sheet

June 30, 2018

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents		\$ 52,050	\$ 382,625	\$ 878	\$ 435,553
Investments	\$ 23,310				23,310
Accounts receivable:					
State			294,580		294,580
Other	10,314		49,350		59,664
Interfund receivable	1,374,532	117,706		32	1,492,270
Restricted assets:					
State accounts receivable	668,683				668,683
Other accounts receivable	528,727				528,727
Total assets	<u>\$ 2,605,566</u>	<u>\$ 169,756</u>	<u>\$ 726,555</u>	<u>\$ 910</u>	<u>\$ 3,502,787</u>
Liabilities					
Accounts payable	\$ 51,521	\$ 126,917			\$ 178,438
Other liabilities	6,659				6,659
Interfund payable	22,795		\$ 197,044		219,839
Unearned revenue		42,839			42,839
Total liabilities	<u>80,975</u>	<u>169,756</u>	<u>197,044</u>		<u>447,775</u>
Fund balances:					
Restricted for:					
Excess Surplus - current year	199,954				199,954
Excess Surplus - prior year - designated for subsequent year's expenditures	131,953				131,953
Maintenance reserve	347,410				347,410
Capital reserve	850,000				850,000
Debt service				\$ 910	910
Capital projects			529,511		529,511
Assigned - designated for subsequent year's expenditures	50,764				
Other purposes	93,085				93,085
Unassigned:					
General fund	851,425				851,425
Total fund balances	<u>2,524,591</u>		<u>529,511</u>	<u>910</u>	<u>3,055,012</u>
Total liabilities and fund balances	<u>\$ 2,605,566</u>	<u>\$ 169,756</u>	<u>\$ 726,555</u>	<u>\$ 910</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$100,080,586 and the accumulated depreciation is \$50,762,393.	49,318,193
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.	(349,079)
Accounting loss on advanced refunding.	845,454
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	2,713,861
Accrued pension contributions for the June 30, 2018 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.	(900,351)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(22,601,713)
Long-term liabilities, including bonds payable, capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(30,485,897)</u>
Net position of governmental activities	<u>\$ 1,668,967</u>

Manchester Township School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local sources:					
Local tax levy	\$ 43,977,813			\$ 2,786,339	\$ 46,764,152
Tuition	2,402,372				2,402,372
Interest Income	46,055		\$ 559		46,614
Miscellaneous	119,928	\$ 46,523			166,451
Total local sources	46,546,168	46,523	559	2,786,339	49,379,589
State sources	13,106,754		212,035	193,634	13,512,423
Federal sources	127,083	\$ 1,452,882			1,579,965
Total revenues	59,780,005	1,499,405	212,594	2,979,973	64,471,977
Expenditures:					
Current:					
Instruction	21,712,060	1,343,167			23,055,227
Undistributed-current:					
Instruction	2,491,264				2,491,264
Attendance/social work	42,023				42,023
Health services	477,856				477,856
Support services	2,803,229	156,238			2,959,467
Improvement of instruction	873,009				873,009
School library	393,069				393,069
Instructional staff training	72,676				72,676
General administration	536,155				536,155
School administration	1,894,797				1,894,797
Central services	591,464				591,464
Information technology	363,760				363,760
Required maintenance for school facilities	995,044				995,044
Operation of plant	3,796,027				3,796,027
Student transportation	3,628,164				3,628,164
Unallocated benefits	11,545,737				11,545,737
On-behalf TPAF social security and pension contributions	7,053,942				7,053,942
Capital outlay	1,517,587		559,387		2,076,974
Debt service:					
Principal				2,075,000	2,075,000
Interest				908,105	908,105
Total expenditures	60,787,863	1,499,405	559,387	2,983,105	65,829,760
(Deficiency) of revenues (under expenditures	(1,007,858)		(346,793)	(3,132)	(1,357,783)
Other financing sources (uses):					
Transfers in				559	559
Transfers out			(559)		(559)
Capital leases	845,000				845,000
Total other financing sources (uses)	845,000		(559)	559	845,000
Net change in fund balances	(162,858)		(347,352)	(2,573)	(512,783)
Fund balances, July 1	2,687,449		876,863	3,483	3,567,795
Fund balances, June 30	\$ 2,524,591		\$ 529,511	\$ 910	\$ 3,055,012

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, 2018

Total net change in fund balances - governmental funds (from B-2) \$ (512,783)

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 depreciation expense exceeded capital additions in the period.

Capital Additions	\$ 1,418,861	
Depreciation Expense	<u>(2,744,663)</u>	(1,325,802)

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	2,075,000	
Obligations Under Capital Leases	<u>541,191</u>	2,616,191

Proceeds from capital leases are a financing source in the governmental funds. They are not revenue in the statement of net position; capital leases increase long-term liabilities in the statement of net position. (845,000)

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	(1,122,539)
-----------------	-------------

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. 25,456

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). (83,082)

Change in net position of governmental activities (A-2) \$ (1,258,232)

See accompanying notes to basic financial statements.

Proprietary Funds

Manchester Township School District
Proprietary Funds

Statement of Net Position

June 30, 2018

	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	\$ 36,865	\$ 48,459	\$ 85,324	
Accounts receivable:				
State	937	7,704	8,641	
Federal	45,749			
Other	36,714	602,297	639,011	\$ 168,398
Inventories	14,590		14,590	
Total current assets	<u>134,855</u>	<u>658,460</u>	<u>747,566</u>	<u>168,398</u>
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	727,821	2,521,359	3,249,180	
Accumulated depreciation	(684,666)	(2,397,532)	(3,082,198)	
Total capital assets, net	<u>43,155</u>	<u>123,827</u>	<u>166,982</u>	
Total noncurrent assets	<u>43,155</u>	<u>123,827</u>	<u>166,982</u>	
Total assets	<u>178,010</u>	<u>782,287</u>	<u>914,548</u>	<u>168,398</u>
Deferred Outflows of Resources				
Pension deferrals		<u>1,019,801</u>	<u>1,019,801</u>	
Liabilities				
Current liabilities:				
Accounts payable	88,165	399,625	487,790	
Interfund payable		1,130,000	1,130,000	94,911
Unearned revenue	17,943		17,943	
Total current liabilities	<u>106,108</u>	<u>1,529,625</u>	<u>1,635,733</u>	<u>94,911</u>
Noncurrent liabilities:				
Net pension liability		<u>3,090,152</u>	<u>3,090,152</u>	
Total noncurrent liabilities		<u>3,090,152</u>	<u>3,090,152</u>	
Total liabilities	<u>106,108</u>	<u>4,619,777</u>	<u>4,725,885</u>	<u>94,911</u>
Deferred Inflow of Resources				
Pension deferrals		<u>619,247</u>	<u>619,247</u>	
Net Position				
Net investment in capital assets	43,155	123,827	166,982	
Unrestricted:				
Unrestricted (deficit)	28,747	(3,560,763)	(3,532,016)	73,487
Total net position (deficit)	<u>\$ 71,902</u>	<u>\$ (3,436,936)</u>	<u>\$ (3,365,034)</u>	<u>\$ 73,487</u>

Manchester Township School District
Proprietary Funds

Statement of Revenues, Expenses and
Changes in Fund Net Position

Year ended June 30, 2018

	Major Funds			Governmental Activities Internal Service Fund
	Business Type Activities - Enterprise Funds		Totals	
	Food Service	Regional Day School		
Operating revenues:				
Local sources:				
Daily food sales-reimbursable programs	\$ 252,924		\$ 252,924	
Daily food sales non-reimbursable programs	344,936		344,936	
Special functions	135,421		135,421	
Tuition		\$ 5,480,179	5,480,179	
Miscellaneous revenue	19,631	39,943	59,574	
Total local sources	<u>752,912</u>	<u>5,520,122</u>	<u>6,273,034</u>	
Transportation services provided to other funds				\$ 430,144
Total operating revenues	752,912	5,520,122	6,273,034	430,144
Operating expenses:				
Salaries	472,330	3,574,115	4,046,445	108,562
Employee benefits	107,257	1,982,790	2,090,047	63,500
Purchased professional services	18,461	3,000	21,461	195,583
Purchased property services	42,707		42,707	
Other purchased services	102,874	255,750	358,624	
Supplies and materials	60,299	122,210	182,509	
Depreciation	2,549	50,174	52,723	
Cost of sales program	470,966		470,966	
Cost of sales non-program	74,608		74,608	
Other objects		37,382	37,382	62,499
Total operating expenses	<u>1,352,051</u>	<u>6,025,421</u>	<u>7,377,472</u>	<u>430,144</u>
Operating (loss)	(599,139)	(505,299)	(1,104,438)	
Nonoperating revenues:				
State sources:				
State school lunch program	10,614		10,614	
Reimbursed TPAF social security contribution		164,844	164,844	
Federal sources:				
National school lunch program	409,502		409,502	
National breakfast program	102,602		102,602	
Healthy Hunger-Free Kids Act (HHFKA)	12,014		12,014	
Food donation program	78,842		78,842	
Total nonoperating revenues	<u>613,574</u>	<u>164,844</u>	<u>778,418</u>	
Change in net position	14,435	(340,455)	(326,020)	
Total net position (deficit)-beginning	<u>57,467</u>	<u>(3,096,481)</u>	<u>(3,039,014)</u>	<u>73,487</u>
Total net position (deficit)-ending	<u>\$ 71,902</u>	<u>\$ (3,436,936)</u>	<u>\$ (3,365,034)</u>	<u>\$ 73,487</u>

Manchester Township School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2018

	Major Funds			Governmental Activities Internal Service Fund
	Business Type Activities Enterprise Funds			
	Food Service	Regional Day School	Totals	
Cash flows from operating activities				
Receipts from customers	\$ 733,535	\$ 5,292,454	\$ 6,025,989	\$ 408,374
Payments to employees	(472,330)	(3,574,115)	(4,046,445)	(108,562)
Payments for employee benefits	(107,257)	(1,837,102)	(1,944,359)	(63,500)
Payments to suppliers	(662,781)	(437,897)	(1,100,678)	(258,082)
Payments for insurance	(18,461)	(3,000)	(21,461)	
Net cash (used in) operating activities	(527,294)	(559,660)	(1,086,954)	(21,770)
Cash flows from noncapital financing activities				
Cash received from state and federal reimbursements	607,298	165,132	772,430	
Negative cash balance implicitly financed	(16,351)	(19,842)	(36,193)	
Receipts and payments from (to) other funds		415,000	415,000	21,770
Net cash provided by noncapital financing activities	590,947	560,290	1,151,237	21,770
Cash flows from capital and related financing activities				
Purchases of capital assets - equipment	(26,788)		(26,788)	
Net cash (used in) capital and related financing activities	(26,788)	-	(26,788)	
Net increase in cash and cash equivalents	36,865	630	37,495	-
Cash and cash equivalents, beginning of year	-	47,829	47,829	-
Cash and cash equivalents, end of year	\$ 36,865	\$ 48,459	\$ 85,324	\$ -
Reconciliation of operating (loss) to net cash (used in) operating activities:				
Operating (loss)	\$ (599,139)	\$ (505,299)	\$ (1,104,438)	
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:				
Depreciation	2,549	50,174	52,723	
Change in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in accounts receivable	(19,804)	(227,668)	(247,472)	\$ (21,770)
Decrease in inventory	508		508	
Decrease in deferred outflows of resources		371,200	371,200	
Increase (decrease) in deferred inflows of resources		619,247	619,247	
(Decrease) in net pension liability		(848,240)	(848,240)	
(Decrease) in accounts payable	88,165	(19,074)	69,091	
Increase in unearned revenue	427		427	
Net cash (used in) provided by operating activities	\$ (527,294)	\$ (559,660)	\$ (1,086,954)	\$ (21,770)

Noncash noncapital related financing activities:

The District received \$81,655 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2018.

Fiduciary Funds

Manchester Township School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2018

	<u>Private-Purpose Scholarship Fund</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
Assets			
Cash and cash equivalents	\$ 177,050	\$ 294,773	\$ 2,166,267
Interfund receivable		63,766	
Total assets	<u>177,050</u>	<u>358,539</u>	<u>\$ 2,166,267</u>
Liabilities			
Payroll deductions and withholdings payable			\$ 1,855,316
Accounts payable		1,826	
Interfund payable			111,286
Due to student groups			199,665
Total liabilities		<u>1,826</u>	<u>\$ 2,166,267</u>
Net Position			
Held in trust for unemployment claims		<u>\$ 356,713</u>	
Held in trust for scholarships	<u>\$ 177,050</u>		

Manchester Township School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2018

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
Additions		
Contributions:		
Employee contributions		\$ 63,766
Donations	\$ 2,375	
Total contributions	2,375	63,766
Investment earnings:		
Interest	80	240
Total additions	2,455	64,006
Deductions		
Unemployment payments		22,407
Scholarship payments	21,500	
Total deductions	21,500	22,407
Change in net position	(19,045)	41,599
Net position-beginning of the year	196,095	315,114
Net position-end of the year	\$ 177,050	\$ 356,713

Manchester Township School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

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, 2018

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, 2018

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.

Investments 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 for

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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, 2018

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, 2018

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, 2018 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, 2018, the unused Food Donation Program commodities of \$5,844 are reported as unearned revenue.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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. Donated capital assets are valued at their estimated acquisition 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, 2018, a liability existed for compensated absences in the government-wide financial statements in the amount of \$3,827,343 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, 2018

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, 2018, the District has recorded an unamortized balance of \$845,454 as a deferred outflow of resources and recognized amortization expense of \$87,086.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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, 2018

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 \$2,524,591 of fund balances in the General Fund, \$93,085 of encumbrances is assigned to other purposes, \$50,764 has been assigned and designated for subsequent year's expenditures, \$131,953 has been classified as restricted fund balance designated for subsequent years expenditures – prior year excess surplus, \$1,197,410 has been classified as restricted for maintenance reserve and capital reserve in the amounts of \$347,410 and \$850,000, respectively, \$199,954 has been restricted for excess surplus – current year and \$851,425 is classified as unassigned. Of the fund balance in the Capital Projects Fund, \$529,511 is restricted for capital projects. All of the fund balance in the debt service fund in the amount of \$910 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, 2018

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 \$7,319,223 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 expires on June 30, 2022.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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, 2018 was \$331,907. Of this amount, \$131,953 has been appropriated in the 2018/19 budget and remaining \$199,954 is required to be appropriated in the 2019/20 budget.

R. Tax Abatements

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, and that potential must be disclosed in these financial statements. 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. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school districts. Although the Township of Manchester has four active tax abatements/agreements as of June 30, 2018, none were deemed material to the Manchester Township School District and therefore further disclosure is not required.

T. Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2018 through February 5, 2019, 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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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.

The details of this \$30,485,897 difference are as follows:

Bonds payable	\$	24,100,000
Premium on bonds		790,348
Capital leases payable		1,813,538
Discount on bonds		(45,332)
Compensated absences		<u>3,827,343</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	\$	<u><u>30,485,897</u></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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

3. Cash and Equivalents (continued)

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

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

Deposits

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

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

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

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

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, 2018 the carrying amount of the District’s deposits was \$1,998,474 and the bank balance was \$4,508,133.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

3. Cash and Equivalents (continued)

Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2018 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$2,266,199. \$1,991,934 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

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, 2018, the District's investment balances of \$23,310 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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

3. Cash and Equivalents (continued)

unobservable inputs. The District has the following recurring fair value measurement as of June 30, 2018:

- Solar Renewable Energy Credits in the amount of \$23,310 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.

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, 2018, the District’s balance was \$1,160,493. 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, 2018, 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, 2018

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2018:

	Beginning Balance	Increases	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,220,818			\$ 1,220,818
Construction in progress	14,280,583	\$ 559,387	\$ (14,839,970)	
Total capital assets, not being depreciated	15,501,401	559,387	(14,839,970)	1,220,818
Capital assets, being depreciated:				
Buildings and building improvements	63,645,559		14,839,970	78,485,529
Machinery, equipment and vehicles	19,782,619	859,474	(267,854)	20,374,239
Total capital assets being depreciated	83,428,178	859,474	14,572,116	98,859,768
Less accumulated depreciation for:				
Buildings and building improvements	31,899,118	2,019,895		33,919,013
Machinery, equipment and vehicles	16,386,466	724,768	(267,854)	16,843,380
Total accumulated depreciation	48,285,584	2,744,663	(267,854)	50,762,393
Total capital assets, being depreciated, net	35,142,594	(1,885,189)	14,839,970	48,097,375
Governmental activities capital assets, net	<u>\$ 50,643,995</u>	<u>\$ (1,325,802)</u>	<u>\$ -</u>	<u>\$ 49,318,193</u>

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

Instruction	\$ 1,153,807
General administration	1,590,856
Total depreciation expense - governmental activities	<u>\$ 2,744,663</u>

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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, 2018:

	Beginning Balance	Increases	Reductions	Ending Balance
Business-type Activities:				
Capital assests, being depreciated:				
Equipment and vehicles	\$ 3,303,929	\$ 26,788	\$ (81,537)	\$ 3,249,180
Less accumulated depreciation for:				-
Equipment and vehicles	3,111,012	52,723	(81,537)	3,082,198
Total business-type activities capital assets, net	<u>\$ 192,917</u>	<u>\$ (25,935)</u>	<u>\$ -</u>	<u>\$ 166,982</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, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences payable	\$ 3,744,261	\$ 247,866	\$ 164,784	\$ 3,827,343	\$ 100,000
Bonds payable	26,175,000		2,075,000	24,100,000	2,150,000
Premium on bonds	871,410		81,062	790,348	81,062
Discount on bonds	(49,981)		(4,649)	(45,332)	(4,649)
Obligations under capital leases	1,509,729	845,000	541,191	1,813,538	500,992
Subtotal	32,250,419	1,092,866	2,857,388	30,485,897	2,827,405
Net pension liability	29,137,482		6,535,769	22,601,713	
Governmental activity long-term liabilities	<u>\$ 61,387,901</u>	<u>\$ 1,092,866</u>	<u>\$ 9,393,157</u>	<u>\$ 53,087,610</u>	<u>\$ 2,827,405</u>
Business-type activities:					
Net pension liabilities	\$ 3,939,392		\$ 849,240	\$ 3,090,152	
	<u>\$ 3,939,392</u>		<u>\$ 849,240</u>	<u>\$ 3,090,152</u>	

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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 3.375% 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:			
2019	\$ 2,150,000	\$ 838,856	\$ 2,988,856
2020	2,185,000	759,856	2,944,856
2021	2,220,000	676,468	2,896,468
2022	2,245,000	595,006	2,840,006
2023	2,265,000	511,606	2,776,606
2024-2028	10,560,000	1,385,879	11,945,879
2029-2030	2,475,000	128,625	2,603,625
	<u>\$ 24,100,000</u>	<u>\$ 4,896,296</u>	<u>\$ 28,996,296</u>

See page 107 for additional information regarding the District's bonds payable.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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, 2018:

<u>Fiscal Year</u>	<u>Amounts</u>
Year ending June 30:	
2019	\$ 534,313
2020	338,206
2021	301,174
2022	301,273
2023	238,324
2024 through 2025	<u>205,741</u>
	1,919,031
Less amount representing interest	<u>(105,493)</u>
Present value of net future minimum lease payments	<u><u>\$ 1,813,538</u></u>

See page 108 for additional information regarding the District's capital leases

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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, 2018

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, 2018, the State of New Jersey contributed \$5,509,571 to the TPAF for post-retirement medical benefits, long-term disability insurance 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 \$1,544,371 during the year ended June 30, 2018 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, 2018

6. Pension Plans (continued)

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2018, 2017, and 2016 was \$1,022,440, \$992,133 and \$890,832, 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 Employee's Retirement System (PERS)

At June 30, 2018, the District reported a liability of \$25,691,865 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.1103678221 percent, which was a decrease of 0.0013103579 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized full accrual pension expense of \$2,260,360 in the government-wide financial statements. At June 30, 2018, 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, 2018

6. Pension Plans (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 5,176,025	\$ 5,157,049
Net difference between projected and actual earnings on pension plan investments	174,944	
Changes in proportion	1,526,653	233,553
Difference between expected and actual experience	604,955	
District contributions subsequent to the measurement date	1,022,440	
	<u>\$ 8,505,017</u>	<u>\$ 5,390,602</u>

\$1,022,440 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	\$ 1,046,945
2019	1,333,900
2020	891,829
2021	(611,329)
2022	(569,370)
	<u>\$ 2,091,975</u>

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

6. Pension Plans (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

	<u>June 30, 2017</u>
Inflation	2.25%
Salary increases	
Through - 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.00%

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, 2016 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, 2018

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount rate

Discount Rate – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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, 2018

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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 31,872,502	\$ 25,691,865	\$ 20,542,628

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, 2017 are as follows:

Deferred outflows of resources	\$ 6,424,455,842
Deferred inflows of resources	5,700,625,981
Net pension liability	23,278,401,588
District's proportion	0.1103678221%

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

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, 2017, 2016, 2015 and 2014 is 5.48, 5.57, 5.72, 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, 2017 was \$153,931,697. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the State's proportionate share of the TPAF net pension liability associated with the District was 0.2283053466 percent, which was a decrease of 0.0048934957 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$10,633,609 for contributions incurred by the State.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

6. Pension Plans (continued)

Actuarial assumptions

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

Inflation	2.25%
Salary increases 2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

6. Pension Plans (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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, 2018

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, 2017 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 (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
District's proportionate share of the net pension liability	\$ 182,875,685	\$ 153,931,697	\$ 130,087,514

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, 2017 are as follows:

Deferred outflows of resources	\$ 14,353,461,035
Deferred inflows of resources	11,992,821,439
Net pension liability	67,670,209,171
District's proportion	0.2283053466%

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

6. Pension Plans (continued)

Collective pension expense for the plan for the measurement period ended June 30, 2017 is \$4,688,207,089.

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, 2017, 2016, 2015 and 2014 is 8.3, 8.3, 8.3 and 8.5 years, respectively.

7. Post-Retirement Benefits

Plan Description

The District participates in the New Jersey State Health Benefits Program (the "SHBP"), a 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, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the 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, c.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. 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. The State's contributions to the SHBP for post-retirement benefits on behalf of the District for the years ended June 30, 2018, 2017 and 2016 were \$2,160,068, \$2,139,716, and \$2,223,177, respectively, which equaled the required contributions for each year.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity.

The State is also responsible for the cost attributable P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service.

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 provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Total OPEB Liability

The nonemployer OPEB liability from New Jersey's plan is \$53,639,841,858.

The following members were covered by the benefit terms:

<u>Local Education</u>	<u>June 30, 2016</u>
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	<u>-</u>
Total Plan Members	366,078

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 was \$151,193,397, or 0.28%. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions and Other Inputs

Inflation rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality improvement table with fully generational mortality projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvements projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the actuarial experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

Healthcare Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

Changes in the Total Nonemployer OPEB Liability

The following represents the change in the State's proportionate share of the OPEB liability associated with the District:

Balance at June 30, 2016		\$	163,661,392
Increased by:	\$	6,248,357	
Service cost		4,794,700	
Interest cost		<u>128,951</u>	
Member contributions			<u>11,172,008</u>
			174,833,400
Decreased by:			
Changes of assumptions		20,138,043	
Gross benefit payments		<u>3,501,960</u>	
			<u>(23,640,003)</u>
Balance at June 30, 2017		\$	<u>151,193,397</u>

The State's proportionate share of deferred inflows of resources associated with the District at June 30, 2017 was \$18,396,440.

The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate.

	1% Decrease (2.58%)	At Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 179,477,470	\$ 151,193,397	\$ 128,758,201

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

The following presents the State's proportionate share of the net OPEB liability associated with the District calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 124,341,953	\$ 151,193,397	\$ 186,851,798

OPEB Expense and Deferred Outflows of resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$8,884,385 for OPEB expenses incurred by the State. Collective balances of the Education Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 99,843,255
Deferred inflows of resources	\$ 6,443,612,287
Collective OPEB expense	\$ 3,348,490,523

8. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2018 amounted to \$1,556,036 analyzed as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,374,532	\$ 22,795
Special Revenue Fund	117,706	
Capital Projects Fund		197,044
Debt Service Fund	32	
Enterprise Fund - Regional Day School		1,130,000
Internal Service Fund		94,911
Payroll Agency Fund	63,766	111,286
	<u>\$ 1,556,036</u>	<u>\$ 1,556,036</u>

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

8. Interfund Receivables and Payables (continued)

The interfund receivable in the Enterprise Fund – Regional Day School of \$1,130,000 was loaned from the general fund to ensure sufficient cash flow was maintained as of year- end.

The interfund payable in the amount of \$63,766 in the Payroll Agency Fund and respective interfund receivable in Unemployment Trust Fund represents payroll withholdings for unemployment not transferred at June 30, 2018. The remaining interfund payable in the Payroll Agency Fund in the amount of \$47,520 and related interfund receivable in the General Fund represents amounts due back to the General Fund on behalf of the Payroll Agency Fund.

The interfund payable in the amount of \$32 in the Capital Projects Fund represents interest income earned designated for future payments of debt service payments. The remaining interfund payable in the Capital Projects Fund in the amount of \$197,012 resulted from a short-term loan from the General Fund to ensure capital projects were completed timely.

The interfund payable in the Internal Service Fund and General Fund in the amounts of \$94,911 and \$22,795, respectively represents short term loans from the Special Revenue Fund at June 30, 2018. 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, 2018 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, 2018

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 (State 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, 2018

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance, July 1, 2017	\$	523,391
Deposit:		
Approved by June 2018 board resolution		119,019
Decrease		
Withdraw approved by board resolution		295,000
Ending Balance, June 30, 2018	<u>\$</u>	<u>347,410</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, 2018.

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, 2018

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 LRFP.

Beginning balance, July 1, 2017	\$	700,000
Deposit:		
Approved by June 2018 board resolution		150,000
Ending Balance, June 30, 2018	<u>\$</u>	<u>850,000</u>

The June 30, 2018 LRFP 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, 2018 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$93,085.

17. Transfers

The following presents a reconciliation of transfers during the 2018 fiscal year:

	<u>In</u>	<u>Out</u>
Debt Service Fund	\$ 559	
Capital Projects Fund		\$ 559
	<u>\$ 559</u>	<u>\$ 559</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
and OPEBs

(GASB 68 and GASB 75)

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, 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	Year Ended June 30, 2018
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	0.0969028258%	0.1028722510%	0.1036174300%	0.1116781800%	0.1103678221%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	\$ 18,520,055	\$ 19,260,499	\$ 23,260,037	\$ 33,075,874	\$ 25,691,865
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
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	279.71%	275.77%	312.83%	448.72%	329.81%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	N/A	N/A	N/A	48.72%	48.62%	47.93%	40.14%	48.10%

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, 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	Year Ended June 30, 2018
Contractually required contribution	\$ 386,923	\$ 559,998	\$ 735,431	\$ 769,696	\$ 783,546	\$ 730,143	\$ 848,064	\$ 890,832	\$ 992,133	\$ 1,022,440
Contributions in relation to the contractually required contribution	(386,923)	(559,998)	(735,431)	(769,696)	(783,546)	(730,143)	(848,064)	(890,832)	(992,133)	(1,022,440)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 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	\$ 8,219,717
Contributions as a percentage of covered-employee payroll	5.90%	8.20%	10.87%	11.71%	11.83%	10.45%	11.41%	12.09%	12.74%	12.44%

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	Year Ended June 30, 2018
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.2335380145%	0.2337903127%	0.2331988423%	0.2283053466%
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	\$ 153,931,697
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>	<u>\$ 153,931,697</u>
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

* 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
Schedule of the State's Proportionate Share of the OPEB Liability Associated With the District
State Health Benefit Local Education Retired Employees Plan

Last Ten Fiscal Years*

		Year Ended June 30, 2018
State's proportion of the OPEB Liability associated with the District -		0.28%
District's proportionate share of the OPEB liability	\$	-
State's proportionate share of the OPEB liability associated with the District	\$	151,193,397
Total proportionate share of the OPEB liability associated with the District		-
	\$	151,193,397
Balance at June 30, 2016		\$ 163,661,392
Increased by:	\$	
Service cost	6,248,357	
Interest cost	4,794,700	
Member contributions	128,951	
		11,172,008
		174,833,400
Decreased by:		
Changes of assumptions	20,138,043	
Gross benefit payments	3,501,960	
		(23,640,003)
Balance at June 30, 2017		\$ 151,193,397
Covered by employee payroll	\$	32,227,033
Total OPEB liability as a percentage of covered employee payroll.		469.15%

* 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.

See Note to Required Supplementary Information

Manchester Township School District

**Notes to Required Supplementary Information
Year Ended June 30, 2018**

1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

2. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

**3. NONEMPLOYER OPEB LIABILITY FOR THE STATE HEALTH BENEFIT LOCAL
EDUCATION RETIRED EMPLOYEES PLAN**

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ 43,977,813		\$ 43,977,813	\$ 43,977,813	
Tuition	2,401,372		2,401,372	2,402,372	\$ 1,000
Interest on investments	200		200	22,745	22,545
Miscellaneous	46,521		46,521	119,928	73,407
Total revenues - local sources	46,425,906		46,425,906	46,522,858	96,952
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	\$ (111,232)	1,420,212	1,420,212	
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	60,000	310,000	581,839	271,839
On-behalf TPAF pension contributions (non-budgeted)				3,344,386	3,344,386
On-behalf TPAF post-retirement contributions (non-budgeted)				2,160,068	2,160,068
On-behalf TPAF long-term disability ins contributions (non-budgeted)				5,117	5,117
Reimbursed TPAF social security contributions (non-budgeted)				1,544,371	1,544,371
Other state aid				10,730	10,730
Total - state sources	5,811,621	(51,232)	5,760,389	13,096,900	7,336,511
Federal sources:					
Medical Assistance Program	48,479		48,479	127,083	78,604
Total - federal sources	48,479	-	48,479	127,083	78,604
Total revenues	52,286,006	(51,232)	52,234,774	59,746,841	7,512,067
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool/kindergarten	649,210	(5,647)	643,563	640,060	3,503
Grades 1-5	5,737,225	(380,869)	5,356,356	5,352,231	4,125
Grades 6-8	3,142,110	215,496	3,357,606	3,356,000	1,606
Grades 9-12	5,244,686	(175,857)	5,068,829	5,068,283	546
	14,773,231	(346,877)	14,426,354	14,416,574	9,780
Home instruction:					
Salaries of teachers	122,000	(63,162)	58,838	57,269	1,569
Purchased professional educational services	8,000	(7,000)	1,000	541	459
Other purchased services	1,000	(1,000)			
	131,000	(71,162)	59,838	57,810	2,028
Undistributed instruction-regular programs					
Unused vacation payment to terminated/retired staff					
		57,524	57,524	57,524	
Other purchased services	55,271	978	56,249	53,879	2,370
General supplies	419,750	119,212	538,962	526,762	12,200
Textbooks	115,000	38,743	153,743	114,770	38,973
Other objects	113,300	24,304	137,604	130,560	7,044
	703,321	240,761	944,082	883,495	60,587
Total instruction - regular programs	15,607,552	(177,278)	15,430,274	15,357,879	72,395

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	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	\$ 131,797	\$ 6,844	\$ 138,641	\$ 138,491	\$ 150
Other salaries for instruction	93,119	81,897	175,016	174,390	626
General supplies	2,800		2,800	2,122	678
Other objects	1,400	2	1,402	1,043	359
Total preschool disabilities - part-time	229,116	88,743	317,859	316,046	1,813
Learning and/or language disabilities:					
Salaries of teachers	303,096	2,385	305,481	301,917	3,564
Other salaries for instruction	1,245,107	130,814	1,375,921	1,372,291	3,630
Unused vacation payment to terminated/retired staff		930	930	814	116
General supplies	7,300		7,300	4,833	2,467
Textbooks	500		500	186	314
Total learning and/or language disabilities	1,556,003	134,129	1,690,132	1,680,041	10,091
Multiple disabilities:					
Salaries of teachers	249,824		249,824	249,437	387
Other salaries for instruction	245,780	(16,452)	229,328	229,173	155
General supplies	3,050		3,050	2,242	808
Other objects	250		250	250	250
Total multiple disabilities	498,904	(16,452)	482,452	480,852	1,600
Autism					
Salaries of teachers	277,147	(9,664)	267,483	263,530	3,953
Other Salaries for Instruction	255,449	(6,075)	249,374	243,709	5,665
General supplies	4,000	10,000	14,000	11,045	2,955
	536,596	(5,739)	530,857	518,284	12,573
Resource room/center:					
Salaries of teachers	2,059,457	(19,643)	2,039,814	2,037,372	
General supplies	8,700		8,700	4,803	3,897
Textbooks	1,500		1,500	958	542
Total resource room/center	2,069,657	(19,643)	2,050,014	2,043,133	6,881
Total special education	4,890,276	181,038	5,071,314	5,038,356	32,958

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Bilingual education:					
Salaries of teachers	\$ 200,476		\$ 200,476	\$ 200,476	
General supplies	750		750	360	\$ 390
Textbooks	250		250		250
Other objects	250		250	118	132
Total bilingual education	<u>201,726</u>		<u>201,726</u>	<u>200,954</u>	<u>772</u>
School - sponsored cocurricular activities:					
Salaries	242,500	\$ (36,305)	206,195	206,065	130
Supplies and materials	6,000		6,000	5,995	5
Other objects	10,850		10,850	7,875	2,975
Total school - sponsored cocurricular activities	<u>259,350</u>	<u>(36,305)</u>	<u>223,045</u>	<u>219,935</u>	<u>3,110</u>
School - sponsored athletics - instruction:					
Salaries	518,000	17,538	535,538	534,956	582
Purchased services	15,000	(2,200)	12,800	12,800	
Supplies and materials	81,150	31	81,181	79,625	1,556
Other objects	103,350	(15,331)	88,019	86,762	1,257
Total school - sponsored athletics - instruction	<u>717,500</u>	<u>38</u>	<u>717,538</u>	<u>714,143</u>	<u>3,395</u>
Other instructional programs:					
Salaries	179,421	4,431	183,852	180,793	3,059
Total other instructional programs	<u>179,421</u>	<u>4,431</u>	<u>183,852</u>	<u>180,793</u>	<u>3,059</u>
Total instruction	<u>21,855,825</u>	<u>(28,076)</u>	<u>21,827,749</u>	<u>21,712,060</u>	<u>115,689</u>

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	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	\$ 105,475	\$ 82,509	\$ 187,984	\$ 187,984	
Tuition to other LEAs within the state-regular		36,737	36,737	36,737	
Tuition to County Voc. School Dist.- Regular	110,000	15,700	125,700	125,700	
Tuition to CSSD and regional day schools	1,045,000	(77,784)	967,216	967,216	
Tuition to private school for the handicapped - within state	770,000	344,858	1,114,858	1,114,775	\$ 83
Tuition - state facilities	32,952		32,952	32,952	
Tuition - other	22,000	3,900	25,900	25,900	
Total undistributed instruction-tuition	2,085,427	405,920	2,491,347	2,491,264	83
Attendance and social work services:					
Salaries	30,082		30,082	29,582	500
Other objects	12,000	441	12,441	12,441	
Total attendance and social work service	42,082	441	42,523	42,023	500
Health services:					
Salaries	431,156	771	431,927	431,927	
Purchased professional and technical services	43,350	(1,277)	42,073	39,586	2,487
Supplies and materials	12,200	(3,906)	8,294	6,343	1,951
Total health services	486,706	(4,412)	482,294	477,856	4,438
Other support services - students - Speech,OT,PT, & Related Services:					
Salaries	441,770	(83)	441,687	441,301	386
Supplies and materials	3,675	(814)	2,861	852	2,009
Total other support services - students - related services	445,445	(897)	444,548	442,153	2,395
Other support services - students - extra services:					
Salaries	24,298	(136)	24,162	24,071	91
Purchased professional educational services	6,944	(5,316)	1,628	1,628	
Supplies and materials	2,700		2,700	1,917	783
Other objects	1,000	18	1,018	517	501
Total other support services - students - extra services	34,942	(5,434)	29,508	28,133	1,375

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	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	\$ 770,465	\$ 55,814	\$ 826,279	\$ 825,564	\$ 715
Salaries of secretarial and clerical assts.	148,928	(6,100)	142,828	142,764	64
Unused vacation payment to terminated/retired staff		2,613	2,613	2,613	
Other objects	9,000	(2,000)	7,000	4,336	2,664
Total guidance	928,393	50,327	978,720	975,277	3,443
Child Study Teams:					
Salaries of other professional staff	1,078,411	(64,036)	1,014,375	1,012,725	1,650
Salaries of secretarial and clerical assts.	182,416		182,416	182,416	
Purchased professional - educational services	107,020	16,767	123,787	123,787	
Other purchased services	4,500	(4,500)			
Miscellaneous purchased services	3,000	4,828	7,828	7,828	
Supplies and materials	4,200	495	4,695	4,469	226
Other objects	29,000	(1,024)	27,976	26,441	1,535
Total child study teams	1,408,547	(47,470)	1,361,077	1,357,666	3,411
Improvement of instructional services:					
Salaries of supervisors of instruction	430,203		430,203	430,203	
Salaries of other professional staff	289,670		289,670	289,670	
Salaries of secretarial and clerical assts	97,081		97,081	97,081	
Supplies and materials	25,000	13,426	38,426	38,426	
Other objects	19,300	(216)	19,084	17,629	1,455
Total improvement of instructional services	861,254	13,210	874,464	873,009	1,455
Educational media services/ school library:					
Salaries	374,475	(16,000)	358,475	357,909	566
Supplies and materials	41,500	(4,000)	37,500	35,160	2,340
Total educational media services/ school library	415,975	(20,000)	395,975	393,069	2,906

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	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	\$ (5,200)	\$ 300	\$ 222	\$ 78
Other purchased services	1,000		1,000	365	635
Other objects	38,000	34,933	72,933	72,089	844
Total instructional staff training services	44,500	29,733	74,233	72,676	1,557
Support services-general administration:					
Salaries	222,905		222,905	222,275	630
Purchased professional services	97,000	10,301	107,301	104,847	2,454
Other purchased professional services	46,000	(16,500)	29,500	28,675	825
Communications/telephone	54,339	36,068	90,407	33,407	57,000
BOE other purchased services	36,180	1,161	37,341	34,980	2,361
Other purchased services	70,000	100	70,100	69,057	1,043
BOE membership dues and fees	25,000	2,177	27,177	27,160	17
Miscellaneous expenditures	30,000	(13,875)	16,125	15,754	371
Total support services-general administration	581,424	19,432	600,856	536,155	64,701
Support services-school administration:					
Salaries of principals/assistant principals	1,158,574		1,158,574	1,158,573	
Salaries of secretarial and clerical assistants	736,682	(12,789)	723,893	723,022	871
Unused vacation payment to terminated/retired staff		13,203	13,203	13,202	1
Total support services-school administration	1,895,256	414	1,895,670	1,894,797	872
Undistributed expenditures-Central services:					
Salaries	486,912	(1,923)	484,989	483,984	
Unused vacation payment to terminated/retired staff		13,008	13,008	13,008	872
Miscellaneous purchased services	8,500	1,111	9,611	9,611	872
Miscellaneous expenditures	74,000	11,485	85,485	84,861	624
Total undistributed expenditures-central services	569,412	23,681	593,093	591,464	2,368
Undistributed expenditures-Admin. info tech.:					
Salaries	263,260	(30,000)	233,260	233,143	117
Miscellaneous purchased services	30,181	50,002	80,183	79,130	1,053
Supplies and materials	60,000	(17,000)	43,000	42,987	13
Other Objects	10,500	(2,000)	8,500	8,500	
Total undistributed expenditures-admin. info. technology	363,941	1,002	364,943	363,760	1,183
Required maintenance for school facilities:					
Salaries	180,005	(5,832)	174,173	173,927	246
Unused vacation payment to terminated/retired staff		3,388	3,388	3,388	
Cleaning, repair and maintenance services	640,110	177,088	817,198	803,904	13,294
General supplies	13,500	2,090	15,590	13,825	1,765
Total required maintenance for school facilities	833,615	176,734	1,010,349	995,044	15,305

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	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	\$ 1,418,362	\$ (12,040)	\$ 1,406,322	\$ 1,405,545	\$ 777
Unused vacation payment to retirees		39,131	39,131	39,112	19
Cleaning, repair and maintenance services	312,783	10,607	323,390	321,566	1,824
Other purchased property services	139,000	(1,482)	137,518	134,529	2,989
Insurance	515,000	15,054	530,054	529,182	872
General supplies	138,048	7,691	145,739	145,086	653
Energy (Propane Gas)		1,292	1,292	274	1,018
Energy (Electricity)	707,000	(94,381)	612,619	606,261	6,358
Energy (Natural Gas)	133,000	(26,370)	106,630	103,018	3,612
Energy (Oil)	15,000	(2,500)	12,500	10,632	1,868
Other objects	118,470	2,039	120,509	117,462	3,047
Total custodial services	3,496,663	(60,959)	3,435,704	3,412,667	23,037
Care and Upkeep of Grounds:					
Salaries	216,396	1,710	218,106	216,172	1,934
General Supplies	54,070	61	54,131	50,950	3,181
Total care and upkeep of grounds	270,466	1,771	272,237	267,122	5,115
Security:					
Salaries	64,274	(1,524)	62,750	62,738	12
Purchased professional and technical	58,000	(4,500)	53,500	53,500	
Total security	122,274	(6,024)	116,250	116,238	
Total operation and maintenance of plant services and required maintenance	4,723,018	111,522	4,834,540	4,791,071	28,152
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - regular	1,314,931	(45,510)	1,269,421	1,268,236	1,185
Between home and school - special	309,573	6,271	315,844	315,047	797
Other than between home and school-	416,790	(341)	416,449	413,373	3,076
Unused vacation payment to		14,112	14,112	13,418	694
Lease purchase payments-buses	308,871	(3,500)	305,371	305,299	72
Contracted services:					
Aid in lieu	40,000	2,768	42,768	42,733	35
Special ed. Vendors	659,500	167,527	827,027	824,444	2,583
General supplies	233,500	(17,682)	215,818	215,818	
Miscellaneous purchased services	75,000	(42,648)	32,352	32,066	286
Transportation supplies	165,000	(1,768)	163,232	162,863	369
Other objects	52,000	(17,019)	34,981	34,867	114
Total student transportation services	3,575,165	62,210	3,637,375	3,628,164	9,211
Unallocated benefits:					
Social security contributions	825,000	16,720	841,720	841,699	21
Other retirement contributions-regular	990,000	(59,333)	930,667	930,667	-
Health benefits	10,050,000	(349,699)	9,700,301	9,688,187	12,114
Tuition reimbursement	95,000	(9,220)	85,780	85,184	596
Total unallocated benefits	11,960,000	(401,532)	11,558,468	11,545,737	12,731

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures					
On-behalf TPAF pension contributions (non-budgeted)				\$ 3,344,386	\$ (3,344,386)
On-behalf TPAF post-retirement contributions (non-budgeted)				2,160,068	(2,160,068)
On-behalf TPAF long-term disability ins contributions (non-budgeted)				5,117	(5,117)
Reimbursed TPAF social security contributions (non-budgeted)				1,544,371	(1,544,371)
Total undistributed expenditures	<u>\$ 30,421,487</u>	<u>\$ 238,147</u>	<u>\$ 30,659,634</u>	<u>37,558,216</u>	<u>\$ (6,898,582)</u>
Total expenditures - current	<u>52,277,312</u>	<u>210,071</u>	<u>52,487,383</u>	<u>59,270,276</u>	<u>(6,782,893)</u>
Capital outlay:					
Equipment:					
Undistributed expenditures:					
Support services - students-spec.	2,000	(2,000)			
Maintenance of School Facilities	121,752	(121,752)			
Operation and maintenance of plant services			84,258	84,258	84,258
Care and Upkeep of Grounds	250,000	41,856	291,856	291,856	291,856
Non-instructional equipment	90,861	39,979	130,840	130,840	130,840
Total equipment	<u>464,613</u>	<u>42,341</u>	<u>506,954</u>	<u>506,954</u>	<u>506,954</u>
Facilities acquisition and construction services:					
Assessment for Debt Service on SDA funding					
	<u>165,633</u>		<u>165,633</u>	<u>165,633</u>	<u>165,633</u>
Total facilities acquisition and construction services	<u>165,633</u>		<u>165,633</u>	<u>165,633</u>	<u>165,633</u>
Assets acquired under capital leases (non-budgeted)					
				<u>845,000</u>	<u>(845,000)</u>
Assets acquired under capital leases (non-budgeted)					
				<u>845,000</u>	<u>(845,000)</u>
Total expenditures - capital outlay	<u>630,246</u>	<u>42,341</u>	<u>672,587</u>	<u>1,517,587</u>	<u>(845,000)</u>

Manchester Township School District
General Fund

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

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Total expenditures	\$ 52,907,558	\$ 252,412	\$ 53,159,970	\$ 60,787,863	\$ (7,627,893)
(Deficiency) of revenues (under) expenditures	(621,552)	(303,644)	(925,196)	(1,041,022)	(115,826)
Other financing sources:					
Capital leases (non-budgeted)				845,000	845,000
Total other financing sources				845,000	845,000
(Deficiency) of revenues (under) expenditures and other financing sources	(621,552)	(303,644)	(925,196)	(196,022)	729,174
Fund balances, July 1	3,209,535		3,209,535	3,209,535	
Fund balances, June 30	<u>\$ 2,587,983</u>	<u>\$ (303,644)</u>	<u>\$ 2,284,339</u>	<u>\$ 3,013,513</u>	<u>\$ 729,174</u>
Recapitulation of (deficiency) excess of revenues (under) over expenditures					
Budgeted fund balance	\$ (621,552)		\$ (621,552)	\$ (187,378)	\$ 729,174
Withdrawal Maintenance Reserve		\$ (295,000)	(295,000)		
Adjustment for prior year encumbrances		(8,644)	(8,644)	(8,644)	
Total	<u>\$ (621,552)</u>	<u>\$ (303,644)</u>	<u>\$ (925,196)</u>	<u>\$ (196,022)</u>	<u>\$ 729,174</u>
Recapitulation of fund balance:					
Assigned to:					
Year end encumbrances				\$ 93,085	
Designated for subsequent years expenditures				50,764	
Restricted for:					
Excess surplus-current year				199,954	
Designated for subsequent years expenditures - prior year excess surplus				131,953	
Maintenance Reserve				347,410	
Capital Reserve				850,000	
Unassigned fund balance				<u>1,340,347</u>	
				3,013,513	
Reconciliation to Government Funds Statements					
GAAP:					
Last two state aid payments not recognized on GAAP basis				(512,232)	
Solar Renewable Energy Credits (SREC) Income				23,310	
Fund balance per Government Funds (GAAP)				<u>\$ 2,524,591</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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Federal sources	\$ 1,220,718	\$ 240,279	\$ 1,460,997	\$ 1,452,882	\$ (8,115)
Local sources		81,248	81,248	46,523	(34,725)
Total revenues	1,220,718	321,527	1,542,245	1,499,405	(42,840)
Expenditures:					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	261,375	89,600	350,975	350,975	
Other salaries for instruction	214,158	(3,211)	210,947	210,947	
Tuition	622,872	109,055	731,927	731,927	
Supplies and materials		92,158	92,158	49,318	42,840
Total instruction	1,098,405	287,602	1,386,007	1,343,167	42,840
Support services:					
Salaries - professional staff	4,835	1,109	5,944	5,944	
Personal services-employee benefits	84,710	43,050	127,760	127,760	
Purchased professional services	32,768	(10,234)	22,534	22,534	
Total support services	122,313	33,925	156,238	156,238	
Total expenditures	1,220,718	321,527	1,542,245	1,499,405	42,840
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$	\$	\$	\$	\$

Manchester Township School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2018

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 59,746,841	\$ 1,499,405
State aid payments recognized for GAAP statements in the current year, not previously recognized	(512,232)	
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).	522,086	
Adjustment to record the value of Solar Renewable Energy Credits (SREC) income on the modified accrual basis.	23,310	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$ 59,780,005	\$ 1,499,405
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 60,787,863	\$ 1,499,405
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 60,787,863	\$ 1,499,405

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, 2018

	Title I	I.D.E.A.		Title II	Title III	Title IV	Stem Grant	NJSIG Security Grant	MTEF Grant	Oher Local Grants	Totals
		Part B Regular	Part B Preschool	Part A	Part A & Immigrant	Part A					
Revenues:											
Federal sources	\$ 616,696	\$ 699,300	\$ 32,627	\$ 91,184	\$ 1,780	\$ 10,000	\$ 1,295	\$ 9,380	\$ 30,000	\$ 7,143	\$ 1,452,882
Local sources											\$ 46,523
Total revenues	\$ 616,696	\$ 699,300	\$ 32,627	\$ 91,184	\$ 1,780	\$ 10,000	\$ 1,295	\$ 9,380	\$ 30,000	\$ 7,143	\$ 1,499,405
Expenditures:											
Current expenditures:											
Instruction:											
Salaries:											
Salaries of teachers	\$ 290,000			\$ 60,000		\$ 975					\$ 350,975
Other salaries for instruction	209,997				\$ 950						210,947
Tuition		\$ 699,300	\$ 32,627								731,927
Supplies and materials						1,500	\$ 1,295	\$ 9,380	\$ 30,000	\$ 7,143	49,318
Total instruction	499,997	699,300	32,627	60,000	950	2,475	1,295	9,380	30,000	7,143	1,343,167
Support services:											
Salaries - professional staff	5,794				150						5,944
Personal services—employee benefits	108,557			19,044	84	75					127,760
Purchased professional services	2,348			12,140	596	7,450					22,534
Total support services	116,699	-	-	31,184	830	7,525	-	-	-	-	156,238
Total expenditures	\$ 616,696	\$ 699,300	\$ 32,627	\$ 91,184	\$ 1,780	\$ 10,000	\$ 1,295	\$ 9,380	\$ 30,000	\$ 7,143	\$ 1,499,405

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, 2018

	<u>Current Year</u>
Revenues and Other Financing Sources	
State Sources - SDA Grant	
Bond Sale Proceeds	
Revenue from Other Sources	\$ (420)
Total Revenues and Other Financing Sources	<u>(420)</u>
Expenditures and Other Financing Uses	
Purchased Professional Services	75,122
Construction Services	483,845
Other Expense	
Transfer out	
Total Expenditures and Other Financing Uses	<u>558,967</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(559,387)</u>
Fund Balance, July 1	1,094,995
Fund Balance, June 30	<u>\$ 535,608</u>
<u>Reconciliation of budgetary basis to GAAP basis:</u>	
Fund Balance, Budgetary Basis	\$ 535,608
Less: Revenue not recognized on a GAAP basis	<u>(6,097)</u>
Fund Balance - June 30, 2018 GAAP Basis	<u>\$ 529,511</u>

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, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 5,644,535		\$ 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>15,249,535</u>	<u>-</u>	<u>15,249,535</u>	<u>15,483,446</u>
Expenditures and Other Financing				
Purchased Professional Services	1,124,461	\$ 75,122	1,199,583	
Construction Services	13,156,122	483,845	13,639,967	
Other Expense				
Transfer Out to Other Funds				
Total Expenditures	<u>14,280,583</u>	<u>558,967</u>	<u>14,839,550</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 968,952</u>	<u>\$ (558,967)</u>	<u>\$ 409,985</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, 2018

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 800,419		\$ 800,419	\$ 835,844
Bond Sale Proceeds	1,433,665		1,433,665	1,433,665
Revenue from Other Sources			-	
Total Revenues	<u>2,234,084</u>	<u>-</u>	<u>2,234,084</u>	<u>2,269,509</u>
Expenditures and Other Financing				
Purchased Professional Services	156,342	\$ 10,556	166,898	
Construction Services	1,837,880	84,805	1,922,685	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>1,994,222</u>	<u>95,361</u>	<u>2,089,583</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 239,862</u>	<u>\$ (95,361)</u>	<u>\$ 144,501</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	100.00%			
Original target completion date	September 2016			
Revised target completion date	July 1, 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, 2018

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 718,045		\$ 718,045	\$ 727,592
Bond Sale Proceeds	1,241,739		1,241,739	1,241,739
Revenue from Other Sources				
Total Revenues	<u>1,959,784</u>	<u>-</u>	<u>1,959,784</u>	<u>1,969,331</u>
Expenditures and Other Financing				
Purchased Professional Services	128,006	\$ 9,061	137,067	
Construction Services	1,671,635	48,462	1,720,097	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>1,799,641</u>	<u>57,523</u>	<u>1,857,164</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 160,143</u>	<u>\$ (57,523)</u>	<u>\$ 102,620</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	100.00%			
Original target completion date	September 2016			
Revised target completion date	July 1, 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, 2018

	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	184,782	\$ 8,262	193,044	
Construction Services	1,455,672	77,460	1,533,132	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>1,640,454</u>	<u>85,722</u>	<u>1,726,176</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 127,960</u>	<u>\$ (85,722)</u>	<u>\$ 42,238</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	100.00%			
Original target completion date	September 2016			
Revised target completion date	July 1, 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, 2018

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 1,766,182		\$ 1,766,182	\$ 1,886,510
Bond Sale Proceeds	3,044,665	\$ (65,420)	2,979,245	3,044,665
Revenue from Other Sources				
Total Revenues	<u>4,810,847</u>	<u>(65,420)</u>	<u>4,745,427</u>	<u>4,931,175</u>
Expenditures and Other Financing				
Purchased Professional Services	371,958	24,048	396,006	
Construction Services	4,112,663	116,132	4,228,795	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>4,484,621</u>	<u>140,180</u>	<u>4,624,801</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 326,226</u>	<u>\$ (205,600)</u>	<u>\$ 120,626</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	\$ 2,979,245			
Bonds Issued	2,979,245			
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	100.00%			
Original target completion date	September 2016			
Revised target completion date	July 1, 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, 2018

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 1,714,420		\$ 1,714,420	\$ 1,783,031
Bond Sale Proceeds	2,761,986	\$ 65,420	2,827,406	2,761,986
Revenue from Other Sources				
Total Revenues	<u>4,476,406</u>	<u>65,420</u>	<u>4,541,826</u>	<u>4,545,017</u>
Expenditures and Other Financing				
Purchased Professional Services	283,372	23,195	306,567	
Construction Services	4,078,273	156,986	4,235,259	
Other Expense				
Transfer Out to Debt Service Fund				
Total Expenditures	<u>4,361,645</u>	<u>180,181</u>	<u>4,541,826</u>	<u>-</u>
Excess (Deficiency) of Revenues (Under) Expenditures	<u>\$ 114,761</u>	<u>\$ (114,761)</u>	<u>\$ -</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	\$ 2,827,406			
Bonds Issued	2,827,406			
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	100.00%			
Original target completion date	September 2016			
Revised target completion date	July 1, 2017			

Manchester Township School District
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2018

Issue/Project Title	Appropriations	Expenditures to Date			Unexpended Balance
		Prior Year	Current Year	Canceled	
Referendum Project - Various Improvements - 2014	\$ 15,483,446	\$ 14,280,583	\$ 558,967	\$ (233,911)	\$ 409,985
New Jersey Clean Energy Rebate Program	126,043			(420)	125,623
	<u>\$ 15,609,489</u>	<u>\$ 14,280,583</u>	<u>\$ 558,967</u>	<u>\$ (234,331)</u>	<u>\$ 535,608</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, 2018

	<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	\$ 177,050	\$ 294,773	\$ 471,823	\$ 199,665	\$ 1,966,602	\$ 2,166,267
Interfund receivable		63,766	63,766			
Total assets	<u>177,050</u>	<u>358,539</u>	<u>535,589</u>	<u>\$ 199,665</u>	<u>\$ 1,966,602</u>	<u>\$ 2,166,267</u>
Liabilities						
Accounts payable		\$ 1,826	\$ 1,826		\$ 1,855,316	\$ 1,855,316
Interfund payable					111,286	111,286
Due to student groups				\$ 199,665		199,665
Total liabilities		<u>1,826</u>	<u>1,826</u>	<u>\$ 199,665</u>	<u>\$ 1,966,602</u>	<u>\$ 2,166,267</u>
Net Position						
Held in Trust	177,050	356,713	533,763			
Total net position	<u>\$ 177,050</u>	<u>\$ 356,713</u>	<u>\$ 533,763</u>			

Manchester Township School District
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
Elementary Schools:				
Manchester Elementary	\$ 17,588	\$ 35,351	\$ 30,082	\$ 22,857
Regional Day School	5,306	19,056	14,841	9,521
Ridgeway School	32,364	20,302	38,511	14,155
Whiting School	12,558	15,848	20,294	8,112
Total Elementary Schools	<u>67,816</u>	<u>90,557</u>	<u>103,728</u>	<u>54,645</u>
Middle School	34,283	71,217	71,076	34,424
Senior High School	98,761	294,001	282,166	110,596
Total All Schools	<u>\$ 200,860</u>	<u>\$ 455,775</u>	<u>\$ 456,970</u>	<u>\$ 199,665</u>

Manchester Township School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
Assets				
Cash and cash equivalents	\$ 2,292,975	\$ 62,712,247	\$ 63,038,620	\$ 1,966,602
Total assets	<u>\$ 2,292,975</u>	<u>\$ 62,712,247</u>	<u>\$ 63,038,620</u>	<u>\$ 1,966,602</u>
Liabilities				
Accounts payable	\$ 2,168,729	\$ 62,600,961	\$ 62,914,374	\$ 1,855,316
Interfund payable	124,246	111,286	124,246	111,286
Total liabilities	<u>\$ 2,292,975</u>	<u>\$ 62,712,247</u>	<u>\$ 63,038,620</u>	<u>\$ 1,966,602</u>

Long-Term Debt

Manchester Township School District
Long-Term Debt

Schedule of Serial Bonds Payable

Year ended June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2017	Retired	Balance June 30, 2018
			Date	Amount				
Referendum	3/1/2011	\$ 8,375,000	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	\$ 6,750,000	\$ 500,000	\$ 6,250,000
			Refunding Bonds	3/28/2012	13,525,000	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				11,220,000	1,075,000	10,145,000
School Bonds	12/10/2014	9,605,000				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	8,205,000	500,000	7,705,000
						<u>\$ 26,175,000</u>	<u>\$ 2,075,000</u>	<u>\$24,100,000</u>

Manchester Township School District
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year Ended June 30, 2018

	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2017	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2018
School buses	1.68%	\$ 635,000	\$ 300,000		\$ 58,022	\$ 241,978
School buses and equipment	1.71%	557,250	250,147		79,087	171,060
Office equipment	0.00%	4,300	1,574		1,033	541
Office equipment	Variable	199,971	67,677		42,246	25,431
Laptop Computers	Variable	331,192	134,042		66,186	67,856
Textbooks	Variable	300,000	122,564		59,567	62,997
School buses	Variable	194,808	76,516		39,711	36,805
Bus and Camera System	1.94%	725,000	557,209		88,472	468,737
Buses and textbooks	1.99%	845,000		\$ 845,000	106,867	738,133
			<u>\$ 1,509,729</u>	<u>\$ 845,000</u>	<u>\$ 541,191</u>	<u>\$ 1,813,538</u>

Manchester Township School District
Debt Service Fund

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

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local tax levy	\$ 2,786,339		\$ 2,786,339	\$ 2,786,339	
State sources:					
Debt Service Aid	193,634		193,634	193,634	
Total revenues	<u>2,979,973</u>	-	<u>2,979,973</u>	<u>2,979,973</u>	-
Expenditures:					
Principal on bonds	2,075,000		2,075,000	2,075,000	
Interest on bonds	908,105		908,105	908,105	
Total expenditures	<u>2,983,105</u>	-	<u>2,983,105</u>	<u>2,983,105</u>	-
(Deficiency) of revenues (under) expenditures	(3,132)		(3,132)	(3,132)	-
Other financing sources:					
Transfers in	559		559	559	-
Total other financing sources	<u>559</u>	-	<u>559</u>	<u>559</u>	-
Net change in fund balance	(2,573)	-	(2,573)	(2,573)	-
Fund balance, July 1	3,483	-	3,483	3,483	-
Fund balance, June 30	<u>\$ 910</u>	<u>\$ -</u>	<u>\$ 910</u>	<u>\$ 910</u>	<u>\$ -</u>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets										
Restricted	\$ 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	\$ 23,505,093
Unrestricted (deficit)	278,105	33,709	226,678	835,861	1,273,553	1,100,096	2,157,654	4,272,611	2,853,959	2,058,828
Total governmental activities net position	<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>	<u>\$ 1,668,967</u>
Business-type activities										
Net investment in capital assets										
Restricted	\$ 592,784	\$ 559,432	\$ 552,016	\$ 476,579	\$ 409,863	\$ 354,499	\$ 303,085	\$ 245,981	\$ 192,917	\$ 166,982
Unrestricted (deficit)	511,290	514,629	251,722	189,117	307,919	221,059	(2,043,632)	(2,678,384)	(3,231,931)	(3,532,016)
Total business-type activities net position	<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>	<u>\$ (3,365,034)</u>
District-wide										
Net investment in capital assets										
Restricted	\$ 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	\$ 23,672,075
Unrestricted (deficit)	278,105	33,709	226,678	835,861	1,273,553	1,100,096	2,157,654	4,272,611	2,853,959	2,058,828
Total district net position	<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>	<u>\$ (1,696,067)</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

	2009		2010		2011		2012		Year Ended June 30,		2015		2016		2017		2018			
									2013	2014										
Expenses																				
Governmental activities																				
Instruction	\$	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	\$	48,809,660
Support Services:																				
Attendance and social work		39,033		45,080		53,507		51,304		56,380		59,051		69,405		76,771		77,840		73,762
Health services		481,711		329,056		392,958		439,139		458,276		405,372		420,468		433,965		457,646		477,856
Other support services		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		6,243,470
Improvement of instruction		929,658		946,132		964,068		1,067,319		1,110,423		1,094,227		1,216,005		1,426,602		1,652,019		1,749,547
Other support instructional staff		79,851		70,729		24,912		43,983		42,573		84,119		152,661		43,587		33,877		72,914
School library		625,575		648,935		637,551		694,645		699,204		662,340		649,888		666,302		776,286		777,082
General administration		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		2,365,497
School administration		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		5,638,278
Required maintenance of plant		585,542		530,628		1,050,808		997,008		1,210,371		1,340,786		1,240,265		1,146,279		340,994		1,839,769
Operation of plant		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		5,062,146
Student transportation		3,925,035		4,009,434		3,824,863		4,099,245		4,270,167		4,320,873		4,405,350		5,176,387		5,886,520		6,200,588
Capital outlay																				
Interest on long-term debt		918,261		1,003,390		1,091,494		920,735		982,757		1,025,175		988,251		1,106,501		956,630		893,322
Total governmental activities expenses		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		80,203,893
Business-type activities:																				
Food service		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		1,352,051
Regional Day School		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		6,025,421
Total business-type activities expense		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		7,377,472
Total district expenses	\$	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	\$	87,581,365
Program Revenues																				
Governmental activities:																				
Charges for services:																				
Instruction (tuition)	\$	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	\$	2,402,372
Pupil transportation		280,158		282,722		281,160		240,753		286,081		262,741		287,230		381,561		376,660		430,144
Operating grants and contributions		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		1,499,405
Capital grants and contributions				16,621		68,549							576,678		3,816,710		1,033,015		212,035	
Total governmental activities program revenues		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		4,543,956
Business-type activities:																				
Charges for services																				
Food service		820,402		825,512		800,212		952,129		705,089		772,900		750,700		738,033		731,712		752,912
Regional Day School		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		5,520,122
Operating grants and contributions		612,645		681,419		685,840		792,020		727,079		755,818		774,004		771,717		781,410		778,418
Total business type activities program revenues		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		7,051,452
Total district program revenues	\$	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	\$	11,595,408
Net (Expense)/Revenue																				
Governmental activities	\$	(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)	\$	(75,659,937)
Business-type activities		29,144		(34,147)		(278,568)		(138,063)		52,086		(142,224)		(99,254)		(691,856)		(606,611)		(326,020)
Total district-wide net expense	\$	(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)	\$	(75,985,957)

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

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 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	\$ 43,977,813
Property taxes levied for debt service	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	2,786,339
Unrestricted grants and contributions	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	27,471,011
Investment earnings	48,588	64,083	72,853	2,429		1,152	1,620	46,900	37,809	46,614
Miscellaneous income	293,699	278,863	264,594	102,342	23,041	119,595	148,709	97,590	60,622	119,928
Transfers										
Total governmental activities	<u>46,174,917</u>	<u>47,937,900</u>	<u>48,224,264</u>	<u>50,296,662</u>	<u>52,127,842</u>	<u>52,629,578</u>	<u>59,535,791</u>	<u>63,686,645</u>	<u>69,576,835</u>	<u>74,401,705</u>
Business-type activities:										
Investment earnings and miscellaneous revenue	4,386	4,134	8,245	21						
Transfers										
Total business-type activities	<u>4,386</u>	<u>4,134</u>	<u>8,245</u>	<u>21</u>						
Total district-wide	<u>\$ 46,179,303</u>	<u>\$ 47,942,034</u>	<u>\$ 48,232,509</u>	<u>\$ 50,296,683</u>	<u>\$ 52,127,842</u>	<u>\$ 52,629,578</u>	<u>\$ 59,535,791</u>	<u>\$ 63,686,645</u>	<u>\$ 69,576,835</u>	<u>\$ 74,401,705</u>
Change in Net Position										
Governmental activities	\$ (1,514,981)	\$ (308,720)	\$ (324,166)	\$ 351,268	\$ 675,380	\$ 241,765	\$ 991,419	\$ 3,330,048	\$ 263,938	\$ (1,258,232)
Business-type activities	33,530	(30,013)	(270,323)	(138,042)	52,086	(142,224)	(99,254)	(691,856)	(606,611)	(326,020)
Total district	<u>\$ (1,481,451)</u>	<u>\$ (338,733)</u>	<u>\$ (594,489)</u>	<u>\$ 213,226</u>	<u>\$ 727,466</u>	<u>\$ 99,541</u>	<u>\$ 892,165</u>	<u>\$ 2,638,192</u>	<u>\$ (342,673)</u>	<u>\$ (1,584,252)</u>

Source: CAFR Schedule A-2 and District records.

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

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

(modified accrual basis of accounting)
Unaudited

	As of June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 365,297	\$ 6,793								
Unreserved	325,861	154,219								
Restricted for										
Assigned to			\$ 56,120	\$ 474,520	\$ 547,437	\$ 616,036	\$ 1,125,368	\$ 1,704,475	\$ 1,977,096	\$ 1,529,317
Unassigned			362,868	458,967	303,227	577,463	51,503	260,350	8,644	143,849
Total general fund	<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>	<u>\$ 2,524,591</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue fund (deficit)										
Capital projects fund (deficit)		\$ 7,601,036								
Debt service fund (deficit)	\$ 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	\$ 529,511
Debt service fund					34,682		116,620	364,565	3,483	910
Assigned to:										
Capital projects fund			336,205							
Debt service fund			226,678							
Total all other governmental funds	<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>	<u>\$ 530,421</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 36,576,791	\$ 37,813,209	\$ 39,723,306	\$ 40,662,161	\$ 41,516,757	\$ 42,228,920	\$ 43,105,538	\$ 44,822,686	\$ 45,592,545	\$ 46,764,152
Tuition charges	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	2,402,372
Interest earnings	48,588	64,083	72,853	2,429		1,152	1,620	10,850	13,962	46,614
Investment Income								36,050	23,847	23,847
Miscellaneous	353,670	286,669	264,671	115,247	34,982	139,974	139,424	188,739	69,949	166,451
State sources	9,242,797	9,721,863	8,124,104	9,279,419	10,480,849	10,033,552	11,288,416	15,256,752	13,537,972	13,512,423
Federal sources	1,108,895	1,647,898	1,794,651	1,534,324	1,381,706	1,346,241	1,269,795	1,386,627	1,611,174	1,579,965
Total revenue	49,570,081	51,618,722	52,126,694	53,818,898	55,757,200	55,988,445	57,952,753	63,886,367	63,096,012	64,471,977
Expenditures										
Instruction										
Regular and Special Education Instruction	21,016,971	22,282,855	21,676,305	22,101,498	22,742,019	23,171,860	23,613,152	23,996,137	24,748,311	25,546,491
Support Services:										
Attendance and social work	29,822	34,474	39,353	37,732	41,467	42,996	45,198	46,757	44,595	42,023
Health services	357,234	329,056	392,958	439,139	458,276	405,372	420,468	433,965	457,646	477,856
Other support services	2,833,901	2,905,702	3,009,236	2,953,130	3,068,456	3,035,844	2,886,769	2,707,183	2,954,053	2,959,467
Improvement of instruction	663,131	713,368	692,721	737,602	771,886	770,009	730,633	829,877	862,762	873,009
School library	461,542	483,454	454,334	498,541	492,813	462,567	402,797	383,963	421,014	393,069
Instructional staff training	67,141	58,852	21,482	38,587	40,087	81,713	148,707	38,948	32,096	72,676
General administration	772,067	749,770	573,929	609,425	654,483	562,681	594,733	433,467	513,481	536,155
School administration	1,598,231	1,650,711	1,600,763	1,609,806	1,760,603	1,684,968	1,671,547	1,661,378	1,808,793	1,894,797
Central services	462,950	458,664	460,591	423,719	456,357	498,932	488,253	549,135	596,680	591,464
Information technology	159,610	181,162	181,243	317,799	302,039	329,395	269,605	244,824	456,848	363,760
Required maintenance of plant	503,492	522,361	593,432	829,477	1,042,988	866,329	1,176,131	1,045,440	727,338	995,044
Operation of plant	4,331,538	4,557,923	3,967,952	3,678,275	3,741,112	3,659,701	3,696,402	3,904,894	3,879,926	3,796,027
Student transportation	2,845,464	3,107,656	2,854,924	3,014,850	3,110,748	3,136,588	2,808,538	3,063,089	3,517,953	3,628,164
Business and other support services and benefits	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	18,599,679
Special Schools										
Costs of Issuance		59,648								
Capital outlay	555,039	1,131,105	6,745,245	734,502	1,253,165	1,588,828	3,179,926	11,487,932	3,013,500	2,076,974
Debt service:										
Cost of Issuance				72,000						
Principal	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	2,075,000
Interest and other charges	897,001	852,439	1,135,454	1,059,320	853,212	912,069	902,375	1,151,590	982,582	908,105
Total expenditures	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	65,829,760
Excess (Deficiency) of revenues over (under) expenditures	(770,014)	(1,400,252)	(6,090,420)	(182,013)	(452,303)	(576,712)	(1,765,415)	(6,310,584)	(1,834,007)	(1,357,783)
Other Financing sources (uses)										
Capital leases (non-budgeted)	170,024	125,410	39,132	134,892	819,947	761,521	826,000	725,000		845,000
Bond proceeds		8,375,000					9,605,000			
Proceeds of refunding debt				13,525,000						
Payment to refunded debt escrow agent				(14,675,597)						
Original issue premium				1,296,985						
Original issue discount				(74,388)						
Transfers in	20,654	33,890	278,875	2,000			116,620	370,623	351	559
Transfers out	-	(33,890)	(278,875)	(2,000)			(116,620)	(370,623)	(351)	(559)
Total other financing sources (uses)	190,678	8,500,410	39,132	206,892	819,947	761,521	10,431,000	725,000	-	845,000
Net change in fund balances	\$ (579,336)	\$ 7,100,158	\$ (6,051,288)	\$ 24,879	\$ 367,644	\$ 184,809	\$ 8,665,585	\$ (5,585,584)	\$ (1,834,007)	\$ (512,783)
Debt service as a percentage of noncapital expenditures	4.5%	4.2%	4.8%	4.7%	4.1%	4.1%	5.1%	6.4%	5.5%	4.7%

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
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
2018	59,897	10,372		49,659		119,928

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
2018	\$ 99,712,300	\$ 2,586,960,854	\$ 5,759,500	\$ 310,063,100	\$ 24,436,600	\$ 259,337,500	\$ 3,286,269,854	\$ 3,732,909	\$ 3,290,002,763	\$ 1.441
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

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	
2009	\$ 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
2018	1.356	0.085	1.441	0.636	0.474	2.551

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.

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

Unaudited

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Cedar Glen Lakes	\$ 56,671,100		1.72%	\$ 41,469,400	2	1.90%
Crestwood Village Co-Op IV	41,213,500		1.25%	44,103,000	1	2.00%
Crestwood Village Co-Op II	35,593,700		1.08%	35,939,000	4	1.70%
Pine Ridge MHC LLC	35,000,000		1.06%			
Crestwood Village Co-Op III	34,559,000		1.05%	36,678,000	3	1.70%
Manchester Plaza	33,547,500		1.02%			
Crestwood Village Co-Op I	27,678,000		0.84%	28,288,000	5	1.30%
Briarhill At Manchester	27,500,000		0.84%			
Hovson's				18,558,400	7	0.90%
Sprintpoint At Crestwood	24,601,800		0.75%			
Cedar Glen West				22,154,000	6	1.00%
Keswick Pines	23,601,700		0.72%	13,549,500	10	0.60%
Cedar Glen Homes				17,800,000	8	0.80%
Kokes Organization				14,191,300	9	0.70%
Total	<u>\$ 339,966,300</u>		<u>10.33%</u>	<u>\$ 272,730,600</u>		<u>12.60%</u>

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	
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%	
2018	46,764,152	46,764,152	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			
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
2018	24,100,000		1,813,538		25,913,538	0.18%	47,413

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

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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
2018	24,100,000	910	24,099,090	0.75%	555.34

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, 2018

Unaudited

	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Manchester Township	\$ 19,158,987	100.0%	\$ 19,158,987
County of Ocean	468,706,376	3.9%	18,279,549
Subtotal, overlapping debt			37,438,536
Manchester Township School District Direct Debt			24,100,000
Total direct and overlapping debt			\$ 61,538,536

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

2018	\$ 3,837,755,289
2017	3,795,545,288
2016	<u>3,720,666,573</u>
	<u>\$ 11,353,967,150</u>

\$ 3,784,655,717

Debt limit (4 % of average equalization value)	\$ 151,386,229
	<u>24,100,000</u>
	<u>\$ 127,286,229</u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 151,386,229
Total net debt applicable to limit	<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>	<u>24,099,090</u>
Legal debt margin	<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>	<u>\$ 127,287,139</u>
Total net debt applicable to the limit as a percentage of debt limit	11.26%	14.50%	0.12%	14.12%	14.81%	14.89%	21.53%	19.41%	17.63%	15.92%

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
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%
2017	43,395		47,413	6.4%

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	2018			2009		
	Employees*	Rank (Optional)	Percentage of Total	Employees	Rank (Optional)	Percentage of Total
Joint Base - Lakehurst	3,550	1	63.39%	3,550	1	65.83%
Manchester Township Board of Education	600	2	10.71%	501	2	9.29%
Whiting Healthcare	140	3	2.50%	237	5	4.39%
Manchester Township	228	4	4.07%			
Arista Healthcare	225	5	4.02%			
Crestwood Manor	225	6	4.02%	260	4	4.82%
Shoprite	200	7	3.57%	359	3	6.66%
Manchester Manor	192	8	3.43%	192	6	3.56%
Lowe's	120	9	2.14%			
Arbors Care Center	120	10	2.14%			
Logan Manor				140	8	2.60%
Whiting Super G				120	9	2.23%
Magnesium Elekton Inc.				34	10	0.63%
	<u>5,600</u>		<u>100.00%</u>	<u>5,393</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>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>2018</u>
Instruction										
Regular	214	209.6	215	215.6	215.6	214.6	214.1	212.1	219.1	218.1
Special education	54	52	68	67.4	67.4	68.4	68.4	68.4	68.4	68.4
Other special education	42	42	35	38	38	38	38	38	38	39
Support Services:										
Student & instruction related services	57	59.8	69	68.7	68.7	70.7	77.7	84.7	84.7	98.2
General administrative services	5	5	2	2.1	2.1	2.1	2.1	2.1	2.1	2.1
School administrative services	24	24	24	23.9	23.9	25.4	26.4	28.4	28.4	28.4
Business administrative services	8	8	7	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Technical administrative services	2	2	2	1.8	1.8	1.8	3	4	4	4
Plant operations and maintenance	36.5	33	32	32.4	34.4	34.4	36.5	36.5	36.5	36.5
Pupil transportation	59	57	58	58.3	58.3	58.3	62.62	62.62	62.62	62.62
Special Schools	46	45	-	-	-	-	-	-	-	-
Total	<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>	<u>564.22</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				
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%
2018	3,071	60,769,681	19,788	10.39%	270	11:1	10:1	11:1	3,000	2,838	-0.30%	94.60%

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>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>2018</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	601	585	581	597	601	601	547	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	479	545	527	516	506	506	488	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	259	285	280	247	239	239	264	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	711	703	666	667	681	681	675	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	1,153	1,137	1,123	1,051	1,001	1,001	980	980	980	980

Number of Schools at June 30, 2018
 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,									
		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Central Office		\$ 240,673	\$ 234,994	\$ 221,690	\$ 176,935	\$ 161,307	\$ 180,085	\$ 109,067	\$ 82,941	\$ 82,475	\$ 58,269
High School	40	343,518	122,208	289,847	391,864	160,717	197,972	229,602	159,957	115,391	158,345
Manchester Elementary School	43	88,281	56,862	157,077	155,822	93,312	127,434	97,080	81,975	89,188	63,929
Manchester Middle School	45	134,581	170,154	217,836	228,808	198,324	401,210	180,858	125,249	84,716	95,848
Ridgeway Elementary School	50	88,050	88,902	92,039	131,489	188,149	100,861	124,450	77,947	92,910	77,917
Whiting Elementary School	60	99,941	54,217	66,951	91,213	64,520	35,426	88,420	65,363	57,681	49,185
Total School Facilities		\$ 995,044	\$ 727,338	\$1,045,440	\$ 1,176,131	\$ 866,329	\$ 1,042,988	\$ 829,477	\$ 593,432	\$ 522,361	\$ 503,492

Source: District records of required maintenance.

Manchester Township School District
Insurance Schedule
Year ended June 30, 2018
Unaudited

Type of Coverage	Coverage	Deductible
Multi Peril Package Policy - New Jersey School Board Association Ins. Group		
Section I - Property:		
Blanket building and contents	\$ 500,000,000	\$ 5,000
Extra expense	50,000,000	5,000
Flood/Earthquake /Terrorism	126,000,000	500,000
Valuable papers	10,000,000	5,000
Demolition and Inc. Cost of Construction	25,000,000	
Limited Builders Risk	10,000,000	
Other	620,000	
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	1,000
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, 2018
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2019.

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.

PKF O'CONNOR DAVIES, LLP
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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

February 5, 2019
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, 2018. 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, 2018.

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

February 5, 2019
Cranford, New Jersey

David J. Gannon

David J. Gannon
Licensed Public School Accountant
No. 2305

Manchester Township School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

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, 2017	Carryover/ (Walkover) Amount	Cash Received	Total Budgetary Expenditures	Balance at June 30, 2018		
					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	1805NJ5MAP	Not available	\$ 127,083	7/1/17	6/30/18			\$ 127,083	\$ (127,083)			
Total General Fund									127,083	(127,083)			
U.S. Department of Defense - Direct													
Special Revenue Fund:													
STEM grant	12.000	Not applicable	Not available	9,400	7/1/17	6/30/18	\$ 410		9,411	(1,295)		\$ 8,116	
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	S010A180030	NCLB-2940-08	616,696	7/1/17	6/30/18			616,696	(616,696)			
Special Education Cluster:													
IDEA Special Education Grants to States	84.027A	H027A180100	FT294008	699,300	7/1/17	6/30/18			699,300	(699,300)			
IDEA Preschool Grants for Children with Disabilities	84.173A	H173A180114	PS294007	32,627	7/1/17	6/30/18			32,627	(32,627)			
Subtotal of Special Education Cluster:									731,927	(731,927)			
Title II, Part A, Improving Teacher Quality State Grants	84.367A	S367A180029	NCLB-2940-07	91,184	7/1/17	6/30/18			91,184	(91,184)			
Title III, Immigrant	84.365	S365A180030	NCLB-2940-07	1,780	7/1/17	6/30/18			1,780	(1,780)			
Title IV, Part A	84.186A	Not applicable	NCLB-2940-08	10,000	7/1/17	6/30/18			10,000	(10,000)			
Total Special Revenue Fund							410		1,460,998	(1,452,882)		8,116	
U.S. Department of Agriculture—Passed-Through NJ Department of Agriculture													
Enterprise Fund:													
Child Nutrition Cluster:													
Food Donation Program (NC)	10.555	171NJ304N1099	N/A	92,930	7/1/16	6/30/17	3,031			(3,031)			
Food Donation Program (NC)	10.555	181NJ304N1099	N/A	81,655	7/1/17	6/30/18			81,655	(75,811)		5,844	
National School Lunch Program	10.555	171NJ304N1099	N/A	399,317	7/1/16	6/30/17	(28,336)		28,336				
National School Lunch Program	10.555	181NJ304N1099	N/A	409,502	7/1/17	6/30/18			374,527	(409,502)	(34,975)		
School Breakfast Program	10.553	171NJ304N1099	N/A	98,621	7/1/16	6/30/17	(7,607)		7,607				
School Breakfast Program	10.553	181NJ304N1099	N/A	102,602	7/1/17	6/30/18			92,891	(102,602)	(9,711)		
Subtotal Child Nutrition Cluster:							(32,912)		585,016	(590,946)	(44,686)	5,844	
Healthy Hunger-Free Kids Act	10.555	171NJ304N1099	N/A	12,221	7/1/16	6/30/17	(915)		915				
Healthy Hunger-Free Kids Act	10.555	181NJ304N1099	N/A	12,014	7/1/17	6/30/18			10,951	(12,014)	(1,063)		
Total Enterprise Fund							(33,827)		596,882	(602,960)	(45,749)	5,844	
Total Federal Awards							\$ (33,417)	\$ -	\$ 2,184,963	\$ (2,182,925)	\$ (45,749)	\$ 13,960	\$ -

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, 2018

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Balance at June 30, 2018			MEMO		
			From	To	Unearned Revenue (Accounts Receivable)	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Intergovernmental (Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Transportation Aid	17-495-034-5120-014	\$ 1,826,200	7/1/2016	6/30/2017	\$ (171,431)		\$ 171,431						
Transportation Aid	18-495-034-5120-014	1,826,200	7/1/2017	6/30/2018			1,654,572	\$ (1,826,200)			\$ (171,628)	\$ (1,826,200)	
Special Education Categorical Aid	17-495-034-5120-089	1,709,627	7/1/2016	6/30/2017	(160,488)		160,488						
Special Education Categorical Aid	18-495-034-5120-089	1,709,627	7/1/2017	6/30/2018			1,548,955	(1,709,627)			(160,672)	(1,709,627)	
Extraordinary Aid	17-100-034-5120-044	444,728	7/1/2016	6/30/2017	(444,728)		444,728						
Extraordinary Aid	18-100-034-5120-044	581,839	7/1/2017	6/30/2018				(581,839)	\$ (581,839)			(581,839)	
Security Aid	17-495-034-5120-084	410,680	7/1/2016	6/30/2017	(38,552)		38,552						
Security Aid	18-495-034-5120-084	410,680	7/1/2017	6/30/2018			372,084	(410,680)			(38,596)	(410,680)	
Adjustment Aid	17-495-034-5120-085	1,531,444	7/1/2016	6/30/2017	(143,761)		143,761						
Adjustment Aid	18-495-034-5120-085	1,420,212	7/1/2017	6/30/2018			1,286,739	(1,420,212)			(133,473)	(1,420,212)	
PARCC Readiness Aid	17-495-034-5120-098	28,080	7/1/2016	6/30/2017	(2,636)		2,636						
Per Pupil Growth Aid	17-495-034-5120-097	28,080	7/1/2016	6/30/2017	(2,636)		2,636						
Professional Learning Community Aid	17-495-034-5120-101	27,510	7/1/2016	6/30/2017	(2,582)		2,582						
PARCC Readiness Aid	18-495-034-5120-098	28,080	7/1/2017	6/30/2018			25,441	(28,080)			(2,639)	(28,080)	
Per Pupil Growth Aid	18-495-034-5120-097	28,080	7/1/2017	6/30/2018			25,441	(28,080)			(2,639)	(28,080)	
Professional Learning Community Aid	18-495-034-5120-101	27,510	7/1/2017	6/30/2018			24,925	(27,510)			(2,585)	(27,510)	
Other State Aid (NP Transportation Aid)	Not Available	7,379	7/1/2016	6/30/2017	(7,379)		7,379						
Other State Aid (NP Transportation Aid)	Not Available	10,730	7/1/2017	6/30/2018				(10,730)				(10,730)	
On-Behalf TPAF Medical Contributions (NC)	18-495-034-5094-001	2,160,068	7/1/2017	6/30/2018			2,160,068	(2,160,068)		(10,730)		(2,160,068)	
On-Behalf TPAF Long-Term Disability Insurance (NC)	18-495-034-5094-001	5,117	7/1/2017	6/30/2018			5,117	(5,117)				(5,117)	
TPAF Pension and Annuity Fund (NC)	18-495-034-5094-002	3,344,386	7/1/2017	6/30/2018			3,344,386	(3,344,386)				(3,344,386)	
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	1,539,748	7/1/2016	6/30/2017	(76,362)		76,362						
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	1,544,371	7/1/2017	6/30/2018			1,468,257	(1,544,371)		(76,114)		(1,544,371)	
Total General Fund					(1,050,555)		12,966,540	(13,096,900)		(668,683)	-	(512,232)	(13,096,900)
Capital Projects Fund:													
NJ School Development Authority (SDA)	Various	5,878,446	8/5/2015	Completion	(914,209)		831,664	(212,035)		(294,580)		(5,638,440)	
Total Capital Projects Fund					(914,209)		831,664	(212,035)		(294,580)	-	(5,638,440)	
Debt Service Fund:													
Debt Service Aid	18-495-034-5120-017	193,634	7/1/2016	6/30/2017			193,634	(193,634)				(193,634)	
Total Debt Service Fund							193,634	(193,634)				(193,634)	
State Department of Agriculture:													
Enterprise Fund:													
National School Lunch Program (State Share)	17-100-010-3350-023	9,978	7/1/2016	6/30/2017	(739)		739						
National School Lunch Program (State Share)	18-100-010-3350-023	10,614	7/1/2017	6/30/2018			9,677	(10,614)		(937)		(10,614)	
State Department of Education:													
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	174,513	7/1/2016	6/30/2017	(7,992)		7,992						
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	164,844	7/1/2017	6/30/2018			157,140	(164,844)		(7,704)		(164,844)	
Total Enterprise Fund					(8,731)		175,548	(175,458)		(8,641)	-	(175,458)	
Total state awards					\$ (1,973,495)		\$ 14,167,386	\$ (13,678,027)		\$ (971,904)	\$ -	\$ (512,232)	\$ (19,104,432)
State Financial Assistance Not Subject to Single Audit Determination:													
General Fund:													
On-Behalf TPAF Medical Contributions (NC)	18-495-034-5094-001	2,160,068	7/1/2017	6/30/2018			(2,160,068)	2,160,068				2,160,068	
On-Behalf TPAF Long-Term Disability Insurance (NC)	18-495-034-5094-001	5,117	7/1/2017	6/30/2018			(5,117)	5,117				5,117	
TPAF Pension and Annuity Fund (NC)	18-495-034-5094-002	3,344,386	7/1/2017	6/30/2018			(3,344,386)	3,344,386				3,344,386	
Total State Financial Assistance Subject to Single Audit Determination					\$ (1,973,495)		\$ 8,657,815	\$ (8,168,456)		\$ (971,904)	\$ -	\$ (512,232)	\$ (13,594,861)

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, 2018

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, 2018

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 \$(9,854) 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:

	Federal	State	Total
General Fund	\$ 127,083	\$ 13,106,754	\$ 13,233,837
Special Revenue Fund	1,452,882		1,452,882
Capital Projects Fund		212,035	212,035
Debt Service Fund		193,634	193,634
Enterprise Fund/Food Service	602,960	10,614	613,574
Enterprise Fund/Regional Day School		164,844	164,844
Total financial award revenues	<u>\$ 2,182,925</u>	<u>\$ 13,687,881</u>	<u>\$ 15,870,806</u>

Manchester Township School District

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

Year ended June 30, 2018

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, 2018.

The post retirement pension, medical and long-term disability benefits received on-behalf of the District for the year ended June 30, 2018 amounted to \$5,509,571. 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, 2018

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
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Manchester Township School District

Schedule of Findings and Questioned Costs

June 30, 2018

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	181NJ304N1099	Food Donation Program
10.555	181NJ304N1099	National School Lunch Program
10.555	181NJ304N1099	Healthy Hunger-Free Kids Act
10.553	181NJ304N1099	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, 2018

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
495-034-5120-014	Transportation Aid

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, 2018

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, 2018

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, 2018

Not applicable.