

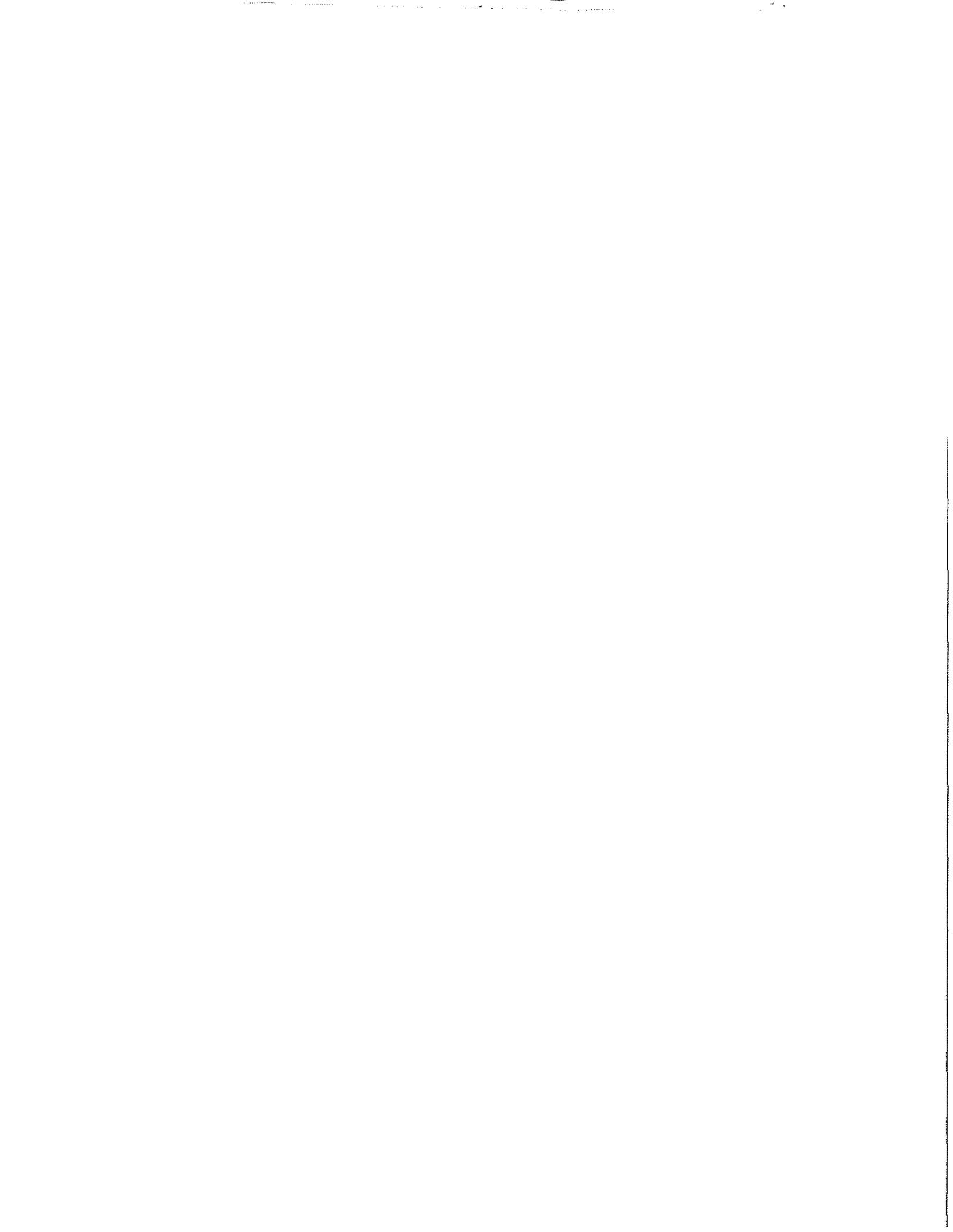
MANCHESTER TOWNSHIP SCHOOL DISTRICT



Manchester Township Board of Education
Manchester Township, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

"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, 2012

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

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INTRODUCTORY SECTION

INTRODUCTORY SECTION



Manchester Township Board of Education

P. O. Box 4100, 121 Route 539
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DAVID TRETHAWAY
Superintendent of Schools

CRAIG A. LORENTZEN, CPA
Business Administrator
Board Secretary

DONALD WEBSTER, JR.
President

JAMES K. PATE
Vice President

October 3, 2012

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, 2012, 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, 2012 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 provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the independent auditors' reports on internal control and compliance with applicable major programs, are included in the single audit section of this report.

1. Reporting Entity and Its Services

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

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2011/2012 fiscal year with an average daily enrollment of 3,075.6 students. The average daily enrollment at the State's Regional Day School at Jackson (RDS) administered by the District for 2011/2012 was 89.0. 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
2011-2012 (RDS)	3,075.6 89.0	(3.91)% (7.00)
2010-2011 (RDS)	3,200.8 95.7	1.85 (5.31)
2009-2010 (RDS)	3,142.7 101.6	0.36 1.30
2008-2009 (RDS)	3,131.4 100.3	(0.81) (1.28)
2007-2008 (RDS)	3,157.1 101.6	(0.78) (3.78)

2. Economic Condition and Outlook

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

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

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

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

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

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

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

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

3. Major Initiatives

The year 2011/2012 marked the third year of the District's implementation of the goals of the Long Range Plan, updated in June 2008. Implementation of the goals through specific objectives is a continuous process. However, implementation of the specific objectives occurs within specific timelines.

Goal: Raise academic expectations and Improve student performance

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

Elementary:

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

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

Middle School:

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

High School:

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

District:

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

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

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

- Final test results will be analyzed when we receive them from the State.

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

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

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

Goal: Focus on reducing utility costs through energy conservation

Status: Since the inception of the Energy Education program in October 2009, the school district has reduced energy cost by over \$1.5 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 and a \$2.3 million state aid reduction in 2010-2011 that the District still has not recovered from. The District will also be pursuing other energy savings opportunities through the NJ Clean Energy Audit Program. The energy audit will be at no cost to the District and will provide other areas where energy savings may be achieved at minimal cost.

Goal: Pilot a block schedule program at the High School for a section of History and English

Status: The response from students and staff on the block schedule has been very positive. The District will be adding math and science in 2012-2013 and will evaluate the program throughout the year.

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

Status: This year has been another year of a significant amount of new regulations and mandates coming from the State. We are in the process of reviewing and updating the entire policy manual and aim to have it complete during the 2012-2013 school year. The District continues to develop policies that address the new mandates.

Goal: Successful NJQSAC evaluation

Status: The District recently completed the New Jersey Quality Single Accountability Continuum (NJQSAC) review process. Through the hard work and dedication of the staff, administration and QSAC committees, the District did outstanding on this review. The District scored 100% in Fiscal Management, Governance, Operations and Personnel and scored 86% in Instruction and Program.

Goal: Continue to maintain and upgrade district technology

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

Conclusion

The District has implemented all of the District goals and objectives for the school year 2011/2012. We continue to raise the academic expectations and improve test scores while being cost conscience as well.

4. Internal Control

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

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

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

5. Budgetary Controls

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end either are canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

6. Accounting System and Reports

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

7. Debt Administration

Under provisions of New Jersey statutes, school districts may not incur indebtedness greater than 4% of the average equalized valuation of taxable property. At June 30, 2012, the District's outstanding debt issues are below the legal debt margin. The bonds of the District are rated AAA by Standard & Poor's and the District continues to be committed to providing the debt rating agencies and all other interested parties with annual audited financial statements and other pertinent credit information relevant to our outstanding securities.

8. Cash Management

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

9. Risk Management

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

10. Other Information

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

B. Awards: The International Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the sixteenth 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 2011/2012 certificate.

11. Major Operations or Financial Concerns

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

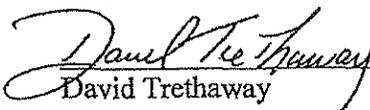
12. Significant Budget Variations or Modifications Discussion for Next Year

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

13. Acknowledgments

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

Respectfully Submitted,

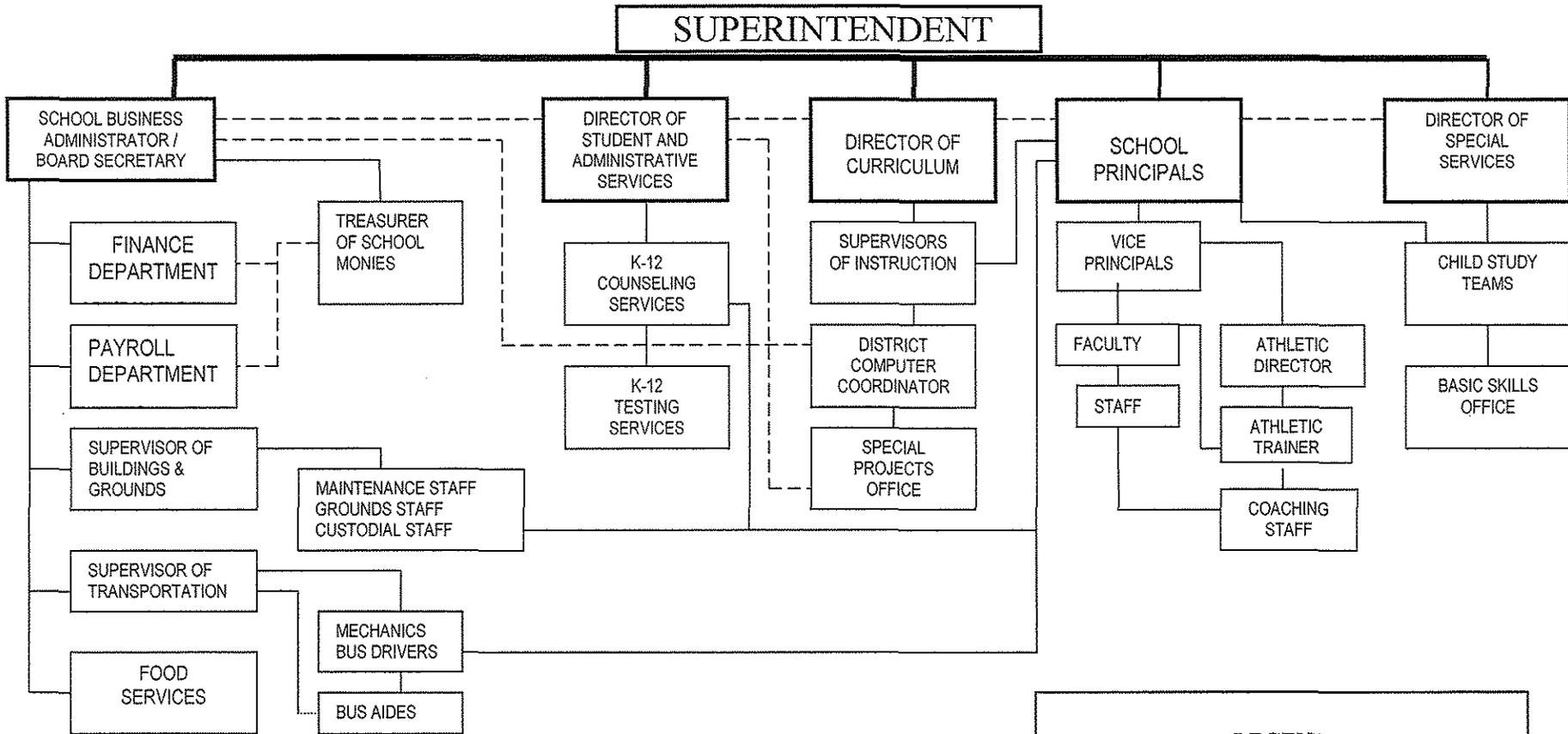

David Trethaway
Superintendent


Craig A. Lorentzen, CPA
Board Secretary
Business Administrator

MANCHESTER TOWNSHIP SCHOOL DISTRICT

Organization Chart

BOARD OF EDUCATION



LEGEND

_____ Primary Reporting Authority

----- Line of Cooperation

Manchester Township School District
Manchester Township, New Jersey

Roster of Officials

June 30, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Donald Webster, Jr., President	2012
James K. Pate, Vice President	2013
Mary Walter	2014
Steve Placido	2014
James Griffin	2012
Jackie Bermudez	2013
Jennifer Hudak	2014
Joann Septor (Lakehurst Board Representative)	Yearly Appointee

Other Officials

David Trethaway, Superintendent of Schools
Craig A. Lorentzen, CPA, Board Secretary/School Business Administrator
Diane Lapp, Treasurer

Manchester Township School District
Manchester Township, New Jersey

Independent Auditors and Advisors

Independent Auditors

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

Attorney

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

Official Depository

TD Bank
86 Lacey Road
Whiting, New Jersey 08759

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This 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, 2011**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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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 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

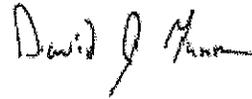
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified 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 Government 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

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

Manchester Township School District
Management's Discussion and Analysis
Year ended June 30, 2012
(Unaudited)

As management of the Manchester Township School District, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. 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 (2011-2012) and the prior fiscal year (2010-2011) 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 assets presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

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

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37 - 62 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 63 - 86 of this report.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$14,393,549 at the close of 2012 and the District's overall financial position has remained consistent with the prior year. The following table provides a summary of net assets relating to the District's governmental and business-type activities at June 30, 2012 and 2011:

Manchester Township Board of Education
Manchester Township, New Jersey

Net Assets

	June, 30 2012			June 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 2,440,435	\$ 284,917	\$ 2,725,352	\$ 3,023,343	\$ 480,002	\$ 3,503,345
Capital assets, net	42,137,414	514,202	42,651,616	43,517,965	604,201	44,122,166
Total assets	44,577,849	799,119	45,376,968	46,541,308	1,084,203	47,625,511
Current liabilities	744,393	95,800	840,193	1,556,672	228,280	1,784,952
Long-term liabilities outstanding	30,105,603	37,623	30,143,226	31,608,051	52,185	31,660,236
Total liabilities	30,849,996	133,423	30,983,419	33,164,723	280,465	33,445,188
Net assets:						
Invested in capital assets, net of related debt	16,198,934	476,579	16,675,513	17,031,547	552,016	17,583,563
Restricted	835,861		835,861	226,678		226,678
Unrestricted (deficit)	(3,306,942)	189,117	(3,117,825)	(3,881,640)	251,722	(3,629,918)
Total net assets	\$13,727,853	\$665,696	\$14,393,549	\$13,376,585	\$803,738	\$14,180,323

Current and other assets decreased mainly due to the expenditures incurred related to completion of the bond referendum and gym lighting capital projects. The majority of the improvements related to these projects were completed during 2011 fiscal year; however, the District expended \$333,000 for punch list items to complete the projects. Capital assets, net decreased due to the capital improvements completed during 2012 offset by depreciation expense of approximately \$1,956,000.

Current liabilities decreased due to the timing of when the last health benefit bill, approximately \$600,000 in the governmental funds and \$130,000 in the business type funds, was paid during the 2012 fiscal year. During the 2011 fiscal year, the last health benefit bill was not paid until after the fiscal year end.

Long-term liabilities decreased based on principal payments made in the amount of \$1,420,000 in bonds payable and \$413,000 in capital lease payments, offset by a refunding bond issue and a new capital lease in the amount of \$13,525,000 and \$135,000, respectively.

The largest portion of the District's net assets is its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital leases) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's 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. The restricted portion of the net assets, \$835,000, relates to unexpended amounts in the Capital Projects Fund.

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net assets reflects long-term obligations, such as compensated absences, not invested in capital assets. The deficit (negative) amount is mainly the result of liabilities for compensated absences without an offsetting asset.

There was a reduction of approximately \$138,000 in net assets reported in connection with the District's business-type activities as a result of the following:

- For the Food Service program, although the program generated additional daily sales in the amount of \$150,000 over the prior year, operating expenses also increased. The net assets for the Food Service program decreased \$35,000 as a result.
- For the Regional Day School, a decline in the number of students being sent to the school by other school districts from around New Jersey continued during the 2012 fiscal year. Overall net assets for the Regional Day program decreased \$103,000. Tuition generated by the program decreased \$225,000, however, the District was able to control operating expenses during the 2012 fiscal year, which resulted in a decrease of \$360,000 in the amount expended for the program.

District activities. The key elements of the District's changes in net assets for the years ended June 30, 2012 and 2011 are as follows:

Manchester Township Board of Education
Manchester Township, New Jersey

Changes in Net Assets
Year Ended

	June 30, 2012			June 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,466,071	\$6,831,079	\$ 9,297,150	\$ 2,428,269	\$6,905,427	\$ 9,333,696
Operating and capital grants and contributions	1,316,913	792,020	2,108,933	1,755,321	685,840	2,441,161
General revenues:						
Property taxes	40,662,161		40,662,161	39,723,306		39,723,306
Federal and state aid not restricted to specific purposes	9,529,730		9,529,730	8,163,511		8,163,511
Earnings on investments	2,429	21	2,450	72,853	8,245	81,098
Miscellaneous	102,342		102,342	264,594		264,594
Total revenues	54,079,646	7,623,120	61,702,766	52,407,854	7,599,512	60,007,366
Expenses:						
Instructional services	31,926,646	2,229,518	34,156,164	31,147,739	2,313,940	33,461,679
Support services	20,880,997	5,531,644	26,412,641	20,492,787	5,555,895	26,048,682
Interest on long-term liabilities	920,735		920,735	1,091,494		1,091,494
Total expenses	53,728,378	7,761,162	61,489,540	52,732,020	7,869,835	60,601,855
Change in net assets	351,268	(138,042)	213,226	(324,166)	(270,323)	(594,489)
Net assets – beginning	13,376,585	803,738	14,180,323	13,700,751	1,074,061	14,774,812
Net assets – ending	\$13,727,853	\$665,696	\$14,393,549	\$13,376,585	\$803,738	\$14,180,323

Governmental Activities

- Unrestricted State Aid increased from 2011 by approximately \$900,000 and the District received \$225,000 in federal Education Job funds during 2012. Property tax revenues increased from 2011 by approximately \$939,000. Operating grants decreased as a result of the remaining ARRA funds being expended in by the end of the 2011 fiscal year.
- Instructional and support services costs increased due to contractual obligations of teachers and other employees, as well as related benefits.

Business-Type Activities

- Charges for services decreased from 2011 as a result of declining enrollment at the Regional Day School offset by increased daily sales related to the Food Service operations.
- Discretionary spending related to support services were reduced in order to offset fixed costs and contractual increases as it became apparent that the overall enrollment for the Regional Day School continued to decrease and estimated revenues projected during the annual budget process would not be sufficient to meet the cost structure of the school.

Financial Analysis of the District's Funds

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2012, and the increases (decreases) in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent of Increase (Decrease)</u>
Local sources	\$ 42,977,255	79.96%	\$ 769,316	1.82%
State sources	9,238,770	17.19	1,131,287	13.95
Federal sources	1,534,324	2.85	(260,327)	(14.51)
Total	<u>\$ 53,750,349</u>	<u>100.00%</u>	<u>\$ 1,640,276</u>	<u>3.15%</u>

The increase in local sources is mainly attributable to the tax levy increase of approximately \$900,000 offset by a decrease in interest on investments earned and a decrease in miscellaneous revenues. 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 a result of the State of New Jersey's decision to increase state aid during the 2012 fiscal year.

The decrease in federal sources is mainly attributable to the District utilizing the remaining federal funding from ARRA under the IDEA and Title I programs during the 2011 fiscal year. This decrease was partially offset by one-time federal revenue, Education Jobs Funds, in the amount of \$225,000.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2012 and the increases and decreases related to the prior year:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent of Increase (Decrease)</u>
Current expenditures:				
Instruction	\$ 20,670,008	38.52%	\$ 310,626	1.53%
Undistributed expenditures	30,045,081	55.98	1,413,048	4.94
Capital outlay	401,011	0.75	67,557	20.26
Debt service:				
Principal	1,420,000	2.65	75,000	5.58
Interest	1,131,320	2.10	(4,134)	(0.36)
Total	<u>\$53,667,420</u>	<u>100.0%</u>	<u>\$1,862,097</u>	<u>3.59%</u>

The increase in instruction and undistributed expenditures is attributable primarily to contractual salary increases to staff, and increases to health benefits, pensions and private school tuition for special need students. Overall, debt service amounts increased due to the timing of the repayment schedule of outstanding debt.

General Fund

The fund balance increased by \$514,000 during the 2012 fiscal year largely as a result of an increase in unrestricted state aid and a one-federal funding source under the Education Jobs program. Of this amount, \$453,000 has been assigned by the Board of Education for the purchase of equipment to meet the mandates of a new student testing program 'PARCC' expected to be implemented in the 2013-2014 school year. As of June 30, 2012, the District has an unassigned fund balance of \$459,000, approximately \$100,000 increase from the 2011 fiscal year.

Special Revenue Fund

Expenditures incurred in the Special Revenue Fund decreased by approximately \$500,000 as a direct result of one time funding received during the 2010 and 2011 fiscal years related to ARRA under the IDEA and Title I programs. The last of this funding was utilized during the 2011 fiscal year. The District did not obtain any new federal or state funding that is required to be accounted for in the Special Revenue Fund during the 2012 fiscal year.

Capital Projects Fund

The District completed its referendum and gym lighting projects at the end of the 2012 fiscal year significantly under-budget. As of June 30, 2012, the District's Capital Project's Fund Balance was approximately \$835,000 that will be utilized towards debt service tax relief in the future.

Debt Service Fund

State debt service aid decreased approximately \$100,000 as a result of the State changing its funding formula.

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, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,220,818	\$ 1,220,818			\$ 1,220,818	\$ 1,220,818
Construction in Progress		50,367				50,367
Buildings and buildings improvements	38,274,460	39,266,360			38,274,460	39,266,360
Machinery, equipment, and vehicles	2,642,136	2,980,420	\$ 514,202	\$ 604,202	3,156,338	3,584,622
Total capital assets, net	\$ 42,137,414	\$ 43,517,965	\$ 514,202	\$ 604,202	\$42,651,616	\$44,122,167

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, 2012 and 2011:

	Governmental Activities	
	2012	2011
Bonds payable (net)	\$24,980,530	\$26,349,000
Capital leases payable	957,950	1,236,221
Compensated absences	4,167,123	4,022,830
Total long-term liabilities	\$30,105,603	\$31,608,051

During the 2012 fiscal year, the District issued refunding bonds in the amount of \$13,525,000 related to the 2004 bond series. For more detailed information, please refer to Note 5 to the basic financial statements.

Economic Factors and Next Year's Budget

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

During the 2011-2012 school year the District's state aid increased by 8.4%. An additional state aid payment of \$453,145 was also made to be used as tax relief or integrated into the budget. However, even with the increase in state aid, the district is still \$1.37 million below state funding levels from the 2009-2010 school year due to substantial cuts that were made during the 2010-2011 school year. This has had a significant impact on the educational systems in Manchester. Federal aid that represents approximately 2% of the district's budget also decreased in 2011-2012 and is expected to continue decreasing each year due to state budget reductions.

There are new unfunded state requirements on the horizon related to a new teacher evaluation program and a computerized state testing program for students "PARCC" that must be implemented during the 2012-2013 and 2013-2014 school years. There will be a significant amount of training involved for the new teacher evaluation program along with the purchase of and implementation of the new program. The PARCC program will require that all students be able to take state mandated testing on a computer. This will require significant upgrades to our infrastructure and will require the purchase of several hundred computers.

The District went through a district wide energy audit and facility assessment during the 2011-2012 school year. The results of these projects are currently being evaluated. However, there is an extreme need to address roofing and HVAC equipment throughout the district. The majority of the District's HVAC equipment is 20-30 years old and is now becoming cost prohibited to maintain. An overall assessment of the energy audit and facilities assessment will be done to determine the best course of action to take to address these needs.

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 \$1,500,000 and is very optimistic that it will continue to save on energy consumption in the future. Additionally, in the upcoming school year, Manchester will continue to participate and seek opportunities through shared services with municipalities and other school districts as well as cooperative purchasing agreements to reduce district operating costs.

The state funding of education in New Jersey is causing an undo hardship on most districts in the state and Manchester is no exception. The fact of receiving just under 11% of its general fund budget from state aid, excluding on-behalf TPAF, FICA and pension when the average approximately 41% combined with other District's of similar size and type to Manchester (District factor group of B), presents an enormous disadvantage to all the constituents of Manchester. Matters became financially tighter when the state aid remained idle for five years even with a tremendous enrollment growth to the district.

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 16 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 2012 fiscal year. The reduction and/or stabilization of state aid will make future budgets difficult.

General Fund Budgetary Highlights

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

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

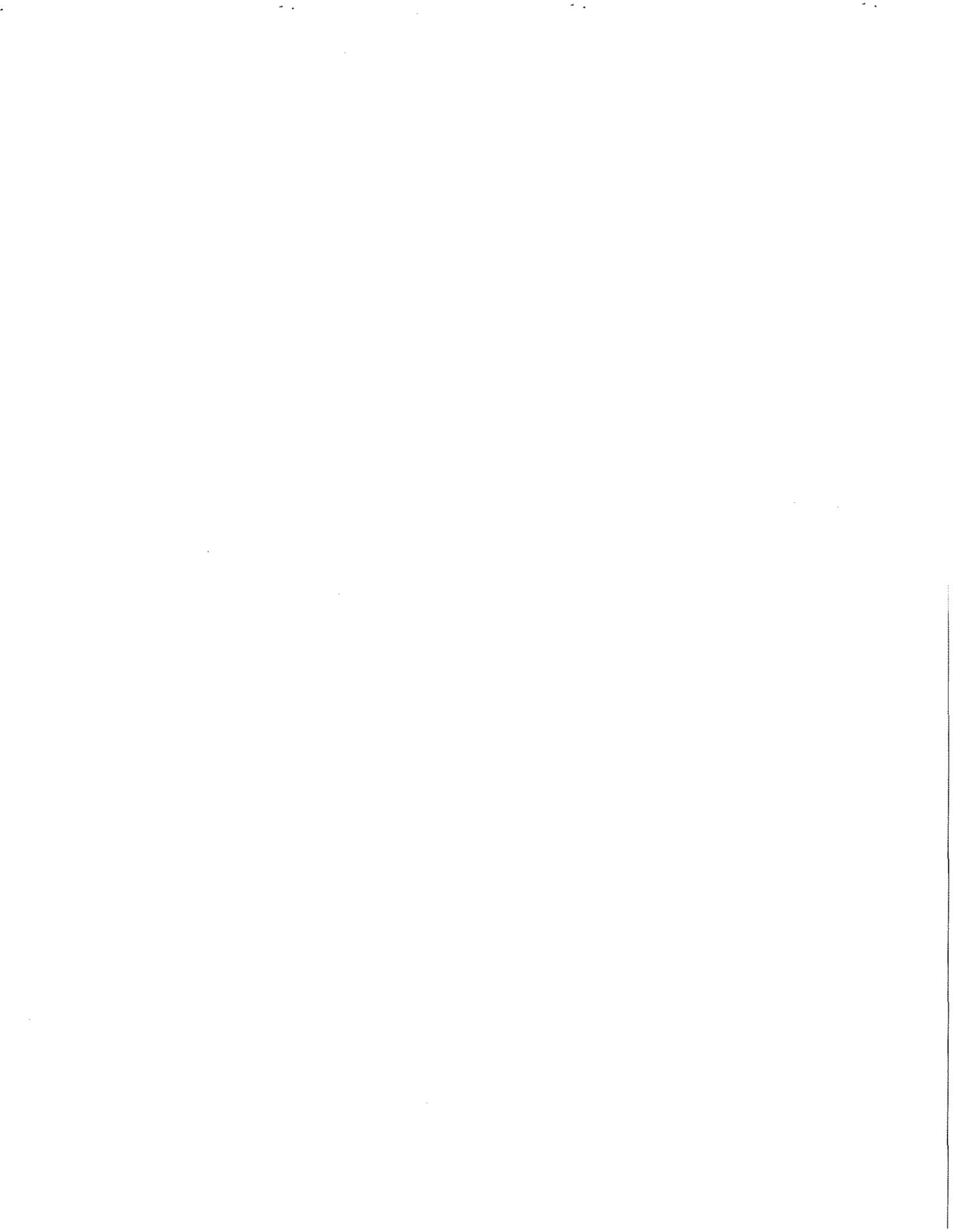
- Required maintenance for school facilities – cleaning, repair and maintenance - an increase of \$325,322 was mainly attributable to maintenance and upkeep of the districts aging HVAC systems.
- Operations and maintenance of plant services – custodial services – energy (electricity) – a decrease of \$376,892 was mainly attributable to the District continuing its energy savings program.

- Unallocated benefits - health benefits – an increase of \$171,738 as a result of annual increases in the District's health insurance plan.

Requests for Information

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

Basic Financial Statements



Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2012.

Manchester Township School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,041,903	\$ 30,536	\$ 1,072,439
Accounts receivable	878,561	602,093	1,480,654
Internal balances	369,265	(369,265)	-
Inventories		21,553	21,553
Investments	19,995		19,995
Deferred charges	130,711		130,711
Capital assets, non-depreciable	1,220,818		1,220,818
Capital assets, depreciable, net	40,916,596	514,202	41,430,798
Total assets	<u>44,577,849</u>	<u>799,119</u>	<u>45,376,968</u>
Liabilities			
Accounts payable	431,876	91,786	523,662
Accrued interest payable	301,122		301,122
Unearned revenue	11,395	4,014	15,409
Current portion of long-term obligations	1,912,488	13,669	1,926,157
Noncurrent portion of long-term obligations	28,193,115	23,954	28,217,069
Total liabilities	<u>30,849,996</u>	<u>133,423</u>	<u>30,983,419</u>
Net assets			
Invested in capital assets, net of related debt	16,198,934	476,579	16,675,513
Restricted for:			
Capital projects	835,861		835,861
Unrestricted (deficit)	(3,306,942)	189,117	(3,117,825)
Total net assets	<u>\$ 13,727,853</u>	<u>\$ 665,696</u>	<u>\$ 14,393,549</u>

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

Manchester Township School District

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	\$ 31,926,646	\$ 2,225,318	\$ 1,001,727		\$ (28,699,601)		\$ (28,699,601)
Support services:							
Attendance/social work	51,304				(51,304)		(51,304)
Health services	439,139				(439,139)		(439,139)
Other support services	4,335,845		246,637		(4,089,208)		(4,089,208)
Improvement of instruction	1,067,319				(1,067,319)		(1,067,319)
Other support:							
Instructional staff	43,983				(43,983)		(43,983)
School library	694,645				(694,645)		(694,645)
General administration	1,849,178				(1,849,178)		(1,849,178)
School administration	3,364,903				(3,364,903)		(3,364,903)
Required maintenance of plant	997,008			\$ 68,549	(928,459)		(928,459)
Operation of plant	3,938,430				(3,938,430)		(3,938,430)
Student transportation	4,099,245	240,753			(3,858,492)		(3,858,492)
Interest on long-term debt	920,735				(920,735)		(920,735)
Total governmental activities	53,728,378	2,466,071	1,248,364	68,549	(49,945,394)		(49,945,394)
Business-type activities							
Food service	1,597,000	952,129	610,074		\$ (34,797)		(34,797)
Regional day school	6,164,162	5,878,950	181,946		(103,266)		(103,266)
Total business-type activities	7,761,162	6,831,079	792,020		(138,063)		(138,063)
	\$ 61,489,540	\$ 9,297,150	\$ 2,040,384	\$ 68,549	(49,945,394)	(138,063)	(50,083,457)
General revenues:							
Property taxes, levied for general purposes					38,560,101		38,560,101
Property taxes, levied for debt service					2,102,060		2,102,060
Federal sources, unrestricted					290,960		290,960
State sources, unrestricted					9,238,770		9,238,770
Investment earnings					2,429	21	2,450
Miscellaneous income					102,342		102,342
Total general revenues					50,296,662	21	50,296,683
Change in net assets					351,268	(138,042)	213,226
Net assets—beginning					13,376,585	803,738	14,180,323
Net assets—ending					\$ 13,727,853	\$ 665,696	\$ 14,393,549

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

Fund Financial Statements

Governmental Funds

Manchester Township School District
Governmental Funds

Balance Sheet

June 30, 2012

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Assets					
Cash and cash equivalents			\$ 1,041,903		\$ 1,041,903
Accounts receivable:					
State	\$ 299,181		57,270		356,451
Federal	35,301	\$ 137,739			173,040
Other	250,739				250,739
Interfund receivable	545,451		2,000		547,451
Total assets	<u>\$ 1,130,672</u>	<u>\$ 137,739</u>	<u>\$ 1,101,173</u>	<u>\$ -</u>	<u>\$ 2,369,584</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 115,524	\$ 136,732	\$ 179,620		\$ 431,876
Interfund payable	71,273		85,692		156,965
Deferred revenue	10,388	1,007			11,395
Total liabilities	<u>197,185</u>	<u>137,739</u>	<u>265,312</u>		<u>600,236</u>
Fund balances					
Restricted for:					
Capital projects			835,861		835,861
Assigned to:					
Designated for subsequent year's expenditures	453,145				453,145
Other purposes	21,375				21,375
Unassigned:					
General fund	458,967				458,967
Total fund balances	<u>933,487</u>	<u>-</u>	<u>835,861</u>	<u>-</u>	<u>1,769,348</u>
Total liabilities and fund balances	<u>\$ 1,130,672</u>	<u>\$ 137,739</u>	<u>\$ 1,101,173</u>	<u>\$ -</u>	

Amounts reported for *governmental activities* in the statement of net assets (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 \$80,741,603 and the accumulated depreciation is \$38,604,189.	42,137,414
Solar renewable energy certificates were not available in the current period and therefore were not reported as assets in the funds.	19,995
Internal service funds are used by the District to charge the costs of the transportation to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities.	77,110
Unamortized portion of debt issuance costs not reported as an asset in the funds.	130,711
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.	(301,122)
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>(30,105,603)</u>
Net assets of governmental activities	<u>\$ 13,727,853</u>

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

Manchester Township School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Local sources:					
Local tax levy	\$ 38,560,101			\$ 2,102,060	\$ 40,662,161
Tuition	2,225,318				2,225,318
Interest on investments	2,429				2,429
Miscellaneous	82,347	\$ 5,000	\$ 27,900		115,247
Total local sources	40,870,195	5,000	27,900	2,102,060	43,005,155
State sources	9,088,188		40,649	150,582	9,279,419
Federal sources	290,960	1,243,364			1,534,324
Total revenues	50,249,343	1,248,364	68,549	2,252,642	53,818,898
Expenditures:					
Current:					
Instruction	19,668,281	1,001,727			20,670,008
Undistributed-current:					
Instruction	1,431,490				1,431,490
Attendance/social work	37,732				37,732
Health services	439,139				439,139
Support services	2,707,319	245,811			2,953,130
Improvement of instruction	737,602				737,602
School library	498,541				498,541
Instructional staff training	38,587				38,587
General administration	609,425				609,425
School administration	1,609,806				1,609,806
Central services	423,719				423,719
Information technology	317,799				317,799
Required maintenance for school facilities	829,477				829,477
Operation of plant	3,678,275				3,678,275
Student transportation	3,014,850				3,014,850
Unallocated benefits	9,708,958				9,708,958
On-behalf TPAF social security and pension contributions	3,716,551				3,716,551
Capital outlay	400,185	826	333,491		734,502
Debt service:					
Cost of issuance				72,000	72,000
Principal				1,420,000	1,420,000
Interest				1,059,320	1,059,320
Total expenditures	49,867,736	1,248,364	333,491	2,551,320	54,000,911
Excess (Deficiency) of revenues over (under) expenditures	381,607	-	(264,942)	(298,678)	(182,013)
Other financing sources (uses):					
Transfers in			2,000		2,000
Transfers out	(2,000)				(2,000)
Capital leases	134,892				134,892
Refunding bonds issued				13,525,000	13,525,000
Premium on bonds				1,296,985	1,296,985
Discount on bonds				(74,388)	(74,388)
Payment to refunded bond escrow agent				(14,675,597)	(14,675,597)
Total other financing sources (uses)	132,892		2,000	72,000	206,892
Net change in fund balances	514,499	-	(262,942)	(226,678)	24,879
Fund balances, July 1	418,988	-	1,098,803	226,678	1,744,469
Fund balances, June 30	\$ 933,487	\$ -	\$ 835,861	\$ -	\$ 1,769,348

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

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

Manchester Township School District
Governmental Funds

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

Year ended June 30, 2012

Total net change in fund balances - governmental funds (from B-2) **\$ 24,879**

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

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

Capital additions	\$ 575,816	
Depreciation expense	(1,956,367)	(1,380,551)

The issuance of long-term debt for general and refunding purposes provides current financial resources to governmental funds, however has no effect on net assets.

Refunding Bond Issued	(13,525,000)	
Bonds refunded	13,309,000	(216,000)

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 assets and is not reported in the statement of activities.

Serial Bonds Payable	1,420,000	
Obligations Under Capital Leases	413,163	1,833,163

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

(134,892)

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

Amortization of Issuance Costs	(6,126)	
Payment of Bond Issuance Costs	72,000	
Write-off of Bond Issuance Costs	(26,766)	
Premium on Bond Issuance	(1,296,985)	
Amortization of Premiums on Bonds	20,265	
Discount on Bond Issuance	74,388	
Amortization of Discounts on Bonds	(1,162)	
Deferred Interest Costs on Bond Refunding	1,393,364	
Amortization of Deferred Issuance Costs	(25,400)	203,578

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

(5,618)

In the statement of activities, 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.

151,007

In the statement of net assets and statement of activities the investment value of solar renewable energy certificates are presented at market value, and not portrayed in the governmental funds. This amount reflects the value at June 30, 2012.

19,995

In the statement of activities, 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).

(144,293)

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

\$ 351,268

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

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Proprietary Funds

Manchester Township School District
Proprietary Funds

Statement of Net Assets

June 30, 2012

	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		\$ 30,536	\$ 30,536	
Accounts receivable:				
State	\$ 503	8,390	8,893	
Federal	72,569		72,569	
Other	43,913	476,718	520,631	\$ 61,352
Interfund receivable	53,516		53,516	15,758
Inventories	21,553		21,553	
Total current assets	192,054	515,644	707,698	77,110
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	700,510	2,586,141	3,286,651	
Accumulated depreciation	(660,946)	(2,111,503)	(2,772,449)	
Total capital assets, net	39,564	474,638	514,202	
Total noncurrent assets	39,564	474,638	514,202	
Total assets	231,618	990,282	1,221,900	77,110
Liabilities				
Current liabilities:				
Accounts payable	89,890	1,896	91,786	
Interfund payable		422,781	422,781	
Capital leases payable		13,669	13,669	
Unearned revenue	4,014		4,014	
Total current liabilities	93,904	438,346	532,250	-
Noncurrent liabilities:				
Capital leases payable		23,954	23,954	
Total noncurrent liabilities		23,954	23,954	
Total liabilities	93,904	462,300	556,204	-
Net Assets				
Invested in capital assets, net of related debt	39,564	437,015	476,579	
Unrestricted	98,150	90,967	189,117	77,110
Total net assets	\$ 137,714	\$ 527,982	\$ 665,696	\$ 77,110

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

Manchester Township School District
Proprietary Funds

Statement of Revenues, Expenses and
Changes in Fund Net Assets

Year ended June 30, 2012

	Major Funds			
	Business Type Activities - Enterprise Funds			Governmental Activities
	Food Service	Regional Day School	Totals	Internal Service Fund
Operating revenues:				
Local sources:				
Daily food sales-reimbursable programs	\$ 384,347		\$ 384,347	
Daily food sales non-reimbursable programs	267,548		267,548	
Special functions	300,234		300,234	
Tuition		\$ 5,878,056	5,878,056	
Miscellaneous revenue		894	894	
Total local sources	<u>952,129</u>	<u>5,878,950</u>	<u>6,831,079</u>	
Services provided to other funds				\$ 240,753
Total operating revenues	952,129	5,878,950	6,831,079	240,753
Operating expenses:				
Salaries	456,310	3,786,156	4,242,466	116,059
Employee benefits	110,148	1,787,717	1,897,865	36,000
Purchased professional services	66,542	16,000	82,542	53,687
Purchased property services	85,953	103,542	189,495	
Other purchased services	89,520	146,723	236,243	
Supplies and materials	128,419	164,008	292,427	
Depreciation	18,010	73,581	91,591	
Cost of sales	635,219		635,219	
Other objects	6,879	83,947	90,826	40,625
Total operating expenses	<u>1,597,000</u>	<u>6,161,674</u>	<u>7,758,674</u>	<u>246,371</u>
Operating (loss)	(644,871)	(282,724)	(927,595)	(5,618)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	13,654		13,654	
Reimbursed TPAF social security contribution		181,946	181,946	
Federal sources:				
National school lunch program	420,209		420,209	
National breakfast program	76,403		76,403	
Food donation program	99,808		99,808	
Interest revenue		21	21	
Interest expense		(2,488)	(2,488)	
Total nonoperating revenues (expenses)	<u>610,074</u>	<u>179,479</u>	<u>789,553</u>	
Change in net assets	(34,797)	(103,245)	(138,042)	(5,618)
Total net assets-beginning	<u>172,511</u>	<u>631,227</u>	<u>803,738</u>	<u>82,728</u>
Total net assets-ending	<u>\$ 137,714</u>	<u>\$ 527,982</u>	<u>\$ 665,696</u>	<u>\$ 77,110</u>

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

Manchester Township School District
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2012

	Major Funds			
	Business Type Activities			Governmental
	Enterprise Funds			Activities
	Food Service	Regional Day School	Totals	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 945,533	\$ 5,788,673	\$ 6,734,206	\$ 286,511
Payments to employees	(456,310)	(3,786,156)	(4,242,466)	(116,059)
Payments for employee benefits	(110,148)	(1,787,717)	(1,897,865)	(36,000)
Payments to suppliers	(966,774)	(838,350)	(1,805,124)	(94,311)
Payments for insurance	(66,542)	(16,000)	(82,542)	
Net cash (used in) provided by operating activities	(654,241)	(639,550)	(1,293,791)	40,141
Cash flows from noncapital financing activities				
Cash received from state and federal reimbursements	566,478	181,960	748,438	
Negative cash balance implicitly financed	47,048		47,048	
Transfers (to) from other funds	(30,212)	422,781	392,569	(40,141)
Net cash provided by (used in) noncapital financing activities	583,314	604,741	1,188,055	(40,141)
Cash flows from capital and related financing activities				
Payment of capital leases		(14,562)	(14,562)	
Purchases of capital assets - equipment		(1,591)	(1,591)	
Net cash provided by (used in) capital and related financing activities	-	(16,153)	(16,153)	
Cash flows from investing activities				
Cash received from interest income		21	21	
Cash paid for interest expense		(2,488)	(2,488)	
Net cash (used in) by investing activities	-	(2,467)	(2,467)	
Net (decrease) in cash and cash equivalents	(70,927)	(53,429)	(124,356)	-
Cash and cash equivalents, beginning of year	70,927	83,965	154,892	
Cash and cash equivalents, end of year	\$ -	\$ 30,536	\$ 30,536	\$ -
Reconciliation of operating (loss) to net cash (used in) provided by operating activities:				
Operating (loss)	\$ (644,871)	\$ (282,724)	\$ (927,595)	\$ (5,618)
Adjustments to reconcile operating (loss) to net cash (used in) provided by operating activities:				
Depreciation	18,010	73,581	91,591	
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(6,596)	(90,277)	(96,873)	45,759
(Increase) in inventory	(4,822)		(4,822)	
(Decrease) in accounts payable	(15,962)	(340,130)	(356,092)	
Net cash (used in) provided by operating activities	\$ (654,241)	\$ (639,550)	\$ (1,293,791)	\$ 40,141

Noncash noncapital related financing activities:

The District received \$99,414 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2012.

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

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Fiduciary Funds



Manchester Township School District
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012

	<u>Private-Purpose Scholarship Fund</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
Assets			
Cash and cash equivalents	\$ 250,947	\$ 261,618	\$ 1,973,196
Interfund receivable		17,775	21,962
Investments	46,318		
Total assets	<u>297,265</u>	<u>279,393</u>	<u>\$ 1,995,158</u>
Liabilities			
Payroll deductions and withholdings payable			\$ 1,777,686
Accounts payable		62,163	
Interfund payable		21,962	54,754
Due to student groups			162,718
Total liabilities		<u>84,125</u>	<u>\$ 1,995,158</u>
Net Assets			
Held in trust for unemployment claims		<u>\$ 195,268</u>	
Held in trust for scholarships	<u>\$ 297,265</u>		

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

Manchester Township School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	Private-purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
Additions		
Contributions:		
Employee contributions	\$ 4,205	\$ 38,088
Total contributions	4,205	38,088
Investment earnings:		
Interest	238	
Total additions	4,443	38,088
Deductions		
Unemployment payments		151,827
Scholarship payments	25,000	
Total deductions	25,000	151,827
Change in net assets	(20,557)	(113,739)
Net assets-beginning of the year	317,822	309,007
Net assets-end of the year	\$ 297,265	\$ 195,268

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

Manchester Township School District
Notes to the Basic Financial Statements

Year ended June 30, 2012

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 assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

The District has reported the following major governmental funds:

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

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

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

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

The District reports the following major proprietary funds:

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

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

Additionally, the District reports the following fund types:

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

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

Trust Funds: These 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.

In its accounting and financial reporting, the District follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's enterprise funds and business-type activities have elected not to apply the standards issued by the FASB after November 30, 1989.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

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

D. Budgets/Budgetary Control

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. The overexpenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures. All budget amendments must be approved by School Board resolution. Budget amendments were made during the year ended June 30, 2012 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, 2012, the unused Food Donation Program commodities of \$4,014 are reported as unearned revenue.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

G. Capital Assets

Capital assets, which include property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

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

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

H. Compensated Absences

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, a liability existed for compensated absences in the government-wide financial statements in the amount of \$4,167,123 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, 2012

1. Summary of Significant Accounting Policies (continued)

I. Deferred Revenue

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

J. Long-Term Obligations

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

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

K. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

L. Fund Balances

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

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

Of the \$933,487 of fund balances in the General Fund, \$21,375 of encumbrances is assigned to other purposes, \$453,145 has been classified as assigned fund balance designated for subsequent years expenditures and \$458,967 is classified as unassigned. Of the fund balances in the Capital Projects Fund, \$835,861 is restricted for capital projects.

M. Management Estimates

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

N. On-Behalf Payments

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

O. Regional Day School

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

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

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

P. Calculation of Excess Surplus

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The District did not have any current year excess surplus.

Q. Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2012 through October 3, 2012, 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 and is as follows:

In August 2012, mold was discovered at the District's middle school. The middle school has been closed while remediation efforts are underway and the students are attending classes at the District's high school. The total cost of the remediation is not yet known. Additionally, it is not yet known how much of the cost will be reimbursed by the District's insurance carrier and how much of the cost will be the District's responsibility.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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 Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, capital leases and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. The details of this \$30,105,603 difference are as follows:

Bonds payable	\$ 25,145,000
Premium on bonds	1,276,720
Discount on bonds	(73,226)
Deferred interest costs	(1,367,964)
Capital leases payable	957,950
Compensated absences	4,167,123
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 30,105,603</u>

3. Deposits and Investments

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

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

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2012 the carrying amount of the District's deposits was \$2,235,693 and the bank balance was \$4,227,651. Of the bank balance, \$416,032 of the District's cash deposits on June 30, 2012 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the remaining bank balance of \$3,811,619.

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 CLASS.

As of June 30, 2012, the District's investment balances of \$46,318 were certificates of deposit with original maturities of three months or more and are secured by GUDPA and \$19,995 in Solar Renewable Energy Certificates.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investment. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The pooled shares are equal to the value of the District's shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2012, the District's balance was \$1,134,260.

All investments in the Fund 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, 2012, all of the District's investments were invested in certificates of deposits and the NJCMF.

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2012:

	Beginning Balance	Increases	Retirements /Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$1,220,818			\$1,220,818
Construction in progress	50,367		\$ (50,367)	
Total capital assets, not being depreciated	1,271,185		(50,367)	1,220,818
Capital assets, being depreciated:				
Buildings and building improvements	63,261,701	\$ 333,491	50,367	63,645,559
Machinery, equipment and vehicles	15,632,901	242,325		15,875,226
Total capital assets being depreciated	78,894,602	575,816	50,367	79,520,785
Less accumulated depreciation for:				
Buildings and building improvements	23,995,341	1,375,758		25,371,099
Machinery, equipment and vehicles	12,652,481	580,609		13,233,090
Total accumulated depreciation	36,647,822	1,956,367		38,604,189
Total capital assets, being depreciated, net	42,246,780	(1,515,443)		40,916,596
Governmental activities capital assets, net	<u>\$ 43,517,965</u>	<u>\$(1,380,551)</u>		<u>\$ 42,137,414</u>

The following is a summarization of the business-type activities changes in capital assets for the fiscal year ended June 30, 2012:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
Capital assets, being depreciated:			
Equipment and vehicles	\$3,285,060	\$1,591	\$3,286,651
Less accumulated depreciation for:			
Equipment and vehicles	2,680,858	91,591	2,772,449
Total business-type activities capital assets, net	<u>\$604,202</u>	<u>\$(90,000)</u>	<u>\$514,202</u>

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

4. Capital Assets (Continued)

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

Instruction	\$ 852,579
General administration	1,103,788
Total depreciation expense – governmental activities	<u>\$ 1,956,367</u>

5. Long-Term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences payable	\$4,022,830	\$336,292	\$191,999	\$4,167,123	\$210,644
Bonds payable	26,349,000	13,525,000	14,729,000	25,145,000	1,385,000
Premium on bonds		1,296,985	20,265	1,276,720	81,062
Discount on bonds		(74,388)	(1,162)	(73,226)	(4,649)
Deferred interest costs		(1,393,364)	(25,400)	(1,367,964)	(87,085)
Obligations under capital leases	1,236,221	134,892	413,163	957,950	327,516
Governmental activity long-term liabilities	<u>\$31,608,051</u>	<u>\$13,825,417</u>	<u>\$15,327,865</u>	<u>\$30,105,603</u>	<u>\$1,912,488</u>
Business-type activities:					
Obligations under capital leases	\$52,185		\$14,562	\$37,623	\$13,669

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

Bonds Payable

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

5. Long-Term Liabilities (continued)

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

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

In September of 2004, the District issued \$17,974,000 of School District Bonds, Series 2004 to currently refund a bond anticipation note that matured on September 1, 2004. In March 2012, the District issued \$13,525,000 of refunding bonds to provide resources to refund a portion of the District's Series 2004 bonds. As a result, \$13,309,000 of refunded bonds are considered defeased and the liability has been removed from the basic financial statements. This advance refunding was undertaken to reduce total debt service payments over the next sixteen years by \$554,798 and resulted in a net present value savings of \$450,483. As of June 30, 2012, \$13,309,000 of defeased debt remains outstanding. The difference between the re-acquisition price of the defeased debt of \$14,675,028 and the net carrying amount of the old bonds of \$13,281,664 is being amortized over the remaining life of the defeased debt. The bonds are due to mature annually through the 2028 fiscal year at annual interest rates ranging from 3.00% to 5.00%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 1,385,000	\$ 1,007,895	\$ 2,272,895
2014	1,320,000	958,206	2,268,206
2015	1,425,000	904,717	2,314,717
2016	1,465,000	847,468	2,302,468
2017	1,580,000	3,325,405	11,345,405
2018-2022	8,125,000	2,792,040	10,917,040
2023-2027	7,525,000	1,136,060	8,661,060
2028-2030	2,320,000	136,450	2,456,450
	<u>\$25,145,000</u>	<u>\$8,234,608</u>	<u>\$33,379,608</u>

See page 84 for additional information regarding the District's bonds payable.

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

Year ended June 30, 2012

5. Long-Term Liabilities (continued)

The assets acquired through capital leases are as follows at June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
Machinery, equipment And vehicles	\$ 3,655,033	\$ 265,587
Less accumulated depreciation	<u>(2,675,022)</u>	<u>(219,853)</u>
Total	<u>\$ 980,011</u>	<u>\$45,734</u>

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 3.95% to 10.87%. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net future minimum lease payments at June 30, 2012:

<u>Fiscal Year</u>	<u>Amounts</u>
Year ending June 30:	
2013	\$ 366,660
2014	295,286
2015	205,246
2016	109,025
2017	<u>72,056</u>
Total minimum lease payment	1,048,274
Less amount representing interest	<u>(90,323)</u>
Present value of net future minimum lease payments	<u>\$ 957,950</u>

See page 85 for additional information regarding the District's capital leases.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

5. Long-Term Liabilities (continued)

Enterprise Fund

The Regional Day School has capital leases outstanding for office equipment and a van. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net future minimum lease payments at June 30, 2012:

	<u>Total</u>
Fiscal year:	
2013	\$ 15,465
2014	13,529
2015	<u>12,147</u>
Total minimum lease payment	41,141
Less amount representing interest	<u>(3,518)</u>
Present value of net future minimum lease payments	<u>\$ 37,623</u>

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

6. Pension Plans

Description of Systems

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

6. Pension Plans (continued)

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 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. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 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 creditable service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

6. Pension Plans (continued)

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. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both 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, 2012, the State of New Jersey contributed \$2,152,775 to the TPAF for post-retirement medical benefits and other pension costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,563,776 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2012, 2011 and 2010 was \$769,696, \$735,431, and \$559,998, respectively, equal to the required contributions for each year.

Post-Retirement Benefits

Plan Description

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

6. Pension Plans (continued)

Funding Policy

P.L. 1987, chapter 384 and P.L. 1990, chapter 6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2012, 2011, and 2010 were \$1,437,630, \$1,489,875, and \$1,413,173, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

7. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2012 amounted to \$656,462 analyzed as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 545,451	\$71,273
Capital Projects Fund	2,000	85,692
Enterprise Fund - Food Service	53,516	
Enterprise Fund – Regional Day School		422,781
Internal Service Fund - Transportation	15,758	
Trust Fund – Unemployment	17,775	21,962
Agency Fund	21,962	54,754
	<u>\$656,462</u>	<u>\$656,462</u>

The interfund payable in the Enterprise Fund – Regional Day School represents loans from the General Fund not returned at June 30, 2012. The interfund receivable in the Enterprise Fund – Food Service represent reimbursements received and deposited into the General Fund but not transferred into the enterprise fund at June 30, 2012.

The interfund payable in the Agency Fund represents loans from the Trust Fund - Unemployment not returned at June 30, 2012. The interfund payable in Trust Fund - Unemployment and respective interfund receivable in the Agency Fund represents funds due back to agency that were deposited in excess.

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

All interfunds are expected to be liquidated within one year.

8. Economic Dependency

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

9. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2012 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.

10. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

Manchester Township School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

11. Transfers – Reconciliation

	<u>In</u>	<u>Out</u>
General Fund		\$ 2,000
Capital Projects Fund	\$ 2,000	
	<u>\$ 2,000</u>	<u>\$ 2,000</u>

The transfer from the general fund to the capital projects fund represents an additional amount required to fund the local share portion for a project that has received funding from the New Jersey Schools Development Authority.

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

13. Deferred Charges

The deferred charges recorded in the government-wide statement of net assets represent debt issuance costs that are being amortized using the straight-line method over the life of the related bonds. The unamortized costs associated with the issues of the various bonds amounted to \$130,711 at June 30, 2012. The amortization expense for the year ended June 30, 2012 amounted to \$6,126. In governmental funds, debt issuance costs are recognized in the current period.

Required Supplementary Information
Part II

Budgetary Comparison Schedules

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ 38,560,101		\$ 38,560,101	\$ 38,560,101	
Tuition	2,225,318		2,225,318	2,225,318	
Interest on investments				2,429	
Miscellaneous	200,000		200,000	82,347	\$ (117,653)
Total revenues - local sources	40,985,419		40,985,419	40,870,195	(115,224)
State sources:					
Special Education Categorical Aid	1,599,072		1,599,072	1,599,072	
Security Aid	397,151		397,151	397,151	
Adjustment Aid	1,052,996		1,052,996	1,506,141	453,145
Categorical Transportation Aid	1,745,945		1,745,945	1,745,945	
Extraordinary aid	130,273		130,273	202,754	72,481
On-behalf TPAF pension contributions (non-budgeted)				2,152,775	2,152,775
Reimbursed TPAF social security contributions (non-budgeted)				1,563,776	1,563,776
Other state aid				17,283	17,283
Total - state sources	4,925,437		4,925,437	9,184,897	4,259,460
Federal sources:					
Medical Assistance Program	50,000		50,000	65,206	15,206
Education Jobs Funds	218,896	\$ 6,858	225,754	225,754	
Total - federal sources	268,896	6,858	275,754	290,960	15,206
Total revenues	46,179,752	6,858	46,186,610	50,346,052	4,159,442
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool/Kindergarten	497,316	(5,309)	492,007	491,042	965
Grades 1-5	5,335,136	(104,894)	5,230,242	5,227,890	2,352
Grades 6-8	2,994,968	48,317	3,043,285	3,043,166	119
Grades 9-12	4,775,949	126,114	4,902,063	4,893,525	8,538
Total salaries of teacher	13,603,369	64,228	13,667,597	13,655,623	11,974
Home instruction:					
Salaries of teachers	82,750	61,099	143,849	143,025	824
Other purchased services	-	2,750	2,750	2,494	256
Total home instruction	82,750	63,849	146,599	145,519	1,080
Undistributed instruction-regular programs					
Other purchased services	11,000	(2,304)	8,696	5,855	2,841
General supplies	421,362	(43,099)	378,263	372,894	5,369
Textbooks	81,162	(22,426)	58,736	52,548	6,188
Other objects	115,900	(6,625)	109,275	99,741	9,534
Total undistributed instruction - regular programs	629,424	(74,454)	554,970	531,038	23,932
Total instruction - regular programs	14,315,543	53,623	14,369,166	14,332,180	36,986

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	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	\$ 134,732	\$ 2,915	\$ 137,647	\$ 137,222	\$ 425
Other salaries for instruction	219,938	(31,790)	188,148	188,054	94
General supplies	6,650		6,650	5,191	1,459
Other objects	1,100		1,101	929	172
Total preschool disabilities - part-time	362,420	(28,875)	333,546	331,396	2,150
Learning and/or language disabilities:					
Salaries of teachers	424,096	(26,866)	397,230	396,867	363
Other salaries for instruction	591,325	(20,510)	570,815	566,518	4,297
General supplies	9,300	-	9,300	8,092	1,208
Textbooks	2,000	-	2,000	980	1,020
Total learning and/or language disabilities	1,026,721	(47,376)	979,345	972,457	6,888
Behavioral disabilities:					
Salaries of teachers	87,008		87,008	87,008	
Other salaries for instruction	-	6,750	6,750	6,750	
Total behavioral disabilities	87,008	6,750	93,758	93,758	
Multiple disabilities:					
Salaries of teachers	202,795	(3,253)	199,542	199,542	
Other salaries for instruction	119,322	54,432	173,754	173,754	
General supplies	3,850		3,850	3,371	479
Textbooks	700		700	250	450
Other objects	900		900	28	872
Total multiple disabilities	327,567	51,179	378,746	376,945	1,801
Resource room/center:					
Salaries of teachers	2,322,481	(100,941)	2,221,540	2,221,115	425
General supplies	15,964	(4,399)	11,565	9,002	2,563
Textbooks	4,700	-	4,700	2,019	2,681
Total resource room/center	2,343,145	(105,340)	2,237,805	2,232,136	5,669
Total special education	4,146,861	(123,662)	4,023,200	4,006,692	16,508

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Autism					
Salaries of teachers	\$ 107,746	\$ (4,485)	\$ 103,261	\$ 103,261	
Other Salaries for Instruction	108,913	(5,117)	103,796	103,796	
General supplies	3,500	(1,000)	2,500	1,875	\$ 625
Total autism	220,159	(10,602)	209,557	208,932	625
Bilingual education:					
Salaries of teachers	183,363	232	183,595	183,595	
General supplies	750		750	563	187
Textbooks	250		250	250	
Other objects	250		250	183	67
Total bilingual education	184,613	232	184,845	184,591	254
School - sponsored cocurricular activities:					
Salaries	186,250	20,896	207,146	207,146	
Supplies and materials	6,000	-	6,000	5,693	307
Other objects	11,575	(2,200)	9,375	8,045	1,330
Total school - sponsored cocurricular activities	203,825	18,696	222,521	220,884	1,637
School - sponsored athletics - instruction:					
Salaries	384,000	25,860	409,860	409,860	
Purchased services	16,720		16,720	16,720	
Supplies and materials	86,150	(3,049)	83,101	79,577	3,524
Other objects	99,400	(8,077)	91,323	89,653	1,670
Total school - sponsored athletics - instruction	586,270	14,734	601,004	595,810	5,194
Other instructional programs:					
Salaries	104,478	15,112	119,590	119,192	398
Total other instructional programs	104,478	15,112	119,590	119,192	398
Total instruction	19,761,749	(31,867)	19,729,883	19,668,281	60,977

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	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	\$ 145,000	\$ 57,786	\$ 202,786	\$ 202,786	
Tuition to County Voc. School Dist.-Regular	15,000	500	15,500	15,500	
Tuition to CSSD and regional day schools	586,546	15,000	601,546	601,546	
Tuition to private school for the handicapped - within state	523,000	41,408	564,408	564,408	
Tuition - state facilities	30,750		30,750	30,750	
Tuition - other		16,500	16,500	16,500	
Total undistributed instruction-tuition	1,300,296	131,194	1,431,490	1,431,490	
Attendance and social work services:					
Salaries	32,185	(3,491)	28,694	28,694	
Other objects	8,000	1,038	9,038	9,038	
Total attendance and social work service	40,185	(2,453)	37,732	37,732	
Health services:					
Salaries	384,060	(1,674)	382,386	382,386	
Purchased professional and technical services	30,850	19,153	50,003	50,003	
Supplies and materials	6,875	500	7,375	6,750	\$ 625
Total health services	421,785	17,979	439,764	439,139	625
Other support services - students - Speech,OT,PT, & Related Services:					
Salaries	436,897	(7,814)	429,083	429,083	
Purchased professional educational services	15,300	(15,000)	300		300
Supplies and materials	2,475		2,475	2,467	8
Total other support services - students - speech, OT, PT & related services	454,672	(22,814)	431,858	431,550	308
Other support services - students - extra services:					
Salaries	24,628	(2,917)	21,711	21,711	
Purchased professional educational services	4,882	(3,254)	1,628	1,628	
Supplies and materials	2,750	(369)	2,381	2,353	28
Other objects	1,000	(500)	500	171	329
Total other support services - students - extra services	33,260	(7,040)	26,220	25,863	357

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	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	\$ 782,793	\$ (814)	\$ 781,979	\$ 781,979	
Salaries of secretarial and clerical assts.	121,791	22,470	144,261	144,261	
Other objects	9,500	(1,505)	7,995	6,302	\$ 1,693
Total guidance	914,084	20,151	934,235	932,542	1,693
Child Study Teams:					
Salaries of other professional staff	992,212	(6,179)	986,033	985,859	174
Salaries of secretarial and clerical assts.	179,743	(1,738)	178,005	178,005	
Purchased professional - educational services	122,900	(1,059)	121,841	121,134	707
Miscellaneous purchased services	7,037	(2,837)	4,200	4,068	132
Supplies and materials	2,200		2,200	1,503	697
Other objects	32,000	(4,300)	27,700	26,795	905
Total child study teams	1,336,092	(16,113)	1,319,979	1,317,364	2,615
Improvement of instructional services:					
Salaries of supervisors of instruction	329,027	(398)	328,629	328,629	
Salaries of other professional staff	273,746	8,912	282,658	282,658	
Salaries of secretarial and clerical assts	77,672	8,116	85,788	85,788	
Supplies and materials	40,000	(14,257)	25,743	25,743	
Other objects	17,915		17,915	14,784	3,131
Total improvement of instructional services	738,360	2,373	740,733	737,602	3,131
Educational media services/ school library:					
Salaries	414,543	53	414,596	414,596	
Other purchased services	14,000	(14,000)			
Supplies and materials	60,000	25,038	85,038	83,945	1,093
Total educational media services/ school library	488,543	11,091	499,634	498,541	1,093

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	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	\$ 10,900	\$ 507	\$ 11,407	\$ 11,407	
Other purchased services	1,500	(507)	993	993	
Other objects	35,500	(7,400)	28,100	26,187	\$ 1,913
Total instructional staff training services	47,900	(7,400)	40,500	38,587	1,913
Support services-general administration:					
Salaries	275,267	12,186	287,453	287,453	
Purchased professional services	104,000	37,617	141,617	141,617	
Other purchased professional services	32,500	2,860	35,360	13,085	22,275
Communications/telephone	88,474	(42,010)	46,464	38,725	7,739
BOE other purchased services	47,975	(4,002)	43,973	41,103	2,870
Other purchased services	40,500	11,015	51,515	51,061	454
BOE membership dues and fees	25,000	(1,000)	24,000	22,570	1,430
General supplies	30,000	(30,000)			
Miscellaneous expenditures	22,500	(7,000)	15,500	13,811	1,689
Total support services-general administration	666,216	(20,334)	645,882	609,425	36,457
Support services-school administration:					
Salaries of principals/assistant principals	1,083,657	(58,292)	1,025,365	1,025,365	
Salaries of secretarial and clerical assistants	592,161	(7,720)	584,441	584,441	
Total support services-school administration	1,675,818	(66,012)	1,609,806	1,609,806	
Undistributed expenditures-Central services:					
Salaries	365,631	(1,454)	364,177	364,121	56
Miscellaneous purchased services	6,000	(4,500)	1,500	1,313	187
Miscellaneous expenditures	66,500	(7,300)	59,200	58,285	915
Total undistributed expenditures-central services	438,131	(13,254)	424,877	423,719	1,158
Undistributed expenditures-Admin. info tech.:					
Salaries	159,382	9,562	168,944	168,944	
Miscellaneous purchased services		2,500	2,500	2,163	337
Supplies and materials	78,250	56,712	134,962	134,882	80
Other Objects		11,810	11,810	11,810	
Total undistributed expenditures-admin. info. technology	237,632	80,584	318,216	317,799	417
Required maintenance for school facilities:					
Salaries	18,700		18,700	18,700	
Cleaning, repair and maintenance services	477,500	325,322	802,822	799,988	2,834
General supplies	13,500	(2,291)	11,209	10,789	420
Total required maintenance for school facilities	509,700	323,031	832,731	829,477	3,254

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Operations and maintenance of plant services:					
Custodial Services					
Salaries	\$ 1,245,625	\$ (17,970)	\$ 1,227,655	\$ 1,226,473	\$ 1,182
Cleaning, repair and maintenance services	288,219	(3,412)	284,807	265,940	18,867
Other purchased property services	149,400	(31,958)	117,442	112,849	4,593
Insurance	512,500	(45,602)	466,898	466,898	
General supplies	126,469	(24,726)	101,743	100,352	1,391
Energy (Electricity)	1,425,300	(376,892)	1,048,408	1,027,900	20,508
Energy (Natural Gas)	108,000	(42,050)	65,950	62,987	2,963
Energy (Oil)	25,250	(829)	24,421	24,348	73
Other objects	108,000	5,714	113,714	111,598	2,116
Total custodial services	3,988,763	(537,725)	3,451,038	3,399,345	50,511
Care and Upkeep of Grounds:					
Salaries	197,442	506	197,948	197,031	917
General Supplies	59,900	(5,050)	54,850	51,899	2,951
Total care and upkeep of grounds	257,342	(4,544)	252,798	248,930	3,868
Security:					
Purchased professional and technical services	30,000		30,000	30,000	
Total security	30,000		30,000	30,000	
Total operation and maintenance of plant services and required maintenance	4,785,805	(219,238)	4,566,567	4,507,752	54,379
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - regular	1,175,801	15,918	1,191,719	1,191,557	
Between home and school - special	263,174	(1,553)	261,621	261,621	
Other than between home and school-vendors	347,994	38,008	386,002	385,690	312
Lease purchase payments-buses	336,500		336,500	335,982	518
Contracted services:					
Aid in lieu	30,750	5,052	35,802	35,802	
Between home and school-vendors	10,000	24,408	34,408	34,408	
Special ed. Vendors	275,000	(112,333)	162,667	162,667	
General supplies	348,775	31,968	380,743	378,824	1,919
Transportation	33,000	5,108	38,108	38,108	
Transportation supplies	167,325	(26,772)	140,553	140,014	539
Other objects	61,000	(10,500)	50,500	50,177	323
Total student transportation services	3,049,319	(30,696)	3,018,623	3,014,850	3,611
Unallocated benefits:					
Social security contributions	650,000	12,977	662,977	662,977	-
Other retirement contributions-regular	700,000	(45,758)	654,242	654,242	
Health benefits	8,200,000	171,738	8,371,738	8,321,316	50,422
Tuition reimbursement	105,000	(34,519)	70,481	70,423	58
Total unallocated benefits	9,655,000	104,438	9,759,438	9,708,958	50,480

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
On-behalf TPAF pension contributions (non-budgeted)				\$ 2,152,775	\$ (2,152,775)
Reimbursed TPAF social security contributions (non-budgeted)				1,563,776	(1,563,776)
Total undistributed expenditures	\$ 26,283,098	\$ (37,544)	\$ 26,245,554	29,799,270	\$ (3,555,060)
Total expenditures - current	46,044,847	(69,410)	45,975,437	49,467,551	(3,494,083)
Capital outlay:					
Equipment:					
Undistributed expenditures:					
Support services - students-spec.	2,000	(711)	1,289	1,289	
Operation and maintenance of plant services		19,679	19,679	19,679	
Non-instructional services	105,000	61,420	166,420	166,420	
Total equipment	107,000	80,388	187,388	187,388	
Facilities acquisition and construction services:					
Other objects	77,905		77,905	77,905	
Total facilities acquisition and construction	77,905		77,905	77,905	
Assets acquired under capital leases (non-budgeted)					
				134,892	(134,892)
				134,892	(134,892)
Total expenditures - capital outlay	184,905	80,388	265,293	400,185	(134,892)

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Total expenditures	\$ 46,229,752	\$ 10,978	\$ 46,240,730	\$ 49,867,736	\$ (3,628,975)
(Deficiency) excess of revenues (under) over expenditures	(50,000)	(4,120)	(54,120)	478,316	530,467
Other financing (uses) sources:					
Transfers out	-	(2,000)	(2,000)	(2,000)	
Capital leases (non-budgeted)				134,892	134,892
Total other financing (uses) sources	-	(2,000)	(2,000)	132,892	134,892
(Deficiency) excess of revenues (under) over expenditures and other financing (uses) sources	(50,000)	(6,120)	(56,120)	611,208	665,359
Fund balances, July 1	827,984	-	827,984	827,984	358,203
Fund balances, June 30	\$ 777,984	\$ (6,120)	\$ 771,864	\$ 1,439,192	\$ 1,023,562
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing (uses) sources					
Budgeted fund balance	\$ (50,000)		\$ (50,000)	\$ 617,328	\$ 665,359
Adjustment for prior year encumbrances		\$ (6,120)	(6,120)	(6,120)	
Total	\$ (50,000)	\$ (6,120)	\$ (56,120)	\$ 611,208	\$ 665,359

Recapitulation of fund balance:

Assigned to:

Year end encumbrances - other purposes	\$ 21,375
Designated for subsequent years expenditures	453,145
Unassigned fund balance	964,672
	<u>1,439,192</u>

Reconciliation to Government Funds Statements

GAAP:

Last two state aid payments not recognized on GAAP basis	(505,705)
Fund balance per Government Funds (GAAP)	<u>\$ 933,487</u>

Manchester Township School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources:					
Education Jobs Funds	\$ 218,896	\$ 6,858	\$ 225,754	\$ 225,754	
Total - federal sources	218,896	6,858	225,754	225,754	-
Total revenues	218,896	6,858	225,754	225,754	-
Expenditures					
Current expenditures:					
Instruction - regular programs:					
Other instructional programs:					
Salaries	107,064	6,858	113,922	113,922	-
Total other instructional programs	107,064	6,858	113,922	113,922	-
Student transportation services:					
Salaries for pupil transportation:	67,148	-	67,148	67,148	
Total student transportation services	67,148	-	67,148	67,148	-
Unallocated benefits:					
Health benefits	44,684	-	44,684	44,684	
Total unallocated benefits	44,684	-	44,684	44,684	-
Total expenditures - current	218,896	6,858	225,754	225,754	-
Excess of Revenues Over Expenditures	-	-	-	-	-
Fund balances, July 1	-	-	-	-	-
Fund balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

Manchester Township School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Federal sources	\$ 1,235,407	\$ 67,880	\$ 1,303,287	\$ 1,246,100	\$ (57,187)
Local sources	5,000		5,000	5,000	
Total revenues	1,240,407	67,880	1,308,287	1,251,100	(57,187)
Expenditures:					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	210,000		210,000	210,000	
Other salaries for instruction	20,800	10,951	31,751	29,282	2,469
Tuition	736,117	8,612	744,729	744,729	
General supplies	15,313	(9,342)	5,971	3,971	2,000
Other objects	2,761	11,008	13,769	13,745	24
Total instruction	984,991	21,229	1,006,220	1,001,727	4,493
Support services:					
Personal services-employee benefits	43,591	10,297	53,888	53,888	
Other purchased services	3,139	(1,139)	2,000	1,987	13
Purchased professional services	132,451	14,968	147,419	143,419	4,000
General supplies	1,000	800	1,800	1,800	
Other objects	75,235	20,899	96,134	47,453	48,681
Total support services	255,416	45,825	301,241	248,547	52,694
Capital Outlay:					
Facilities acquisition and construction services:		826	826	826	
Total capital outlay		826	25,803	826	
Total expenditures	1,240,407	67,054	1,307,461	1,251,100	57,187
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Manchester Township School District
Note to Required Supplementary Information

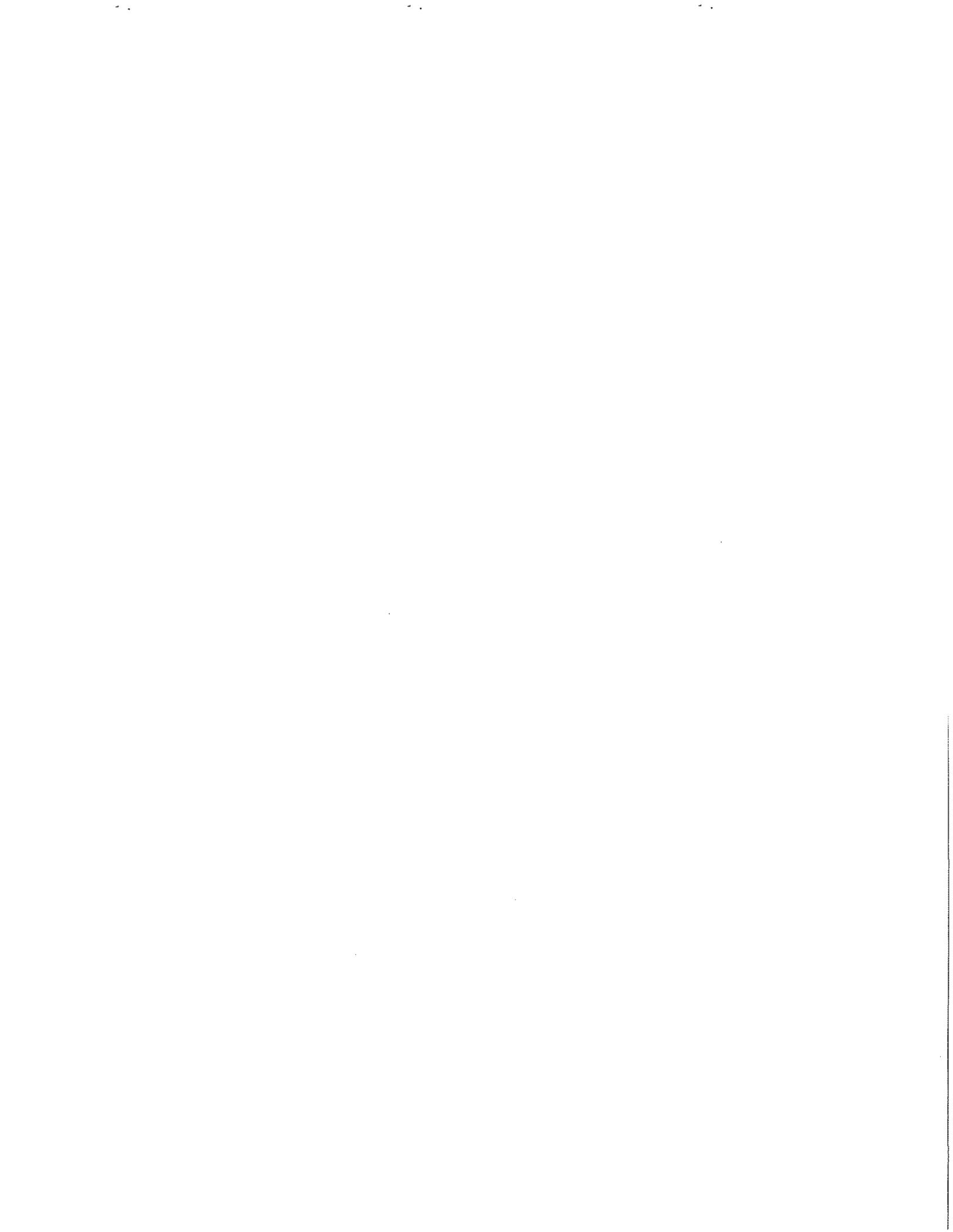
Budget to GAAP Reconciliation

Year ended June 30, 2012

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$50,346,052	\$ 1,251,100
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year		(2,736)
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	(505,705)	
The last state aid payments from 2010-2011 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).	408,996	
	\$50,249,343	\$ 1,248,364
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 49,867,736	\$ 1,251,100
Differences - budget to GAAP:		
Encumbrances (net) for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
		(2,736)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 49,867,736	\$ 1,248,364

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, 2012

	Title I		I.D.E.A.				Title II	Title III	Stem Grant	USDA SSA Grant	Totals
	Part A	Part A Carryover	Part B Regular	Part B Preschool	Part B ARRA	Part B Preschool ARRA	Part A	Part A			
Revenues:											
Federal sources	\$ 342,546	\$ 46,935	\$ 711,385	\$ 33,344	\$ 6,987	\$ 826	\$ 102,016	\$ 61		\$ 2,000	\$ 1,246,100
Local sources									\$ 5,000		5,000
Total revenues	\$ 342,546	\$ 46,935	\$ 711,385	\$ 33,344	\$ 6,987	\$ 826	\$ 102,016	\$ 61	\$ 5,000	\$ 2,000	\$ 1,251,100
Expenditures:											
Current expenditures:											
Instruction:											
Salaries:											
Salaries of teachers	\$ 126,000						\$ 84,000				\$ 210,000
Other salaries for instruction	17,531	\$ 7,751							\$ 4,000		29,282
Tuition			\$ 711,385	\$ 33,344							744,729
General supplies					\$ 971				1,000	\$ 2,000	3,971
Other objects	13,617	128									13,745
Total instruction	157,148	7,879	711,385	33,344	971		84,000		5,000	2,000	1,001,727
Support services:											
Personal services—employee benefits	28,260	2,861			5,906		16,800	\$ 61			53,888
Other purchased services	1,987										1,987
Purchased professional services	105,938	36,155			110		1,216				143,419
General supplies	1,800										1,800
Other objects	47,413	40									47,453
Total support services	185,398	39,056			6,016		18,016	61			248,547
Capital outlay:											
Facilities acquisition and construction services:											
Instructional equipment						\$ 826					826
Total facilities acquisition and construction services						826					826
Total expenditures	\$ 342,546	\$ 46,935	\$ 711,385	\$ 33,344	\$ 6,987	\$ 826	\$ 102,016	\$ 61	\$ 5,000	\$ 2,000	\$ 1,251,100

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Capital Projects Fund

Manchester Township School District
Capital Projects Fund

Summary Schedule of Project Revenues, Expenditures,
Project Balance and Project Status

(Budgetary Basis)

Year ended June 30, 2012

	Current Year
Revenues and Other Financing Sources	
State Sources - SDA Grant	
Transfer from Capital Outlay	\$ 2,000
Contribution from Other Sources	(2,000)
Total Revenues and Other Financing Sources	-
Expenditures and Other Financing Uses	
Purchased Professional Services	43,703
Construction Services	283,322
Other Expense	6,466
Transfer out to Debt Service Fund	
Total Expenditures and Other Financing Uses	333,491
(Deficiency) of Revenues (Under) Expenditures	(333,491)
Fund Balance, July 1	1,169,352
Fund Balance, June 30, Budgetary and GAAP Basis	\$ 835,861

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, 2012

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 57,270		\$ 57,270	\$ 57,270
Transfer from Capital Outlay	85,906	\$ 2,000	87,906	85,906
Contribution from Other Sources	30,521	(2,000)	28,521	30,521
Bond Proceeds and Transfers	8,375,000		8,375,000	8,375,000
Total Revenues	<u>8,548,697</u>	<u>-</u>	<u>8,548,697</u>	<u>8,548,697</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	59,648	43,703	103,351	
Construction Services	7,126,728	283,322	7,410,050	
Other Expense		6,466	6,466	
Transfer Out to Debt Service Fund	192,969		192,969	
Total Expenditures	<u>7,379,345</u>	<u>333,491</u>	<u>7,712,836</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,169,352</u>	<u>\$ (333,491)</u>	<u>\$ 835,861</u>	<u>\$ 8,548,697</u>

Manchester Township School District
Capital Projects Fund

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

Referendum Project - Various Improvements

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant				
Transfer from Capital Outlay				
Contribution from Other Sources	\$ 621		\$ 621	\$ 621
Bond Proceeds and Transfers	8,375,000		8,375,000	8,375,000
Total Revenues	<u>8,375,621</u>	-	<u>8,375,621</u>	<u>8,375,621</u>
Expenditures and Other Financing Uses				
Purchased Professional Services	59,648	\$ 42,128	101,776	
Construction Services	7,080,938	171,705	7,252,643	
Other Expense				
Transfer Out to Debt Service Fund	192,969		192,969	
Total Expenditures	<u>7,333,555</u>	<u>213,833</u>	<u>7,547,388</u>	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,042,066</u>	<u>\$ (213,833)</u>	<u>\$ 828,233</u>	<u>\$ 8,375,621</u>
Additional project information				
Project number	N/A			
Grant date				
Bond authorization date	September 29, 2009			
Bonds Authorized	\$ 8,375,000			
Bonds Issued	8,375,000			
Original Authorized Cost	\$ 8,375,621			
Additional Authorized Cost				
Revised Authorized Cost	8,375,621			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	100.00%			
Original target completion date	September-11			
Revised target completion date	Completed			

Manchester Township School District
Capital Projects Fund

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

Gym Lighting Project

From Inception and for the year ended June 30, 2012

	Prior Periods	Current Year	Totals	Authorized Cost
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 57,270		\$ 57,270	\$ 57,270
Transfer from Capital Outlay	85,906	\$ 2,000	87,906	85,906
Contribution from Other Sources	29,900	(2,000)	27,900	29,900
Bond Proceeds and Transfers				
Total Revenues	173,076	-	173,076	173,076
Expenditures and Other Financing Uses				
Purchased Professional Services		1,575	1,575	
Construction Services	45,790	111,617	157,407	
Other Expense		6,466	6,466	
Transfer Out to Debt Service Fund				
Total Expenditures	45,790	119,658	165,448	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 127,286	\$ (119,658)	\$ 7,628	\$ 173,076
Additional project information				
Project number	2940-090-09-0ZWX			
Grant date	July-10			
Bond authorization date				
Bonds Authorized				
Bonds Issued				
Original Authorized Cost	\$ 173,076			
Additional Authorized Cost				
Revised Authorized Cost	173,076			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	100.00%			
Original target completion date	September-11			
Revised target completion date	Completed			

Manchester Township School District
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2012

Issue/Project Title	Appropriations	Expenditures to Date		Unexpended Balance
		Prior Year	Current Year	
Referendum Project - Various Improvements	\$ 8,375,621	\$ 7,333,555	\$ 213,833	\$ 828,233
Gym Lighting Project	173,076	45,790	119,658	7,628
	<u>\$ 8,548,697</u>	<u>\$ 7,379,345</u>	<u>\$ 333,491</u>	<u>\$ 835,861</u>
Bond and note proceeds	\$ 8,375,000			
NJSDA grant	57,270			
NJCEP rebate	27,900			
Local share	88,527			
Total referendum	<u>\$ 8,548,697</u>			

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Fiduciary Funds

Manchester Township School District
Trust and Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2012

	Trust			Agency		
	Private Purpose Scholarship Fund	Unemployment Compensation Fund	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and cash equivalents	\$ 250,947	\$ 261,618	\$ 512,565	\$ 162,718	\$1,810,478	\$ 1,973,196
Interfund receivable		17,775	17,775		21,962	21,962
Investments	46,318		46,318			
Total assets	<u>297,265</u>	<u>279,393</u>	<u>576,658</u>	<u>\$ 162,718</u>	<u>\$1,832,440</u>	<u>\$ 1,995,158</u>
Liabilities						
Accounts payable		62,163	62,163		\$1,777,686	\$ 1,777,686
Interfund payable		21,962	21,962		54,754	54,754
Due to student groups				\$ 162,718		162,718
Total liabilities		<u>84,125</u>	<u>84,125</u>	<u>\$ 162,718</u>	<u>\$1,832,440</u>	<u>\$ 1,995,158</u>
Net Assets						
Held in Trust	297,265	195,268	492,533			
Total net assets	<u>\$ 297,265</u>	<u>\$ 195,268</u>	<u>\$ 492,533</u>			

Manchester Township School District
Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
Elementary schools:				
Manchester elementary	\$ 16,370	\$ 36,404	\$ 48,761	\$ 4,013
Regional Day School	939	10,949	10,538	1,350
Ridgeway School	11,279	31,414	29,848	12,845
Whiting School	4,396	14,186	13,984	4,598
Total elementary schools	32,984	92,953	103,131	22,806
Middle school	47,687	84,830	90,871	41,646
Senior high school	115,513	321,088	338,335	98,266
Total all schools	\$ 196,184	\$ 498,871	\$ 532,337	\$ 162,718

Manchester Township School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
Assets				
Cash and cash equivalents	\$ 2,101,914	\$ 76,961,009	\$ 77,252,445	\$ 1,810,478
Interfund receivable		21,962		21,962
Total assets	<u>\$ 2,101,914</u>	<u>\$ 76,982,971</u>	<u>\$ 77,252,445</u>	<u>\$ 1,832,440</u>
Liabilities				
Accounts payable	\$ 1,910,884	\$ 76,928,217	\$ 77,061,415	\$ 1,777,686
Interfund payable	191,030	54,754	191,030	54,754
Total liabilities	<u>\$ 2,101,914</u>	<u>\$ 76,982,971</u>	<u>\$ 77,252,445</u>	<u>\$ 1,832,440</u>

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Long-Term Debt

Manchester Township School District
Long-Term Debt

Schedule of Serial Bonds Payable

June 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
			Date	Amount					
Refunding bonds	4/1/2004	\$ 2,945,000	3/1/13	\$ 285,000	3.400%				
			3/1/14	280,000	3.625				
			3/1/15	275,000	3.750				
			3/1/16	270,000	4.000	\$ 1,400,000	\$ 290,000	\$ 1,110,000	
School Bonds	7/15/2004	17,974,000	7/15/12	970,000	4.000				
			7/15/13	1,020,000	4.000				
			7/15/14	1,070,000	4.250	17,224,000	14,164,000	3,060,000	
Referendum	3/1/2011	8,375,000	3/1/13	10,000	2.000				
			3/1/14	10,000	2.000				
			3/1/15	65,000	2.250				
			3/1/16	115,000	2.750				
			3/1/17	500,000	2.875				
			3/1/18	500,000	3.000				
			3/1/19	550,000	3.375				
			3/1/20	550,000	3.500				
			3/1/21	550,000	3.500				
			3/1/22	550,000	3.750				
			3/1/23	550,000	3.750				
			3/1/24	500,000	4.000				
			3/1/25	500,000	4.000				
			3/1/26	500,000	4.000				
			3/1/27	500,000	4.000				
			3/1/28	500,000	4.000				
			3/1/29	500,000	4.125				
3/1/30	500,000	4.125	7,725,000	275,000	7,450,000				
Refunding Bonds	3/28/2012	13,525,000	7/15/12	120,000	3.000				
			7/15/13	10,000	3.000				
			7/15/14	15,000	3.000				
			7/15/15	1,080,000	4.000				
			7/15/16	1,080,000	4.000				
			7/15/17	1,075,000	4.000				
			7/15/18	1,075,000	4.000				
			7/15/19	1,085,000	5.000				
			7/15/20	1,095,000	4.500				
			7/15/21	1,095,000	4.500				
			7/15/22	1,095,000	4.500				
			7/15/23	1,100,000	5.000				
			7/15/24	1,095,000	3.000				
			7/15/25	850,000	3.000				
7/15/26	835,000	3.130							
7/15/27	820,000	3.250							
						\$ 13,525,000		13,525,000	
						\$ 26,349,000	\$ 13,525,000	\$ 14,729,000	\$ 25,145,000

Manchester Township School District
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year Ended June 30, 2012

	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2011	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2012
School buses	3.76%	\$ 521,386	\$ 64,927		\$ 64,927	\$ -
School buses	4.97%	292,468	67,113		32,744	34,369
School buses	4.29%	769,320	346,910		81,342	265,568
School buses	5.00%	872,588	539,105		86,436	452,669
School buses	3.95%	125,410	75,798		24,294	51,504
Office equipment	10.87%	170,024	87,081		34,859	52,222
Office equipment	8.72%	255,523	29,199		29,199	
Office equipment	0.00%	39,132	26,088		13,044	13,044
Computers	Variable	134,892		\$ 134,892	46,318	88,574
			<u>\$ 1,236,221</u>	<u>\$ 134,892</u>	<u>\$ 413,163</u>	<u>\$ 957,950</u>

Manchester Township School District
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Final to Actual
Revenues:				
Local tax levy	\$ 2,102,060	\$ 2,102,060	\$ 2,102,060	
State sources:				
Debt Service Aid	150,582	150,582	150,582	
Total revenues	<u>2,252,642</u>	<u>2,252,642</u>	<u>2,252,642</u>	
Expenditures:				
Cost of issuance			72,000	\$ (72,000)
Principal on bonds	1,420,000	1,420,000	1,420,000	
Interest on bonds	1,059,320	1,059,320	1,059,320	
Total expenditures	<u>2,479,320</u>	<u>2,479,320</u>	<u>2,551,320</u>	<u>(72,000)</u>
(Deficiency) of revenues (under) expenditures	(226,678)	(226,678)	(298,678)	(72,000)
Other financing sources (uses):				
Refunding bonds issued			13,525,000	(13,525,000)
Premium on bonds			1,296,985	(1,296,985)
Discount on bonds			(74,388)	74,388
Payment to refunded bond escrow agent			<u>(14,675,597)</u>	<u>14,675,597</u>
Total other financing sources (uses)			<u>72,000</u>	<u>(72,000)</u>
Net change in fund balance	(226,678)	(226,678)	(226,678)	(144,000)
Fund balance, July 1	226,678	226,678	226,678	
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (144,000)</u>

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**Statistical Section
Unaudited**

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Manchester Township School District
 Net Assets by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 Unaudited

	As of June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 6,406,463	\$ 15,761,385	\$ 15,708,924	\$ 17,480,137	\$ 18,698,598	\$ 18,305,578	\$ 17,886,665	\$ 17,700,524	\$ 17,031,547	\$ 16,198,934
Restricted	1,621,349	183,012	61,993	331,798	321,360	557,225	278,105	33,709	226,678	835,861
Unrestricted (deficit)	<u>(4,023,086)</u>	<u>(8,279,800)</u>	<u>(1,034,177)</u>	<u>(2,945,821)</u>	<u>(3,776,117)</u>	<u>338,351</u>	<u>(4,155,299)</u>	<u>(4,033,482)</u>	<u>(3,881,640)</u>	<u>(3,306,942)</u>
Total governmental activities net assets	<u>\$ 4,004,726</u>	<u>\$ 7,664,597</u>	<u>\$ 14,736,740</u>	<u>\$ 14,866,114</u>	<u>\$ 15,243,841</u>	<u>\$ 19,201,154</u>	<u>\$ 14,009,471</u>	<u>\$ 13,700,751</u>	<u>\$ 13,376,585</u>	<u>\$ 13,727,853</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 1,181,025	\$ 1,063,230	\$ 913,540	\$ 827,583	\$ 762,118	\$ 668,255	\$ 592,784	\$ 559,432	\$ 552,016	\$ 476,579
Unrestricted	<u>1,050,329</u>	<u>914,467</u>	<u>762,196</u>	<u>684,135</u>	<u>506,149</u>	<u>402,289</u>	<u>511,290</u>	<u>514,629</u>	<u>251,722</u>	<u>189,117</u>
Total business-type activities net assets	<u>\$ 2,231,354</u>	<u>\$ 1,977,697</u>	<u>\$ 1,675,736</u>	<u>\$ 1,511,718</u>	<u>\$ 1,268,267</u>	<u>\$ 1,070,544</u>	<u>\$ 1,104,074</u>	<u>\$ 1,074,061</u>	<u>\$ 803,738</u>	<u>\$ 665,696</u>
District-wide										
Invested in capital assets, net of related debt	\$ 7,587,488	\$ 16,824,615	\$ 16,622,464	\$ 18,307,720	\$ 19,460,716	\$ 18,973,833	\$ 18,479,449	\$ 18,259,956	\$ 17,583,563	\$ 16,675,513
Restricted	1,621,349	183,012	61,993	331,798	321,360	557,225	278,105	33,709	226,678	835,861
Unrestricted (deficit)	<u>(2,972,757)</u>	<u>(7,365,333)</u>	<u>(271,981)</u>	<u>(2,261,686)</u>	<u>(3,269,968)</u>	<u>740,640</u>	<u>(3,644,009)</u>	<u>(3,518,853)</u>	<u>(3,629,918)</u>	<u>(3,117,825)</u>
Total district net assets	<u>\$ 6,236,080</u>	<u>\$ 9,642,294</u>	<u>\$ 16,412,476</u>	<u>\$ 16,377,832</u>	<u>\$ 16,512,108</u>	<u>\$ 20,271,698</u>	<u>\$ 15,113,545</u>	<u>\$ 14,774,812</u>	<u>\$ 14,180,323</u>	<u>\$ 14,393,549</u>

Source: CAFR Schedule A-1 and District records.

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

(accrual basis of accounting)
 Unaudited

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities										
Instruction	\$ 20,847,657	\$ 22,303,379	\$ 23,210,668	\$ 26,012,402	\$ 28,134,765	\$ 29,053,870	\$ 29,642,243	\$ 30,637,226	\$ 31,147,739	\$ 31,926,646
Support Services:										
Attendance and social work	47,139	50,573	51,198	21,811	23,675	35,269	39,033	45,080	53,507	51,304
Health services	345,954	502,570	478,460	468,533	455,538	473,064	481,711	329,056	392,958	439,139
Other support services	2,317,676	2,441,255	2,540,215	3,030,240	3,322,095	3,546,483	3,918,777	3,801,323	4,037,786	4,335,845
Improvement of instruction	598,117	683,909	653,122	673,848	797,863	807,232	929,658	946,132	964,068	1,067,319
Other support instructional staff	78,077	94,032	102,985	77,692	69,455	70,159	79,851	70,729	24,912	43,983
School library	530,217	570,562	599,893	633,633	712,064	606,745	625,575	648,935	637,551	694,645
General administration	2,265,661	1,684,016	1,491,942	1,509,400	1,976,557	2,014,377	2,194,515	2,137,006	2,171,113	1,849,178
School administration	2,113,493	2,229,247	3,093,966	2,878,823	3,128,238	3,122,970	3,120,614	3,108,069	3,171,830	3,364,903
Required maintenance of plant	684,624	773,460	736,658	738,436	793,242	834,356	585,542	530,628	1,050,808	997,008
Operation of plant	3,160,596	3,234,966	3,514,739	3,605,477	3,709,352	4,224,377	4,904,404	4,943,156	4,163,393	3,938,430
Student transportation	2,438,772	2,650,194	2,829,338	2,665,812	2,982,861	3,647,380	3,925,035	4,009,434	3,824,863	4,099,245
Business and other support services and benefits	131,204	1,011,283	117,282	-	-	-	-	-	-	-
Capital outlay	2,628,068	560,006	146,720	174,458	30,604	32,653	-	-	-	-
Special Schools	38,519	43,754	46,056	41,641	52,602	-	-	-	-	-
Interest on long-term debt	868,286	164,090	914,246	969,416	989,552	960,311	918,261	1,003,390	1,091,494	920,735
Total governmental activities expenses	39,094,060	38,997,296	40,527,488	43,501,622	47,178,463	49,429,246	51,365,220	52,210,164	52,732,022	53,728,378
Business-type activities:										
Food service	960,927	1,045,018	1,097,586	1,061,710	1,123,188	1,211,826	1,246,249	1,323,504	1,340,909	1,597,000
Regional Day School	4,049,886	4,488,077	4,794,556	5,249,355	5,604,387	5,842,404	6,413,550	6,552,213	6,528,926	6,164,162
Total business-type activities expense	5,010,813	5,533,095	5,892,142	6,311,065	6,727,575	7,054,230	7,659,799	7,875,717	7,869,835	7,761,162
Total district expenses	\$ 44,104,873	\$ 44,530,391	\$ 46,419,630	\$ 49,812,687	\$ 53,906,038	\$ 56,483,476	\$ 59,025,019	\$ 60,085,881	\$ 60,601,857	\$ 61,489,540
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 1,475,861	\$ 1,453,441	\$ 1,399,081	\$ 1,735,155	\$ 2,086,709	\$ 2,361,549	\$ 2,239,340	\$ 2,085,000	\$ 2,147,109	\$ 2,225,318
Pupil transportation	155,168	143,643	159,661	187,186	219,208	221,128	280,158	282,722	281,160	240,753
Operating grants and contributions	1,268,558	1,224,051	1,155,663	1,343,895	1,192,133	1,330,645	1,155,824	1,595,822	1,738,700	1,248,364
Capital grants and contributions	-	-	7,158,060	644,215	828,508	-	-	-	16,621	68,549
Total governmental activities program revenues	2,899,587	2,821,135	9,872,465	3,910,451	4,326,558	3,913,322	3,675,322	3,963,544	4,183,590	3,782,984
Business-type activities:										
Charges for services:										
Food service	698,857	712,175	724,933	732,758	741,814	778,950	820,402	825,512	800,212	952,129
Regional Day School	3,912,777	4,131,233	4,398,919	4,933,438	5,231,329	5,518,583	6,255,896	6,334,639	6,105,215	5,878,950
Operating grants and contributions	247,461	407,325	448,481	461,910	479,619	538,379	612,645	681,419	685,840	792,020
Total business-type activities program revenues	4,859,095	5,250,733	5,572,333	6,128,106	6,452,762	6,835,912	7,688,943	7,841,370	7,591,267	7,623,099
Total district program revenues	\$ 7,758,682	\$ 8,071,868	\$ 15,444,798	\$ 10,038,557	\$ 10,779,320	\$ 10,749,234	\$ 11,364,265	\$ 11,805,114	\$ 11,774,857	\$ 11,406,083
Net (Expense)/Revenue										
Governmental activities	\$ (36,194,473)	\$ (36,176,161)	\$ (30,655,023)	\$ (39,591,171)	\$ (42,851,905)	\$ (45,515,924)	\$ (47,689,898)	\$ (48,246,620)	\$ (48,548,430)	\$ (49,945,394)
Business-type activities	(151,718)	(282,362)	(319,809)	(182,959)	(274,813)	(218,318)	29,144	(34,147)	(278,568)	(138,063)
Total district-wide net expense	\$ (36,346,191)	\$ (36,458,523)	\$ (30,974,832)	\$ (39,774,130)	\$ (43,126,718)	\$ (45,734,242)	\$ (47,660,754)	\$ (48,280,767)	\$ (48,826,998)	\$ (50,083,457)

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

(accrual basis of accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes	\$ 23,523,698	\$ 26,594,154	\$ 27,807,257	\$ 29,819,395	\$ 31,200,923	\$ 32,772,653	\$ 34,439,117	\$ 35,706,257	\$ 37,489,885	\$ 38,560,101
Property taxes levied for debt service	1,264,373	1,317,770	1,436,441	1,340,686	1,744,069	2,119,492	2,137,674	2,106,952	2,233,421	2,102,060
Unrestricted grants and contributions	7,047,580	10,672,993	7,994,234	8,226,986	9,935,520	10,266,111	9,255,839	9,781,745	8,163,511	9,529,730
Investment earnings	104,520	305,418	193,739	171,902	214,398	128,395	48,588	64,083	72,853	2,429
Miscellaneous income	1,200,773	947,173	296,327	163,196	136,643	512,093	293,699	278,863	264,594	102,342
Transfers	(1,331)	(1,476)	(832)	(1,620)	(1,923)	(2,209)	-	-	-	-
Total governmental activities	<u>33,139,613</u>	<u>39,836,032</u>	<u>37,727,166</u>	<u>39,720,545</u>	<u>43,229,630</u>	<u>45,796,535</u>	<u>46,174,917</u>	<u>47,937,900</u>	<u>48,224,264</u>	<u>50,296,662</u>
Business-type activities:										
Investment earnings and miscellaneous revenue	12,706	27,229	17,016	17,321	29,439	18,386	4,386	4,134	8,245	21
Transfers	1,331	1,476	832	1,620	1,923	2,209	-	-	-	-
Total business-type activities	<u>14,037</u>	<u>28,705</u>	<u>17,848</u>	<u>18,941</u>	<u>31,362</u>	<u>20,595</u>	<u>4,386</u>	<u>4,134</u>	<u>8,245</u>	<u>21</u>
Total district-wide	<u>\$ 33,153,650</u>	<u>\$ 39,864,737</u>	<u>\$ 37,745,014</u>	<u>\$ 39,739,486</u>	<u>\$ 43,260,992</u>	<u>\$ 45,817,130</u>	<u>\$ 46,179,303</u>	<u>\$ 47,942,034</u>	<u>\$ 48,232,509</u>	<u>\$ 50,296,683</u>
Change in Net Assets										
Governmental activities	\$ (3,054,860)	\$ 3,659,871	\$ 7,072,143	\$ 129,374	\$ 377,725	\$ 280,611	\$ (1,514,981)	\$ (308,720)	\$ (324,166)	\$ 351,268
Business-type activities	(137,681)	(253,657)	(301,961)	(164,018)	(243,451)	(197,723)	33,530	(30,013)	(270,323)	(138,042)
Total district	<u>\$ (3,192,541)</u>	<u>\$ 3,406,214</u>	<u>\$ 6,770,182</u>	<u>\$ (34,644)</u>	<u>\$ 134,274</u>	<u>\$ 82,888</u>	<u>\$ (1,481,451)</u>	<u>\$ (338,733)</u>	<u>\$ (594,489)</u>	<u>\$ 213,226</u>

Source: CAFR Schedule A-2 and District records.

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

(modified accrual basis of accounting)
Unaudited

	As of June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 543,349	\$ 183,012	\$ 211,991	\$ 328,749	\$ 221,371	\$ 585,279	\$ 365,297	\$ 6,793		
Unreserved	891,717	1,085,227	670,987	718,575	799,601	697,745	325,861	154,219		
Assigned to									\$ 56,120	\$ 474,520
Unassigned									362,868	458,967
Total general fund	<u>\$ 1,435,066</u>	<u>\$ 1,268,239</u>	<u>\$ 882,978</u>	<u>\$ 1,047,324</u>	<u>\$ 1,020,972</u>	<u>\$ 1,283,024</u>	<u>\$ 691,158</u>	<u>\$ 161,012</u>	<u>\$ 418,988</u>	<u>\$ 933,487</u>
All Other Governmental Funds										
Reserved	\$ 1,078,000									
Unreserved, reported in:										
Special revenue fund (deficit)	(12,573)	\$ (5,757)	\$ (5,755)	\$ (5,755)	\$ (5,755)	\$ (12,530)				
Capital projects fund (deficit)	(362,242)	(5,158,729)	2,081,658	340,072				\$ 7,601,036		
Debt service fund (deficit)	-	129,069	198,565	345,050	(209,877)	4,441	\$ 4,441	33,709		
Restricted for:										
Capital projects fund									\$ 762,598	\$ 835,861
Assigned to:										
Capital projects fund									336,205	
Debt service fund									226,678	
Total all other governmental funds	<u>\$ 703,185</u>	<u>\$ (5,035,417)</u>	<u>\$ 2,274,468</u>	<u>\$ 679,367</u>	<u>\$ (215,632)</u>	<u>\$ (8,089)</u>	<u>\$ 4,441</u>	<u>\$ 7,634,745</u>	<u>\$ 1,325,481</u>	<u>\$ 835,861</u>

Source: CAFR Schedule B-1 and District records.

GASB #54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (See footnote 1 in the basic financial statements). Prior years have not been restated above, nor are they required to be.

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

Unaudited

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax levy	\$ 24,788,071	\$ 27,911,924	\$ 29,243,698	\$ 31,160,081	\$ 32,944,992	\$ 34,892,145	\$ 36,576,791	\$ 37,813,209	\$ 39,723,306	\$ 40,662,161
Tuition charges	1,391,937	1,409,124	1,348,572	1,694,890	1,910,990	2,193,257	2,239,340	2,685,000	2,147,109	2,225,318
Interest earnings	104,520	305,418	1,694,572	1,711,902	214,398	128,395	48,588	64,083	72,853	2,429
Miscellaneous	1,343,204	905,815	297,025	169,528	139,043	544,187	353,670	286,669	264,671	115,247
State sources	7,284,856	10,793,898	15,274,793	8,996,141	10,869,322	10,488,684	9,242,797	9,721,863	8,124,104	9,279,419
Federal sources	1,027,782	1,103,146	1,032,462	1,218,623	1,084,441	1,075,978	1,108,895	1,647,898	1,794,651	1,534,324
Total revenue	35,940,370	42,429,325	47,390,293	45,405,165	47,163,186	49,322,646	49,570,081	51,618,722	52,126,694	53,818,898
Expenditures										
Instruction										
Regular and Special Education Instruction	16,206,575	17,079,010	17,793,011	18,986,943	19,285,281	20,226,147	21,016,971	22,282,855	21,676,305	22,101,498
Support Services:										
Attendance and social work	36,454	37,871	38,155	17,601	18,566	26,604	19,822	34,474	39,353	37,732
Health services	345,954	388,650	361,478	351,268	328,371	343,838	357,234	329,056	392,958	439,139
Other support services	1,828,173	1,882,236	1,966,189	2,278,545	2,405,802	2,600,908	2,833,901	2,905,702	3,009,236	2,953,130
Improvement of instruction	549,745	553,269	498,432	497,504	582,525	598,678	663,131	713,368	692,721	737,602
School library	425,178	-	473,306	476,911	506,934	433,654	461,542	483,454	454,334	498,541
Instructional staff training	-	81,912	90,539	69,493	59,390	61,024	67,141	58,852	21,482	38,587
General administration	1,323,615	840,789	672,501	692,851	688,786	708,460	772,067	749,770	573,929	609,425
School administration	1,611,086	1,651,844	1,787,273	1,652,325	1,719,912	1,577,163	1,598,231	1,650,711	1,600,763	1,609,806
Central services	-	-	568,465	404,856	428,258	500,949	462,950	458,664	460,591	423,719
Information technology	-	-	154,303	154,537	156,156	166,272	159,610	181,162	181,243	317,799
Required maintenance of plant	640,792	717,157	678,842	669,802	708,845	747,839	503,492	522,361	593,432	829,477
Operation of plant	2,850,913	2,880,554	3,420,239	3,473,550	3,691,642	3,909,563	4,331,538	4,557,923	3,967,952	3,678,275
Student transportation	1,878,076	2,042,055	2,218,643	2,407,349	2,706,149	2,803,368	2,845,464	3,107,636	2,854,924	3,014,850
Business and other support services and benefits	6,598,799	8,076,950	7,733,364	8,673,023	10,964,933	11,713,457	11,459,961	11,599,774	12,472,192	13,425,509
Special Schools	38,519	43,754	46,056	41,641	52,602	-	-	59,648	-	-
Costs of Issuance	-	-	-	-	-	-	-	-	59,648	-
Capital outlay	2,762,847	10,187,114	18,852,175	2,810,209	1,851,605	194,459	555,039	1,131,105	6,745,245	734,502
Debt service:										
Cost of Issuance	-	-	-	-	-	-	-	-	-	72,000
Principal	867,000	898,114	995,000	1,060,000	1,220,000	1,285,000	1,325,000	1,340,000	1,345,000	1,420,000
Interest and other charges	507,441	399,076	585,007	988,380	962,180	933,553	897,001	852,439	1,135,454	1,059,320
Total expenditures	38,471,167	48,187,859	58,924,178	45,706,888	48,338,137	48,832,936	50,340,095	53,018,974	58,217,114	54,000,911
Excess (Deficiency) of revenues over (under) expenditures	(2,530,797)	(5,758,534)	(11,533,885)	(2,301,723)	(1,174,951)	489,710	(770,014)	(1,400,252)	(6,090,420)	(182,013)
Other Financing sources (uses)										
Capital leases (non-budgeted)	1,645,399	975,335	769,320	872,588	255,523	-	170,024	125,410	39,132	134,892
Bond proceeds	-	-	17,974,000	-	-	-	-	8,375,000	-	-
Proceeds of refunding debt	-	4,525,000	-	-	-	-	-	-	-	13,525,000
Payment to refunded debt escrow agent	-	(5,702,747)	-	-	-	-	-	-	-	(14,675,597)
Original issue premium	116,475	42,420	-	-	-	-	-	-	-	1,296,985
Original issue discount	-	-	-	-	-	-	-	-	-	(74,388)
Transfers in	191,276	223,578	105,368	780,801	216,256	214,318	20,654	33,890	278,875	2,000
Transfers out	(192,607)	(225,056)	(106,200)	(782,421)	(218,179)	(234,433)	-	(33,890)	(278,875)	(2,000)
Total other financing sources (uses)	1,760,543	(161,468)	18,742,488	870,968	253,600	(20,115)	190,678	8,500,410	39,132	206,892
Net change in fund balances	\$ (770,254)	\$ (5,920,002)	\$ 7,208,603	\$ (1,430,755)	\$ (921,351)	\$ 469,595	\$ (579,336)	\$ 7,100,158	\$ (6,051,288)	\$ 24,879
Debt service as a percentage of noncapital expenditures	3.8%	3.4%	3.9%	4.8%	4.7%	4.6%	4.5%	4.2%	4.8%	4.7%

Source: CAFR Schedule B-2

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

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

Unaudited

Fiscal Year Ended June 30,	NJSCC Refund	SREC Proceeds	Insurance Refunds	Leaseback of Textbooks	Other Refunds	Misc.	Energy/E-rate Reimbursements	Total
2003				\$ 879,000	\$ 97,474	\$ 363,230		\$ 1,339,704
2004	\$ 457,378		\$ 359,723		45,981	42,733		905,815
2005			226,288		45,957	24,082		296,327
2006			80,000		25,464	57,732		163,196
2007					15,398	121,245		136,643
2008			145,075		16,475	85,971	\$ 50,254	297,775
2009			220,000		53,682	20,017		293,699
2010			200,000		62,910	15,332		278,242
2011					35,909	35,716	192,969	264,594
2012		\$ 32,670			14,676	35,001		82,347

Source: District Records

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

Unaudited

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

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

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

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

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

b Tax rates are per \$100

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

Information in this detail was not available prior to the 2004 fiscal year and therefore ten years are not presented. Additional years will be added until ten required years are presented.

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	
2003	\$ 1.355	\$ 0.068	\$ 1.423	\$ 0.548	\$ 0.598	\$ 2.569
2004	1.418	0.063	1.481	0.587	0.585	2.653
2005	1.443	0.067	1.510	0.619	0.630	2.759
2006	1.487	0.082	1.569	0.708	0.617	2.894
2007	1.523	0.099	1.622	0.720	0.640	2.982
2008	1.561	0.099	1.660	0.809	0.689	3.158
2009 ^c	0.859	0.052	0.911	0.401	0.360	1.672
2010	0.889	0.053	0.942	0.454	0.361	1.757
2011	0.933	0.052	0.985	0.514	0.358	1.857
2012*	N/A	N/A	N/A	N/A	N/A	N/A

Source: District Records and Municipal Tax Collector.

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

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

^c Rates reflect a property revaluation

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

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

Unaudited

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Cedar Glen Lakes	\$ 65,108,200	1	1.60%	\$ 49,989,100	2	2.95%
Crestwood Village Co-Op IV	57,179,300	2	1.40%	50,311,500	1	2.96%
Crestwood Village Co-Op III	47,704,200	3	1.17%	41,216,000	3	2.43%
Crestwood Village Co-Op II	47,658,500	4	1.17%	40,450,300	4	2.38%
Pine Ridge MHC LLC	40,365,000	5	0.99%			0.00%
Crestwood Village Co-Op I	39,141,200	6	0.96%	31,914,000	5	1.88%
Manchester Plaza	35,061,900	7	0.86%			0.00%
Presbyterian Homes	34,200,000	8	0.84%	13,587,000	9	0.80%
Cedar Glen West	32,800,800	9	0.80%	22,486,000	6	1.32%
Hovson's	30,499,900	10	0.75%	13,120,700	10	0.77%
Keswick Pines				15,181,900	8	0.89%
Cedar Glen Homes				17,648,000	7	1.04%
Total	\$ 429,719,000		10.53%	\$ 295,904,500		17.43%

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	
2003	\$ 23,874,141	\$ 23,874,141	100.00%	-
2004	27,911,924	27,911,924	100.00%	-
2005	29,243,698	29,243,698	100.00%	-
2006	31,160,081	31,160,081	100.00%	-
2007	32,944,992	32,944,992	100.00%	-
2008	34,892,145	34,892,145	100.00%	-
2009	36,576,591	36,576,591	100.00%	-
2010	37,813,209	37,813,209	100.00%	-
2011	39,723,306	39,723,306	100.00%	-
2012	40,662,161	40,662,161	100.00%	-

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

Note:

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

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

Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Business- Type Activities		Percentage of Per Capita Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	\$ 3,915,000	\$ 6,125,000	\$ 1,742,834	\$ 17,974,589	\$ 61,673	\$ 29,819,096	0.11%	\$ 32,285
2004	4,045,000	4,525,000	1,377,897	17,974,589	57,067	27,979,553	0.12%	33,132
2005	21,859,000	3,690,000	1,877,777		30,859	27,457,636	0.13%	34,509
2006	21,649,000	2,840,000	2,417,395		107,916	27,014,311	0.13%	34,509
2007	21,204,000	2,065,000	2,130,280		102,839	25,502,119	0.15%	39,214
2008	20,714,000	1,270,000	1,864,155		90,905	23,939,060	0.15%	36,037
2009	20,029,000	630,000	1,806,518		86,419	22,551,937	0.17%	37,228
2010	27,694,000		1,577,199		67,528	29,338,727	0.13%	39,521
2011	26,349,000		1,236,221		52,185	27,637,406	0.14%	39,677
2012	25,145,000		957,950		37,623	26,140,573	0.15%	40,291

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

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds and Certificates of Participation	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 10,040,000	\$ 1,078,000	\$ 8,962,000	0.48%	\$ 217.12
2004	8,570,000		8,570,000	0.45%	203.96
2005	25,549,000		25,549,000	1.28%	607.98
2006	24,489,000		24,489,000	1.19%	586.10
2007	23,269,000		23,269,000	1.11%	556.81
2008	21,984,000		21,984,000	1.02%	526.47
2009	20,659,000		20,659,000	0.51%	494.66
2010	27,694,000		27,694,000	0.68%	661.78
2011	26,349,000		26,349,000	0.65%	610.67
2012	25,145,000		25,145,000	0.63%	581.01

Source:

a See J-6 for property tax data.

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

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

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

Manchester Township School District
 Ratios of Overlapping Governmental Activities Debt
 As of June 30, 2012

Unaudited

	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Manchester Township	\$ 19,515,941	100.0%	\$ 19,515,941
County of Ocean	426,609,144	4.3%	<u>18,344,193</u>
Subtotal, overlapping debt			<u>37,860,134</u>
Manchester Township School District Direct Debt			<u>25,145,000</u>
Total direct and overlapping debt			<u><u>\$ 63,005,134</u></u>

Sources: Manchester Township Finance Officer, Ocean County Finance Office

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

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

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

Unaudited

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis
	2012 \$ 4,293,926,559
	2011 4,284,998,310
	2010 4,773,340,318
	<u>\$ 13,352,265,187</u>
Average equalized valuation of taxable property	\$ 4,450,755,062
Debt limit (4 % of average equalization value)	178,030,202
Net bonded school debt	<u>25,145,000</u>
Legal debt margin	<u>\$ 152,885,202</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 76,479,932	\$ 86,904,570	\$ 104,168,192	\$ 124,218,350	\$ 146,737,559	\$ 168,508,775	\$ 183,456,512	\$ 191,025,092	\$ 184,281,147	\$ 178,030,202
Total net debt applicable to limit	<u>21,889,589</u>	<u>26,544,589</u>	<u>25,549,000</u>	<u>24,489,000</u>	<u>23,269,000</u>	<u>21,984,000</u>	<u>20,659,000</u>	<u>27,694,000</u>	<u>26,349,000</u>	<u>25,145,000</u>
Legal debt margin	<u>\$ 54,590,343</u>	<u>\$ 60,359,981</u>	<u>\$ 78,619,192</u>	<u>\$ 99,729,350</u>	<u>\$ 123,468,559</u>	<u>\$ 146,524,775</u>	<u>\$ 162,797,512</u>	<u>\$ 163,331,092</u>	<u>\$ 157,932,147</u>	<u>\$ 152,885,202</u>
Total net debt applicable to the limit as a percentage of debt limit	28.62%	30.54%	24.53%	19.71%	15.86%	13.05%	11.26%	14.50%	14.30%	14.12%

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
2002	41,276		\$ 32,576	6.5%
2003	42,019		33,029	6.9%
2004	42,023		33,567	6.9%
2005	41,783		34,497	5.5%
2006	41,790		36,773	5.9%
2007	41,757		39,214	6.5%
2008	41,764		40,975	5.9%
2009	41,848		39,331	7.1%
2010	43,148		40,291	13.9%
2011	43,278		40,291	14.2%

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	2012			2003		
	Employees	Rank (Optional)	Percentage of Total	Employees	Rank (Optional)	Percentage of Total Employment
Joint Base - Lakehurst	3,550	1	33.57%	3,550	1	30.15%
Manchester Township Board of Education	600	2	5.67%	501	2	4.25%
Whiting Health Care	280	3	2.65%	237	5	2.01%
Manchester Township	228	4	2.16%	190	7	1.61%
Arista Healthcare	225	5	2.13%			
Crestwood Manor	225	6	2.13%	260	4	2.21%
Shoprite - Manchester Plaza	200	7	1.89%	359	3	3.05%
Manchester Manor	192	8	1.82%	192	6	1.63%
Logan Manor Association				140	8	1.19%
Lowes, Manchester	120	9	1.13%			
Whiting Super G				120	9	1.02%
Arbors Care Center	120	10	1.13%			
Magnesium Elektron Inc. (Reade)				34	10	0.29%
	<u>5,740</u>		<u>54.27%</u>	<u>5,583</u>		<u>47.41%</u>

Source: Manchester Township CFO and Official Statements

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

Unaudited

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	195.9	197.7	202.3	211.1	210.4	213.1	214	209.6	215	215.6
Special education	49	51.3	47.7	48.9	46.1	47.1	54	52	68	67.4
Other special education	38	39.6	39.3	40	39	42	42	42	35	38
Support Services:										
Student & instruction related services	43.1	46	47	49	51	48	57	59.8	69	68.7
General administrative services	5	5	5	5	5	5	5	5	2	2.1
School administrative services	24	24	24	24	23	24	24	24	24	23.9
Business administrative services	8	8	8	8	8	8	8	8	7	6.9
Technical administrative services	2	2	2	2	2	2	2	2	2	1.8
Plant operations and maintenance	35	36	36	36	36	36	36.5	33	32	32.4
Pupil transportation	48	49.5	49.5	53	53	58	59	57	58	58.3
Special Schools	47	48	48	50	50	48	46	45	*	*
Total	<u>495.00</u>	<u>507.10</u>	<u>508.80</u>	<u>527.00</u>	<u>523.50</u>	<u>531.20</u>	<u>547.50</u>	<u>537.40</u>	<u>512.00</u>	<u>515.10</u>

Source: District Personnel Records

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

Manchester Township School District
Operating Statistics
Last Ten Fiscal Years

Unaudited

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

Sources: District records and ASSA

Note: Enrollment based on annual October district count.

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

Manchester Township School District
School Building Information
Last Ten Fiscal Years

Unaudited

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

Number of Schools at June 30, 2012

 High School = 1

 Elementary = 3

 Middle School = 1

Source: District records, ASSA

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

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

Unaudited

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

School Facilities	Project # (s)	Fiscal Year Ended June 30,									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Central Office		\$ 109,067	\$ 82,941	\$ 82,475	\$ 58,269	\$ 70,319	\$ 62,420	\$ 67,403	\$ 68,831	\$ 66,452	\$ 72,225
High School	40	229,602	159,957	115,391	158,345	222,565	212,392	221,811	213,771	218,418	208,527
Manchester Elementary School	43	97,080	81,975	89,188	63,929	98,214	92,411	95,539	99,616	99,455	79,979
Manchester Middle School	45	180,858	125,249	84,716	95,848	148,843	128,244	118,575	129,814	125,891	118,111
Ridgeway Elementary School	50	124,450	77,947	92,910	77,917	122,082	113,247	94,651	93,231	101,271	97,670
Whiting Elementary School	60	83,420	65,363	57,681	49,185	75,505	100,131	71,823	73,579	105,670	64,280
Total School Facilities		<u>829,477</u>	<u>593,432</u>	<u>522,361</u>	<u>503,492</u>	<u>737,528</u>	<u>708,845</u>	<u>669,802</u>	<u>678,842</u>	<u>717,157</u>	<u>640,792</u>
Other Facilities											
Grand Total		<u>\$ 829,477</u>	<u>\$ 593,432</u>	<u>\$ 522,361</u>	<u>\$ 503,492</u>	<u>\$ 737,528</u>	<u>\$ 708,845</u>	<u>\$ 669,802</u>	<u>\$ 678,842</u>	<u>\$ 717,157</u>	<u>\$ 640,792</u>

Source: District records of required maintenance.

Manchester Township School District
Insurance Schedule
Year ended June 30, 2012
Unaudited

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

Source: District Records

Manchester Township School District
Insurance Schedule
Year ended June 30, 2012
Unaudited

Type of Coverage	Coverage	Deductible
Errors and Omissions		
Errors and Omissions	\$ 11,000,000	\$ 15,000
Workers Compensation		
Employer Liability	2,000,000	
Workers Compensation	2,000,000	
Umbrella Excess Liability:		
Policy aggregate limit of liability-primary	10,000,000	
Umbrella excess liability-secondary	10,000,000	
Environmental Impairment Liability:		
Aggregate limit of liability	11,000,000	
Fidelity Bonds:		
Selective Insurance Company/Utica		
National Insurance Group:		
Treasurer of School Monies	292,500	
Board Secretary/Business Administrator	120,000	

Source: District Records

Independent Auditors' 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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Manchester Township School District, in the County of Ocean, State of New Jersey (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2012. 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.

Internal Control Over Financial Reporting

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

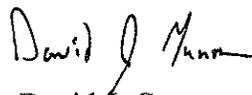
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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.

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

October 3, 2012
Iselin, New Jersey



Independent Auditors' Report on Compliance With Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB
Circular A-133 and New Jersey OMB Circular 04-04

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

Compliance

We have audited the Manchester Township School District's, County of Ocean, State of New Jersey (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey OMB Compliance Supplement*, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

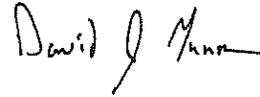
Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



David J. Gannon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

October 3, 2012
Iselin, New Jersey

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Manchester Township School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011	Carryover Amount	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2012		
											Deferred/Unearned Revenue	(Accounts Receivable)	Due to Grantor
U.S. Department of Health and Human Services - Passed Through State Department of Education													
General Fund:													
Medical Assistance Program	93.778	Not available	7/1/11-6/30/12	\$ 65,206				\$ 29,905	\$ (65,206)			\$ (35,301)	
Medical Assistance Program	93.778	Not available	7/1/10-6/30/11	56,028	\$ (6,393)			6,393					
U.S. Department of Education - Passed Through State Department of Education													
General Fund:													
Ed Jobs Fund	84.410	Not available	7/1/11-6/30/12	225,754				225,754	(225,754)				
Total General Fund					(6,393)			262,052	(290,960)			(35,301)	
U.S. Department of Education - Passed Through State Department of Education													
Special Revenue Fund:													
Title I	84.010A	NCLB-2940-08	9/1/11-8/31/12	393,732				263,857	(342,546)			(78,689)	
Title I, carryover	84.010A	NCLB-2940-08	9/1/10-8/31/11	376,177	(118,333)			165,268	(46,935)				
IDEA Part B, Basic, Regular	84.027A	FT294008	9/1/11-8/31/12	711,385				664,875	(711,385)			(46,510)	
IDEA Part B, Basic, Regular carryover	84.027A	FT294008	9/1/10-8/31/11	782,667	(99,285)			99,285					
ARRA IDEA Part B	84.391	FT294008	9/1/09-8/31/11	715,099	(118,889)			125,876	(6,987)				
IDEA Part B, Preschool	84.173A	PS294007	9/1/11-8/31/12	33,344				33,344	(33,344)				
IDEA Part B, Preschool carryover	84.173A	PS294007	9/1/10-8/31/11	33,450	(10,000)			10,000					
ARRA IDEA Part B, Preschool	84.392	PS294007	9/1/10-8/31/11	25,803				826	(826)				
Title II, Part A	84.367A	NCLB-2940-07	9/1/11-8/31/12	107,016				89,476	(102,016)			(12,540)	
Title II, Part A, carryover	84.367A	NCLB-2940-07	9/1/10-8/31/11	121,113	(30,038)			30,038					
Title II, Part D, carryover	84.318X	NCLB-2940-07	9/1/10-8/31/11	791									
Title III, carryover	84.365	NCLB-2940-07	9/1/10-8/31/11	4,000	(842)			903	(61)				
Title III, carryover	84.365	NCLB-2940-07	9/1/09-8/31/10	6,452	(38)			38					
Drug Free Schools-Title IV, carryover	84.186A	NCLB-2940-08	9/1/09-8/31/10	8,007	(6)		\$ 7	6			\$ 7		
U.S. Department of Agriculture--Passed-Through State Department of Education													
Special Revenue Fund:													
Healthier US School Challenge (Silver Award)	10.574	N/A	7/1/11-6/30/12	3,000				3,000	(2,000)			1,000	
Total Special Revenue Fund					(377,431)		7	1,486,792	(1,246,100)			1,007	(137,739)
U.S. Department of Agriculture--Passed-Through State Department of Education													
Enterprise Fund:													
Food Donation Program (NC)	10.555	N/A	7/1/10-6/30/11	50,246	4,408				(4,408)				
Food Donation Program (NC)	10.555	N/A	7/1/11-6/30/12	99,414				99,414	(95,400)			4,014	
National School Lunch Program	10.555	N/A	7/1/10-6/30/11	384,116	(67,748)			67,748					
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	420,209				351,044	(420,209)			(69,165)	
School Breakfast Program	10.553	N/A	7/1/10-6/30/11	60,230	(12,467)			12,467					
School Breakfast Program	10.553	N/A	7/1/11-6/30/12	76,403				72,999	(76,403)			(3,404)	
Total Enterprise Fund					(75,807)			603,672	(596,420)			4,014	(72,569)
Total Federal Awards					\$ (459,631)	\$ -	\$ 7	\$ 2,352,516	\$ (2,133,480)	\$ -	\$ 5,021	\$ (245,609)	\$ -

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

NC-non cash expenditures.

Manchester Township School District
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Carryover/Walkover	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Adjustments	Balance at June 30, 2012			MEMO		
				Due to Grantor	Def Rev (Accounts Receivable)						Deferred/Unearned Revenue	(Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:																
General Fund:																
Transportation Aid	495-034-5120-014	7/01/10-6/30/11	\$ 1,745,945	\$	(164,459)		\$ 164,459									
Transportation Aid	495-034-5120-014	7/01/11-6/30/12	1,745,945				1,577,713	\$ (1,745,945)						\$ (168,232)	\$ (1,745,945)	
Special Education Categorical Aid	495-034-5120-089	7/01/10-6/30/11	1,599,072		(150,624)		150,624									
Special Education Categorical Aid	495-034-5120-089	7/01/11-6/30/12	1,599,072				1,444,992	(1,599,072)						(154,080)	(1,599,072)	
Extraordinary Aid	100-034-5120-473	7/01/10-6/30/11	191,474		(191,474)		191,474									
Extraordinary Aid	100-034-5120-473	7/01/11-6/30/12	202,754					(202,754)				\$ (202,754)			(202,754)	
Security Aid	495-034-5120-084	7/01/10-6/30/11	397,151		(37,410)		37,410									
Security Aid	495-034-5120-084	7/01/11-6/30/12	397,151				358,883	(397,151)						(38,268)	(397,151)	
Adjustment Aid	495-034-5120-085	7/01/10-6/30/11	599,851		(56,503)		56,503									
Adjustment Aid	495-034-5120-085	7/01/11-6/30/12	1,506,141				1,361,016	(1,506,141)						(145,125)	(1,506,141)	
Other State Aid (NP Transportation Aid)	Not Available	7/01/10-6/30/11	11,870		(11,870)		11,870									
Other State Aid (NP Transportation Aid)	Not Available	7/01/11-6/30/12	17,283					(17,283)							(17,283)	
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/10-6/30/11	1,514,810		(75,441)		75,441									
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/11-6/30/12	1,563,776				1,484,632	(1,563,776)						(79,144)	(1,563,776)	
Targeted At Risk Aid	495-034-5120-005	7/01/07-6/30/11	135,500				10,388					\$ 10,388				
Total General Fund					(677,393)		6,915,017	(7,032,122)				10,388	(299,181)	(505,705)	(7,032,122)	
Capital Projects Fund:																
NJ Schools Construction Corporation (NC)	Various	7/01/10-Completion	57,270		(16,621)			(40,649)						(57,270)	(40,649)	
Total Capital Projects Fund					(16,621)			(40,649)						(57,270)	(40,649)	
Debt Service Fund:																
Debt Service Aid	495-034-5120-017	7/01/11-6/30/12	150,582				150,582	(150,582)								(150,582)
Total Debt Service Fund							150,582	(150,582)								(150,582)
Enterprise Fund:																
National School Lunch Program (State Share)	100-010-3350-023	7/01/10-6/30/11	13,833		(3,172)		3,172									
National School Lunch Program (State Share)	100-010-3350-023	7/01/11-6/30/12	13,654				13,151	(13,654)						(503)	(13,654)	
State Department of Education:																
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/10-6/30/11	177,415		(8,404)		8,404									
Reimbursed TPAF Social Security Contributions	495-034-5095-002	7/01/11-6/30/12	181,946				173,556	(181,946)						(8,390)	(181,946)	
Total Enterprise Fund					(11,576)		198,283	(195,600)						(8,893)	(195,600)	
Total state awards				\$	\$ (705,590)	\$	\$ 7,263,882	\$ (7,418,953)	\$	\$	\$	\$ 10,388	\$ (365,344)	\$ (505,705)	\$ (7,418,953)	

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

NC-non cash expenditures.

Manchester Township School District

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

Year ended June 30, 2012

1. General

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

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

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

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

Manchester Township School District

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

Year ended June 30, 2012

3. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$96,709 for the general fund and \$2,736 for the special revenue fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general fund and special revenue fund.

Additionally, as discussed further in note 5, the State of New Jersey makes contributions on-behalf of the District for TPAF post retirement medical and pension contributions. The total amount of these contributions during the 2012 fiscal year was \$2,152,775.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 290,960	\$ 9,088,188	\$ 9,379,148
Special Revenue Fund	1,243,364		1,243,364
Capital Projects Fund		40,649	40,649
Debt Service Fund		150,582	150,582
Enterprise Funds	596,420	195,600	792,020
Total financial award revenues	<u>\$ 2,130,744</u>	<u>\$ 9,475,019</u>	<u>\$ 11,605,763</u>

Manchester Township School District

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

Year ended June 30, 2012

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, 2012.

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

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2012

Part I—Summary of Auditors Results

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> ✓ </u>	No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> ✓ </u>	None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> ✓ </u>	No

Federal and State Awards Section

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

Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2012

Part I—Summary of Auditors Results (continued)

Federal and State Awards Section (continued)

Identification of major programs:

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

Federal:

84.027A, 84.173A, 84.391 & 84.392	IDEIA Part B, IDEIA Preschool , ARRA IDEIA Part B & ARRA IDEIA Preschool Cluster
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State:

495-034-5120-089 495-034-5120-084 495-034-5120-085	Special Education Categorical Aid Security Aid Adjustment Aid
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Manchester Township School District
Schedule of Findings and Questioned Costs

June 30, 2012

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, 2012

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

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

Manchester Township School District
Summary Schedule of Prior Audit Findings

June 30, 2012

Not applicable.

