

This is a Preliminary Official Statement, complete with the exception for the specific information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission. The Board has authorized distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15c2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Bonds described herein, the Board will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchaser's confirmations that request

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 5, 2010**

**NEW ISSUE**

**RATING: Standard & Poor's (Expected)**

*In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, assuming continuing compliance by the Board with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended ("Code"), for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

**\$8,375,000**

**THE BOARD OF EDUCATION OF THE TOWNSHIP OF MANCHESTER  
IN THE COUNTY OF OCEAN, NEW JERSEY  
SCHOOL DISTRICT BONDS, SERIES 2010  
(BOOK-ENTRY ONLY) (BANK QUALIFIED)**

**DATED: Date of Delivery**

**DUE: March 1, as shown below**

The \$8,375,000 School District Bonds, Series 2010 (the "Bonds") of the Board of Education of the Township of Manchester in the County of Ocean, New Jersey (the "Board" when referring to the governing body and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board and, unless paid from other sources, are payable from ad valorem taxes levied upon all taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, 1980 N.J. Laws c. 72, as amended.

The Bonds will be issued as fully-registered bonds in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will maintain a book-entry system for recording ownership interests of DTC Participants. Individual purchases of beneficial ownership interests in the Bonds may be made in book-entry form only on the records of DTC and its Participants and only in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof. Beneficial Owners of the Bonds will not receive certificates representing their interests in the Bonds. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners shall mean Cede & Co., and not the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

Principal of the Bonds is payable on March 1 in each of the years set forth below. Interest on the Bonds is payable initially on September 1, 2010 and semiannually thereafter on March 1 and September 1 of each year until maturity. As long as DTC or its nominee Cede & Co. is the registered owner of the Bonds, payment of the principal of and interest on the Bonds will be made by the Board directly to DTC or its nominee, Cede & Co. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities. See "THE BONDS—Redemption" herein.

**MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS**

<u>Year</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2011	\$650,000			2021	\$550,000		
2012	275,000			2022	550,000		
2013	10,000			2023	550,000		
2014	10,000			2024	500,000		
2015	65,000			2025	500,000		
2016	115,000			2026	500,000		
2017	500,000			2027	500,000		
2018	500,000			2028	500,000		
2019	550,000			2029	500,000		
2020	550,000			2030	500,000		

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.**

*The Bonds are offered when, as and if issued and subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by the law firm of Decotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Board by its Counsel, Gilmore & Monahan, PA, Toms River, New Jersey. Phoenix Advisors, LLC has served as financial advisor in connection with the Bonds. The Bonds are expected to be available for delivery in definitive form through DTC in New York, New York on or about January 27, 2010.*

**ELECTRONIC SUBMISSIONS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON JANUARY 12, 2010.  
FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY,  
VIEW THE NOTICE OF SALE POSTED AT WWW.I-DEALPROSPECTUS.COM**

**THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF MANCHESTER IN THE  
COUNTY OF OCEAN, NEW JERSEY**

**Board Members**

Mary Walter, President  
James Kenneth Pate, Vice-President  
Jackie Bermudez  
James Griffin  
Steve Placido  
Gary Rhodes  
Donald Webster, Jr.  
Allison Werner (Lakehurst Representative)

**Superintendent Of Schools**

David Trethaway

**Business Administrator/Board Secretary**

Craig Lorentzen

**Board Auditor**

Wiss & Company, LLP  
Iselin, New Jersey

**Board Attorney**

Gilmore & Monahan, P.A.  
Toms River, New Jersey

**Bond Counsel**

Decotiis, FitzPatrick & Cole, LLP  
Teaneck, New Jersey

**Financial Advisor**

Phoenix Advisors, LLC  
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Board. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriter.

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**OFFICIAL STATEMENT  
Relating to**

**\$8,375,000 SCHOOL DISTRICT BONDS, SERIES 2010  
of  
THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF MANCHESTER IN THE  
COUNTY OF OCEAN, NEW JERSEY**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Board of Education of the Township of Manchester in the County of Ocean, New Jersey (the "Board"), in connection with the sale and the issuance of \$8,375,000 School District Bonds, Series 2010 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary and may be distributed in connection with the sale of the Bonds.

**THE BONDS**

General Description

The Bonds are dated their date of delivery, will mature on the dates and in the amounts and will bear interest payable semiannually, all as set forth on the cover page hereof. The Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books of The Depository Trust Company, New York, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board directly to Cede & Co. (or any successor or assign) as nominee for DTC. Interest on the Bonds is payable initially on September 1, 2010 and semiannually thereafter on March 1 and September 1 (the "Interest Payment Dates") and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on February 15 and August 15 next preceding each interest payment date (the "Record Dates") for the payment of interest on the Bonds.

Book-Entry Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial

Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds, unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.**

#### Discontinuation of Book-Entry Only System

If the Board, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Board will attempt to locate another qualified Securities Depository. If the Board fails to find such Securities Depository, or if the Board determines, in its sole discretion, that it is in the best interest of the Board or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Board undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Board shall notify DTC of the termination of the book-entry only system.

In the event that the book-entry only system for the Bonds is discontinued, the Board has provided that upon receipt of the Bond certificates from DTC and the Participant information, the Board

will authenticate (or cause to be authenticated) and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the Bond certificates so provided.

### Redemption

The Bonds maturing prior to March 1, 2021 are not subject to optional redemption. The Bonds maturing on or after March 1, 2021 shall be subject to redemption at the option of the Board, in whole or in part, in such order of maturity as directed by the Board, on any date on or after March 1, 2020 at the par amount of Bonds to be redeemed, plus unpaid accrued interest to the date fixed for redemption.

### Notice of Redemption

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed Bond Registrar. So long as The Depository Trust Company (or any successor thereto) acts as Securities Depository for the Bonds, such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

## **AUTHORIZATION AND PURPOSE OF THE BONDS**

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on August 26, 2009 and approved by a majority of the legal voters present and voting at the school district election held on September 29, 2009 and by a resolution duly adopted by the Board on December 21, 2009 (the "Resolution").

The purpose of the Bonds is to finance renovations and repairs to the Whiting Elementary School, Ridgeway Elementary School, Manchester Elementary School, Manchester Middle School, Manchester High School and the Manchester Board of Education Building. The project also includes acquisition of school buses, furniture, necessary equipment, apparatus and fixtures associated with the foregoing projects and the installation of photovoltaic panels on the roof of the Manchester Township High School. The total cost of the project is \$8,375,621. The project will be permanently funded through the issuance of the Bonds in the amount of \$8,375,000. The remaining \$621 will be available from other funds of the Board of Education. The Board is entitled to receive debt service aid from the State of New Jersey in the amount of 27.03% of the annual debt service due with respect to the final eligible costs of the project.

## SECURITY AND SOURCE OF PAYMENT

### General

The Bonds are valid and legally binding general obligations of the Board, and the Board has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. Unless paid from other sources, the Bonds are payable from ad valorem taxes to be levied upon all the taxable real property within the School District without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights or to the application of general principles of equity by a court of competent jurisdiction.

### **NEW JERSEY SCHOOL BOND RESERVE ACT N.J.S.A. 18A: 56-17 et seq.**

All school bonds are secured by the School Bond Reserve established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980 c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). The 2003 amendments to the School Bond Reserve Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to one and one half percent (1-1/2%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to one percent (1%) of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limit of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required making payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the reserve.

The Act further provides that the amount of payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the district, county or municipality and shall not obligate the State to make, nor entitle the district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

## **THE SCHOOL DISTRICT**

### **General Information**

The School District is a Type II (K through 12) school district coterminous with the boundaries of the Township of Manchester located in the County of Ocean, New Jersey. The Superintendent of Schools is the chief administrative officer of the School District. The School Business Administrator/Board Secretary oversees the Board's business functions and reports through the Superintendent to the Board.

For more information regarding the School District and the tax base for the School District, please see "Appendix A: Certain Demographic Information Concerning the Township of Manchester and the School District" and "Appendix B: Financial Statements of the Board of Education of the Township of Manchester".

## **SUMMARY OF THE ELEMENTARY AND SECONDARY EDUCATION SYSTEM IN NEW JERSEY**

The State's Constitution provides that the maintenance and the support of a thorough and efficient system of free public schools for the instruction of all children between the ages of 5 and 18 years is a legislative responsibility. Below is a summary of the role of the state.

### **State Department of Education**

The New Jersey Department of Education (the "Department") was created by the State Legislature to exercise general supervision and control of public education. The Department consists of the State Board and the Commissioner (as defined herein) and various divisions, bureaus and similar bodies established by statute.

### **State Board of Education**

The Department is guided by the policy established by the State Board of Education (the "State Board") which has the general supervision and control of all public education in the state, except higher education. The State Board is the head of the Department and adopts rules and regulations that have the effect of law and are binding upon local school districts. The State Board also decides on appeals from decisions of the Commissioner of Education (the "Commissioner") on matters of school law or State Board regulations.

### Commissioner of Education

The Commissioner is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is the chief executive officer and secretary of the State Board and has the authority to recommend withholdings of State Financial Aid. The Commissioner's consent is required for authorization to sell school bonds that exceed the statutory debt limits, and the Commissioner also may set the amount to be raised by taxation in a school district in a fiscal year if a school budget has not been approved by the voters of the school district or by a Board of School Estimate, as the case may be, or by the governing body of the municipality.

### County Superintendents

County Superintendents are appointed by the Commissioner, with the approval of the State Board, to act as an agent of the Department in each county. They are charged with the enforcement of rules pertaining to the certification of teachers, financial reports and pupil registers in all school districts within their respective counties.

### Categories of School Districts

New Jersey school districts are characterized by the manner in which the board of education, the governing body, takes office. Type I school districts, most commonly found in cities, have a board of education appointed by the mayor or the chief executive officer of the municipality. In a Type II school district, the board of education is elected by the voters of the school district. Regional school districts are similar to Type II school districts.

School districts are principally in the following categories:

1. Type I in which the governing body of a municipality appoints the members of a board of education and a board of school estimate, consisting of two members of the board of education and two members of the governing body and the chief executive of the municipality comprising a school district, approves all fiscal matters.
2. Type II in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters also vote upon all fiscal matters, or (b) a board of school estimate, consisting of two members of the governing body of and the chief executive of each municipality within the district and one member of the board of education, approves all fiscal matters.
3. Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and vote upon all fiscal matters. Regional school districts may be all purpose grades K-12 or limited purpose school districts.
4. State-operated school districts created by the State Board of Education pursuant to law when a local board of education cannot or will not correct severe educational deficiencies.
5. County vocational school districts in which the board of chosen freeholders of the county appoints the members of the board of education and a board of school estimate, consisting of two members appointed by the board of education, two members appointed by the board of chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders, approves all fiscal matters.

6. County special services school districts in which the board of chosen freeholders of the county appoints the members of the board of education and a board of school estimate, consisting of two members appointed by the board of education, two members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, approves all fiscal matters.

School districts may change from Type I to Type II or Type II to Type I school districts only with the approval of the voters, and school districts may withdraw from or create new regional school districts only with the approval of the Commissioner of Education. The Board is a Type II School District without a board of school estimate.

## **SUMMARY OF STATE AID TO SCHOOL DISTRICTS**

### General

In 1973, the Supreme Court of the State ruled in Robinson v. Cahill that the existing method of financing school costs principally through property taxation was unconstitutional. Pursuant to the Supreme Court's ruling, the State Legislature enacted the Public School Education Act of 1975 (P.L. 1975, c. 212) which required funding of the State's school aid through a New Jersey Gross Income Tax Act (P.L. 1975, c. 47), enacted for the purpose of providing property tax relief.

On June 5, 1990, the Supreme Court ruled in Abbott v. Burke that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The court found that poorer urban districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The court found that wealthy districts were able to spend more, yet tax less for educational purposes.

### The Quality Education Act of 1990

The legislative response to Abbott v. Burke was the passage of the Quality Education Act of 1990 (the "QEA"), (P.L. 1990, c. 52), which was signed into law on July 3, 1990. QEA established a new formula for the distribution of state aid for public education, beginning with the 1991/92 fiscal year. The law provided a formula that took into account property values and personal income to determine a district's capacity to raise money for public education. A budgetary limitation, or "CAP" on expenditures, was also provided in the law. The "CAP" was intended to control the growth in local property taxes. The QEA was amended and revised by Chapter 62 of the Pamphlet Laws of 1991 of New Jersey, effective March 14, 1991, and further amended by Chapter 7 of the Pamphlet Laws of 1993, effective July 14, 1993.

On July 12, 1994, the Supreme Court of New Jersey declared the school aid formula under QEA, as amended, unconstitutional on several grounds as it is applied to the 30 special needs school districts (the "Abbott Districts") in the ongoing litigation commonly known as Abbott v. Burke II. No specific remediation was ordered, but the Supreme Court ultimately held that the Legislature and the Governor were required to have a new funding formula in effect by December 31, 1996 so that any new formula would be implemented in the 1997/98 fiscal period and thereafter.

### Comprehensive Educational Improvement and Financing Act of 1996

In keeping with the Supreme Court's deadline, Governor Christine Todd Whitman signed into law on December 20, 1996 the Comprehensive Educational Improvement and Financing Act of 1996 ("CEIFA"). CEIFA affects how public schools are funded by the State, beginning in the 1997/98 fiscal



year. CEIFA was recently amended by P.L. 2004, c.73, effective July 1, 2004, to among other provisions, lower the Spending Growth Limitation for school districts and recently further amended and superceded by P.L. 2007, c.62 to again affect how public schools are funded by placing a 4% cap on the amount that a school district can raise for its budget from property taxes.

### Elements of the Comprehensive Plan

CEIFA departs from other funding formulas adopted in New Jersey by defining what constitutes a "thorough and efficient" education, which is what the New Jersey Constitution requires every public school student to receive. CEIFA further establishes the costs to provide each student with an education that is "thorough and efficient".

In defining what constitutes a "thorough" education, the New Jersey State Board of Education adopted a set of Core Curriculum Content Standards. The purpose of these standards is to provide all students with the knowledge and skills that will enable them to be productive citizens when they graduate from any New Jersey high school, regardless of the school's location or socioeconomic condition. CEIFA provides state aid assistance in the form of Core Curriculum Standards Aid based on a school district's financial ability to raise sufficient tax revenue for its students to achieve the Core Curriculum Contents Standards.

The definition of an "efficient" education under CEIFA determines the cost to provide each student with an education that fulfills the requirements for the Core Curriculum Content Standards. The efficiency standard defines such things as optimal class size, administrators/teachers per student, schools per district, and the types and amount of classroom supplies, services, and materials. CEIFA establishes an approximate amount per student to educate each student at various grade levels in the Core Curriculum Content Standards. This amount will be adjusted biennially for inflation by the consumer price index.

In determining how much Core Curriculum Standards Aid a school district will receive, CEIFA considers each school district's financial ability to fund such a level of education. This component of CEIFA is referred to as the local share requirement, namely, the amount of taxes that a school district can raise relative to other school districts based on property wealth and income levels. The purpose of the Core Curriculum Standards Aid is to provide school districts with adequate State assistance that is proportionate to their ability to pay. The purpose of this type of aid is to ensure that all school districts have the economic ability to provide their students with the ability to achieve the Core Curriculum Content Standards. In addition to the Core Curriculum Standards Aid, CEIFA also provides per-pupil assistance from the state for special education, early childhood programs, demonstrably effective programs, instructional supplement, bilingual education, county vocational schools, and distance learning network.

CEIFA also limits the amount school districts can increase their annual current expenses and capital outlay budgets. Generally, budgets can increase by either 2.5% or the consumer price index, whichever is greater requirements and CEIFA lowered the budget cap from 3% to 2.5%. Budgets can also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceed \$40,000 per pupil. Waivers are available from the Commissioner based on increasing enrollments and other fairly narrow grounds or by approval of the voters at the annual school election. The Spending Growth Limitation provision of CDIFA are superceded by P.L. 2007, c.62, effective April 3, 2007, to limit the amount a school district can raise for School district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c.62 does provide for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that must be approved by the Commissioner.

Under CEIFA, rent payments made pursuant to a facilities lease purchase agreement entered into prior to December 20, 1996 for a term that exceeds five years are treated as debt service. These rent payments are not included in the spending limits and receive aid at the same level as debt service for the 1998/99 fiscal year. Rent payments under a facilities lease entered into pursuant to CEIFA, must be for a term of five (5) years or less, are budgeted in the general fund and are subject to a school district's spending growth limitation amounts.

On May 14, 1997, the New Jersey Supreme Court held that CEIFA was unconstitutional as it applied to the 28 special needs districts because (1) its funding provisions fail to assure that students in such districts will receive a thorough and efficient education, and (2) supplemental programs to increase student performance in such districts have neither been adequately identified nor funded. The Court recognized the Core Curriculum Standards as a valid means of identifying what is a "thorough and efficient" education under the State Constitution, but found that the state did not adequately determine or provide the adequate funding level to allow those standards to be met in the special needs districts. CEIFA was not held unconstitutional as applied to the non-special needs districts. The School District is not a special needs district.

The Court ordered the State (1) to increase State aid to the special needs districts for the 1997/98 school year to a level such that the per-pupil expenditure in such districts is equivalent to the average per-pupil expenditure in wealthy suburban districts, (2) through the Commissioner, to manage the additional spending to assure that it will be used to allow the students to meet the educational content standards, and (3) under the supervision of the Superior Court, Chancery Division, to determine a plan to provide supplemental educational and facilities programs in the special needs districts.

Provisions for the additional amounts of money were appropriated in previous State budgets. The Court has ruled that the Commissioner and the State Department of Education will be responsible for maintaining the educational system in accordance with the orders of the Court.

In response to the Court's order and in an attempt to remedy inadequacies that exist in the safety, the quality and the utility of state-wide school facilities, the New Jersey Legislature enacted the Educational Facilities Construction and Financing Act, 2000 N.J. Laws c.72 ("EFCFA"), which became law on July 18, 2000. EFCFA provides certain levels of funding for facilities' improvements for both special needs and non-special needs districts. Under EFCFA, special needs districts will receive State funding of 100% of the eligible costs of a school facilities project. The State will provide non-special needs districts with facilities aid in the amount of the greater of: (i) 115% of aid pursuant to CEIFA or, (ii) 40%, of the eligible costs of a school facilities project. A non-special needs district must elect to receive its level of facilities aid in either the form of a grant or ongoing annual debt service aid, however, at the current time no grant funds are available so all school district facilities aid is in the form of annual debt service aid. Debt service aid is funded by State appropriation and there is no legal requirement that the State must fund for 100% of its debt service aid obligation. However, the State has not, since 1999, failed to fund 100% of its debt service aid obligation. The School District is not a special needs district.

On December 28, 2000, a complaint was filed in the Superior Court of New Jersey challenging the constitutionality of the EFCFA and requesting, among other things, injunctive relief restraining the State and the New Jersey Economic Development Authority (the "EDA") from proceeding with the issuance of bonds to fund the State's financial obligations under the EFCFA. The complaint alleged that the voters of the State, under the Debt Limitation Clause of the State constitution, have and were deprived of the right to approve the issuance of the debt proposed to be issued under the EFCFA to fund the State's financial obligations.

On January 29, 2001 the Superior Court of New Jersey dismissed the case as a matter of law. On June 27, 2001, the Appellate Division affirmed the decision of the Superior Court by a vote of 2-1; because the vote was not unanimous, the plaintiff had a automatic right of appeal to the State Supreme Court. On January 2, 2002, the State Supreme Court heard the appeal and on August 21, 2002 the Court held that the EFCFA and its provisions authorizing the EDA's issuance of bonds do not violate the Debt Limitation Clause of the State constitution.

### The School Funding Reform Act

On January 13, 2008, Governor Jon Corzine signed into law the School Funding Reform Act of 2008 (the "School Funding Reform Act") which provides how public schools are funded by the State, beginning in the 2008-09 fiscal year. The School Reform Act will increase State aid for education by approximately \$532 million in the first year and guarantees a minimum two percent increase for every school district. The School Reform Act differs from CEIFA in that it blurs the distinction between Abbott and non-Abbott districts; and is used to distribute aid to all districts.

It also requires school districts to provide a local "fair share" contribution of property taxes to support schools and establishes an "adequacy budget" for each district. The adequacy budget is based on the expenditure needed to provide a "thorough and efficient" education. The school districts' "adequacy budget" is calculated by multiplying the base amount per pupil times the student enrollment of the district, and is then weighted to reflect the costs of various specialized student populations such as special education, at-risk, Limited English Proficiency (LEP), and combined at-risk/LEP pupils. The "adequacy budget" will be revisited every three years via an "Education Adequacy Report". During the interim years, the "adequacy budget" will be increased by the Consumer Price Index (CPI). The per pupil amount base established by the Education Adequacy Report" will become the basis for determining the school districts' base cost.

In addition, the School Reform Act requires certain districts to direct part of their State aid to property tax reduction if such district is spending above their adequacy budget and has school tax levies above their fair share contribution, as determined by the formula provided in the Act.

### **SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS**

Federal funds are available for certain programs approved by the Federal government with allocation decided by the State, which assigns a proportion to each local school district. The Elementary and Secondary Education Act, as amended and restated by the No Child Left Behind Act of 2001, 20 U.S.C.A. § 6301 et seq., is a Federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Federal aid is generally received in the form of block grants.

### **SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT**

School districts in New Jersey do not levy or collect taxes to pay for those budgeted amounts that are not provided by the State. The municipalities within which a school district is situated levy and collect the required taxes and must remit them in full to the school district.

### Budgets and Appropriations (N.J.S.A. 18A:22-1 et seq. as amended by N.J.S.A. 18A:7A-1 et seq.)

School districts in New Jersey must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and federal aid, and

expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line-items in a budget. Any amendments in a school district's budget must be approved by the board of education or the board of school estimate, as the case may be.

#### Limitation on Increases in the Budget (the "Cap")

Annual increases in a school district's budget are limited by law, subject to certain limited exceptions. Appropriations for the payment of debt service on bonds and notes are not subject to limitation and must be included in full in a school district's budget.

#### Uniform System of Bookkeeping (N.J.S.A. 18A:4-14)

Effective July 1, 1993, the State of New Jersey mandated that all school districts develop and implement accounting principles consistent with generally accepted accounting principles ("GAAP"). In addition, the districts are required to comply with the Uniform Minimum Chart of Accounts (Federal Handbook 2R2) for their internal accounting reporting systems. The School District's financial statements since the above effective date have been prepared in accordance with GAAP requirements.

#### Annual Audits (N.J.S.A. 18A:23-1 et seq.)

Every board of education is required to provide an annual audit of the district's accounts and financial transactions. The audit must be performed by a licensed public school accountant who is either a certified public accountant or registered municipal accountant of New Jersey, or both, within four months of the end of the school fiscal year. This audit, in conformity with statutory requirements, must be filed with the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days of its completion.

#### Issuance of Debt (N.J.S.A. 18A:24-1 et seq.)

Type I and Type II districts are authorized to issue bonds pursuant to the provisions of Chapter 24 of Title 18A. Among the provisions are requirements that (i) bonds must mature in annual installments within the statutory periods of maturity of the projects being financed but not exceeding forty years, (ii) debt must be authorized by a resolution of the board of education and approved by the legally-qualified voters of the school district at a school election or by the board of school estimate for certain Type II school districts or by the board of education and the board of school estimate and by ordinance of the municipal governing body of a Type I district, and (iii) there must be filed with the Director of the Division of Local Government Services in the state's Department of Community Affairs a supplemental debt statement by each municipality comprising a school district setting forth the amount of bonds and notes authorized. Generally, no additional debt may be authorized if the principal amount, when added to the net school debt previously authorized, exceeds a statutorily-prescribed percentage of the average equalized valuation of taxable property in a school district. A school district other than a regional district may also utilize its constituent municipality's remaining statutory borrowing power (that is, the excess of 4% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The school district also may authorize debt in excess of this limit and its own independent borrowing margin with the consent of the Commissioner and the Local Finance Board, a state regulatory body. The Board will not exceed its 4% debt limit and does not need to utilize any of the Township's borrowing margin.

Borrowings on behalf of county vocational school districts and county special services school districts are done upon action by the board of education and the board of school estimate of such districts

and adoption by a bond ordinance by the county board of chosen freeholders, notwithstanding any debt limitation or requirement for down payment of the county.

Temporary notes may be issued in anticipation of the issuance of permanent bonds in accordance with the provisions of law. A district's temporary notes may be issued for one-year periods with the final maturity not exceeding five years from the date of original issuance, provided, however, that such notes shall not be renewed beyond the third anniversary date of the original notes unless an amount of such notes at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued is paid and retired in each year subsequent to such third anniversary date from funds other than the proceeds of obligations.

## **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

### Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes by counties and municipalities ("local units" or, individually, "local unit") to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the local unit are general full faith and credit obligations.

### Debt Limits

The authorized bonded indebtedness of the local unit for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Township of Manchester has not exceeded its statutory debt limit. See "Appendix A: Certain Economic and Demographic Information Relating to the Township of Manchester and the School District."

### Exceptions to Debt Limits - Extension of Credit

Municipalities may exceed their debt limits with the approval of the Local Finance Board, a state regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the local unit may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the local unit or substantially reduce the ability of the local unit to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the local unit to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

### Short-Term Financing

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit's bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year's legally payable installment of the bonds in anticipation of which those notes are issued is paid and retired on or before each anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

### The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the "Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

### Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

### Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "Reserve for Uncollected Taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the close of that year. The budget also must provide for any cash deficits of the prior year.

### Deferral of Current Expenses

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project, and emergency appropriations for other purposes may be funded by refunding bond ordinance over a period approved by the Local Finance Board.

### Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

### Operations of Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be funded from utility surplus, if any, are required to be raised in the "Current" or operating budget.

### Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as

a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

#### Appropriation "CAPS"

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A: 4-45. 1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2007, c.62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approve waivers for certain extraordinary costs identified by the statute, and voters may approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Township to levy ad valorem taxes upon all taxable real property within the Township to pay debt service on its bonds or notes.

#### Fiscal Year Adjustment Law

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the state fiscal year in place of the existing calendar fiscal year. Municipalities that change fiscal years must adopt a six-month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because state aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the Act authorizes the issuance of Fiscal Year Adjustment Bonds to fund the one-time deficit for the six-month transition budget. The Act provides that the deficit in the six-month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six-month transition budget. Notes issued in anticipation of Fiscal Year Adjustment Bonds, including renewals, can only be issued for up to one year unless the Local Finance Board permits the municipality to renew them for a further period of time. The Local Finance Board must confirm the actual deficit experienced by the



municipality. The municipality then may issue Fiscal Year Adjustment Bonds to finance the deficit on a permanent basis. The purpose of the Act is to assist municipalities that are heavily dependent on state aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the Act does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue Fiscal Year Adjustment Bonds as well. The Township of Manchester has not changed its fiscal year.

### State Supervision

State law authorizes state officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two successive years; which has a deficit greater than 4 percent of its tax levy for two successive years; which has failed to make payments due and owing to the state, county, school district or special district for two consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds 25 percent of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

### Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly-assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

Upon the filing of certified adopted budgets by the municipality's local school district, fire district and the county, the tax rate is struck by the county Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills for calendar-year municipalities are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. Pursuant to c. 75, P.L. 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

## Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, a municipality must mail to each property-owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority, after a hearing, to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey, for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

## Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire Annual Report for the Borough is on file with the Borough Clerk and is available for review during normal business hours.

## **FINANCIAL STATEMENTS**

The financial statements of the Board as of and for the year ended June 30, 2009 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Wiss & Company, LLP, Iselin, New Jersey, an independent auditor (the "Auditor"), as stated in their report appearing in Appendix B to this Official Statement. See "Appendix B – Financial Statements of the Board of Education of the Township of Manchester". Such financial statements are included herein for information purposes only, and the information contained in these financial statements should not be used to modify the description of the security for the Bonds contained herein.

The Auditor has not participated in the preparation of this Official Statement, except to the extent as previously stated.

## **SECONDARY MARKET DISCLOSURE**

The Board has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Board of Education by no later than nine (9) months after the end of each fiscal year (the "Annual Report") commencing with the fiscal year ending June 30, 2010, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Board with the Municipal Securities Rulemaking Board. The notices of material events will be filed by the Board with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX D - Form of Continuing Disclosure Certificate." These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The Board is in compliance with the Rule with respect to its prior undertakings.

## **LITIGATION**

To the knowledge of the attorney for the Board, Gilmore & Monahan, PA, Toms River, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the title of any of the present officers. Moreover, to the knowledge of the attorney for the Board, no litigation is presently pending or threatened that, in the opinion of the attorney for the Board, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the attorney for the Board and delivered to the Underwriter of the Bonds at the closing.

## **TAX MATTERS**

The Board has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the “Code”). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of DeCotiis, FitzPatrick & Cole, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Board with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Board has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Board will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Board. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Board in connection with the Bonds, and Bond Counsel has assumed compliance by the Board with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. Bond Counsel is rendering its opinion under existing law as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the

opinion or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

*Alternative Minimum Tax.* Section 55 of the Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy-five percent of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Pursuant to the American Recovery and Reinvestment Act of 2009, interest on the Bonds is not subject to the alternative minimum tax on the increase adjustment described above.

*Bank Qualification.* The Bonds will be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

*Branch Profits Tax.* Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

*S Corporation Tax.* Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

*Other Federal Tax Consequences.* Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of each of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

*Possible Government Action.* Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

## **RATING**

The Board has applied for a rating on the Bonds from Standard & Poor's, a division of The McGraw Hill Companies (the "Rating Agency"). The rating has not yet been assigned as of the date of this Preliminary Official Statement, although the Board expects that the rating will be available in advance of the sale of the Bonds.

The rating will reflect only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITER**

The Bonds have been purchased from the Board at a public sale by \_\_\_\_\_, \_\_\_\_\_ (the "Underwriter") at a price of \$ \_\_\_\_\_. The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields or prices set forth on the front cover page of this Official Statement, which yields or prices may be changed from time to time by the Underwriter without notice.

The Underwriter intends to offer the Bonds to the public initially at the offering prices or yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower or yields higher than the public offering prices or yields set forth on the cover page of this Official Statement.

## **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the Board, including the Bonds, and such Bonds are authorized security for any and all public deposits.

## **FINANCIAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey served as financial advisor to the Board (the "Financial Advisor") with respect to the issuance of the Bonds. This Official Statement has been prepared with the assistance of the Financial Advisor. Certain information set forth herein has been obtained from the Board and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Financial Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Board should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994 and other bankruptcy laws affecting creditor's rights and local political subdivisions in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Decotiis, FitzPatrick & Cole, LLP, Teaneck, New Jersey, Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for the Board by its Counsel, Gilmore & Monahan, PA, Toms River, New Jersey.

## **PREPARATION OF OFFICIAL STATEMENT**

The Board hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchasers of the Bonds, by certificates signed by the Board Secretary, that to his knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this official statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Craig Lorentzen, Business Administrator/Board Secretary, at 732-849-2828 or by contacting the Board's Financial Advisor, Phoenix Advisors, LLC at 609-291-0130.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers of holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

**THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF MANCHESTER  
IN THE COUNTY OF OCEAN, NEW JERSEY**

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**CRAIG LORENTZEN  
BUSINESS ADMINISTRATOR/  
BOARD SECRETARY**

January \_\_, 2010

**APPENDIX A**

**CERTAIN DEMOGRAPHIC INFORMATION CONCERNING THE  
TOWNSHIP OF MANCHESTER AND THE SCHOOL DISTRICT**



**GENERAL INFORMATION  
REGARDING THE MANCHESTER TOWNSHIP SCHOOL DISTRICT**

**Overview**

The Manchester Township School District (the “District”) is a Type II, Grade K through 12 school district coterminous with the boundaries of the Township of Manchester, in Ocean County, New Jersey.

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 students. The District completed the 2008-2009 fiscal year with an average daily enrollment of 3,231.7 students. The average daily enrollment at the State's Regional Day School at Jackson (RDS) administered by the District for 2008-2009 was 100.3.

**Staff**

The Superintendent of Schools is the chief administrative officer of the School District. The Board Secretary/Business Administrator oversees the Board's business functions and reports through the Superintendent to the Board.

**Pupil Enrollment**

The following table represents the School District's average daily enrollment for the school years ended June 30, 2004 through 2009.

<b><u>School Year</u></b>	<b><u>Student Enrollment</u></b>	<b><u>Percentage Change</u></b>
2008-09	3,232	-0.83%
2007-08	3,259	-0.89%
2006-07	3,288	2.26%
2005-06	3,215	0.09%
2004-05	3,212	-0.77%
2003-04	3,237	0.85%

**Facilities and Capacity**

The following table outlines the facility of the School District and capacity thereof.

<b><u>School</u></b>	<b><u>Functional Capacity</u></b>
Manchester Elementary	711
Ridgeway Elementary	694
Whiting Elementary	336
Manchester Middle	822
Manchester High School	1,402

## Employees

The following table provides the number of full-time equivalent instructional and non-instructional personnel employed by the School District from school years 2006 through 2009.

<u>School Year</u>	<u>Certified Instruction</u>	<u>Non-Certified Support</u>
2008-09	310	238
2007-08	302	229
2006-07	296	228
2005-06	300	227

## Vacation, Personal Days and Sick Leave

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.

## Pensions Plans

The teachers and members of the professional staff are enrolled in the New Jersey Teachers Pension & Annuity Fund (TPAF). All other eligible board employees are enrolled in the Public Employees' Retirement System (PERS). Both TPAF and PERS are administered by the Division of Pensions, within the Department of the Treasury of the State of New Jersey.

## School District Budgets

The following table outlines the Operating Budget of the School District for the fiscal years ending June 30, 2006 through and including 2010 and the results of the budget election.

<u>School Year</u>	<u>Result</u>	<u>Yes</u>	<u>No</u>
2009-10	Failed	1,564	1,774
2008-09	Passed	1,863	1,821
2007-08	Passed	1,867	1,128
2006-07	Failed	1,561	1,617
2005-06	Passed	1,310	995

## **GENERAL INFORMATION REGARDING THE TOWNSHIP OF MANCHESTER**

### **General Information**

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 Dover 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.

## **TOWNSHIP GOVERNMENT AND FINANCIAL PROCEDURES**

### **General**

Until 1990 the Township functioned under a form of government known as Committee Form of Government which exercised both legislative and executive powers. The form of government was changed by a charter study referendum and, effective July 1, 1990, the Township adopted a Mayor-Council form of government.

The Mayor is elected for a four year term without limitation as to the number of terms which may be served. The Council consists of five members, each of whom is elected at-large. All elections are held in May and are non-partisan.

The Mayor is chief executive and administrative officer of the Township and, as such, is responsible for administering local laws and for policy development. The specific powers of the Mayor include appointment of department heads (with the advice and consent of Township Council), preparation of the Township's budget, and approval or veto (which may be overridden by a 2/3 vote) of ordinances adopted by the Township Council. The Mayor also appoints the Municipal Court Judge. In addition to serving on the Planning Board, the Mayor appoints all members to the Planning Board including one member who also serves on the Environmental Commission. The Mayor also appoints all members of the Board of Adjustment, the Environmental Commission and the Senior Advisory Committee.

Principal services provided by the municipal government include police and fire protection, street maintenance and cleaning, and parks and recreation.

### **Water and Sewer Services**

In October, 1993, the Township dissolved the Manchester Township Municipal Utilities Authority and assumed its functions and liabilities through the operation of a Municipal Sewer

Utility and Water Utility within the Township's Department of Utilities and the Township Utility budgets.

The Township serves only the eastern portion of the Township with water. The water system itself, made up of tanks, several wells and piping is fragmented into three distinct groups. One includes the Pine Lake Park System, which is the main system where they have three wells, a tank and a treatment plant. Another is the Leisure Knoll System that has three wells and one tank, and then the Holly Oaks and Knollwood System that has two wells and one tank. The system also includes an elevated tank that the system used for maintaining higher pressure. The main emphasis on future projects will be to integrate the entire water system within the Eastern section of the Township. In addition, the Township is extending the water system off Route 571 in the area of Route 70 to provide service to existing homes and to allow for future expansion.

The existing sewer system spans out throughout the entire Township. The Township has completed the Cedar Glen Lakes Project, which includes a main trunk line system to sewer the remaining 208 area in Whiting, the western section of the Township, which was financed in 1994 through the New Jersey Wastewater Treatment Trust/Fund. The Township is responsible for all collection systems which lead into the Ocean County Utilities Authority main trunk lines. Ocean County Utilities Authority treats all the wastewater that is generated within the Township.

## Population

The following table outlines the population of the Township, the County of Ocean and the State.

<u>Year</u>	<u>Township Population</u>	<u>County Population</u>	<u>% of Total County Population</u>	<u>State</u>
2008 <sup>1</sup>	41,629	569,111	7.31%	8,682,661
2000	38,928	510,916	7.62%	8,414,350
1990	35,976	433,203	8.30%	7,730,188
1980	27,987	346,038	8.09%	7,364,823

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<sup>1</sup> Estimate, US Bureau of the Census

## Labor Force

The following table outlines employment information for the Township, the County of Ocean and the State from 2004 through 2008.

	<u>Total Labor Force</u>	<u>Total Employed</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2008	11,526	10,510	1,016	8.81%
2007	11,238	10,572	666	5.92%
2006	11,366	10,624	742	6.53%
2005	11,111	10,477	634	5.71%
2004	11,299	10,477	822	7.28%
<u>County</u>				
2008	260,053	244,509	15,544	5.98%
2007	257,687	245,952	11,735	4.55%
2006	257,866	245,093	12,773	4.95%
2005	251,111	239,386	11,725	4.67%
2004	247,970	235,396	12,574	5.07%
<u>State</u>				
2008	4,496,700	4,251,200	245,500	5.46%
2007	4,462,300	4,271,700	190,600	4.27%
2006	4,477,500	4,269,600	207,900	4.64%
2005	4,416,100	4,218,500	197,600	4.47%
2004	4,358,900	4,144,200	214,700	4.93%

Source: NJ Department of Labor

## Retirement Systems

**Description of Plans** - All required employees of the School District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State Administrative Code, all obligations of both Systems will be assumed by the State should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**Teachers' Pension and Annuity Fund** - The TPAF was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. TPAF 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 on behalf of the School District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System** - The PERS was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

## **FINANCIAL INFORMATION REGARDING THE TOWNSHIP**

### **Ten Largest Real Estate Taxpayers**

The following table outlines the assessed value of the ten largest properties within the Township as of June 30, 2009.

<b><u>Taxpayer</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>As % of Assessed Valuation</u></b>
Cedar Glen Lakes	83,656,900	2.00%
Crestwood Village Co-Op IV	79,101,500	1.90%
Crestwood Village Co-Op II	67,784,100	1.70%
Crestwood Village Co-Op III	65,924,000	1.60%
Pine Ridge MHC LLC	62,000,000	1.50%
Crestwood Village Co-Op I	51,589,600	1.30%
Presbyterian Homes	49,400,000	1.20%
Cedar Glen West	32,800,800	0.80%
Hovson's	31,503,800	0.80%
Keswick Pines	<u>29,314,400</u>	<u>0.70%</u>
Total	<u>\$553,075,100</u>	<u>13.50%</u>

Source: Municipal Tax Assessor

## Ten Largest Employers

The following table outlines the number of employees at the ten largest employers within the Township as of June 30, 2009.

<b><u>Employer</u></b>	<b><u>Employees</u></b>
Lakehurst Naval Air Engineering Center	3,550
Manchester Twp Board of Education	501
Shop Rite – Manchester Plaza	359
Crestwood Manor	260
Whiting Health Care	237
Manchester Manor Association	192
Manchester Township	190
Logan Manor Association	140
Whiting Super G	120
Magnesium Elektron Inc. (Reade)	<u>34</u>
Total	<u>5,583</u>

Source: Manchester Township CFO

## Assessed and True Valuations

For years 2005 through 2009, the assessed valuation, equalized valuation, tax levy and tax rates for all Township property is provided below.

<b><u>Year</u></b>	<b><u>Net Assessed Valuations</u></b>	<b><u>True Valuations</u></b>	<b><u>Ratio of Assessed to True Value</u></b>
2009 <sup>2</sup>	\$4,083,795,239	\$4,773,340,318	85.55%
2008	2,152,824,758	4,796,679,041	44.88
2007	2,099,812,765	4,312,406,888	48.69
2006	2,051,116,625	3,758,556,983	54.58
2005	1,991,302,044	3,278,102,058	60.75

Source: State of New Jersey, Division of Taxation, Table of Equalized Valuations and Ocean County Abstract of Ratables.

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<sup>2</sup> Reassessment completed for 2009

## Land Use Distribution

The table below lists the assessed valuation of real property within the Township from 2006 through 2008, inclusive.

	<u>Number of Tax Items</u>	<u>Assessed Valuation</u>
<u>2008</u>		
Vacant Land	4,517	\$67,756,300
Residential	15,523	1,650,351,281
Commercial	141	147,430,600
Industrial	9	16,353,600
Apartments	31	266,168,300
Farm (Regular)	8	1,067,700
Farm (Qualified)	<u>19</u>	<u>501,600</u>
TOTAL	<u>20,248</u>	<u>\$2,149,629,381</u>
<u>2007</u>		
Vacant Land	4,151	\$56,119,300
Residential	15,398	1,623,201,581
Commercial	140	139,220,200
Industrial	10	9,971,600
Apartments	31	266,171,600
Farm (Regular)	9	1,153,900
Farm (Qualified)	<u>20</u>	<u>544,200</u>
TOTAL	<u>19,759</u>	<u>\$2,096,382,381</u>
<u>2006</u>		
Vacant Land	4,383	\$64,953,300
Residential	15,134	1,568,304,781
Commercial	135	133,312,300
Industrial	10	9,971,600
Apartments	32	269,122,200
Farm (Regular)	8	1,151,200
Farm (Qualified)	<u>21</u>	<u>517,800</u>
TOTAL	<u>19,723</u>	<u>\$2,047,333,181</u>

Source: Municipal Tax Assessor



## Tax Rates Per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for years 2005 to 2009, both inclusive.

<u>Year</u>	<u>Total Taxes</u>	<u>Local Purpose</u>	<u>County</u>	<u>Local School</u>
2009 <sup>3</sup>	\$1.672	\$0.401	\$0.360	\$0.911
2008	3.158	0.809	0.689	1.660
2007	2.982	0.720	0.640	1.622
2006	2.894	0.708	0.617	1.569
2005	2.759	0.619	0.630	1.510

Source: Municipal Tax Collector

## Tax Levies and Allocations

The table below lists the tax levies and allocations for the years 2005 to 2009, inclusive.

<u>Year</u>	<u>Total Taxes</u>	<u>Local Purpose</u>	<u>County</u>	<u>Local School</u>
2009	\$68,269,487	\$16,377,031	\$14,698,642	\$37,193,814
2008	67,919,653	17,413,796	14,780,470	35,725,387
2007	62,612,929	15,152,295	13,384,252	34,076,382
2006	58,192,672	13,355,455	12,653,098	32,184,120
2005	54,920,600	12,345,534	12,518,496	30,056,570

Source: Ocean County Abstract of Ratables

## Property Taxes - Collection Ratios

The following is the tax collection record of the Township for the years 2006 to 2008, inclusive.

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year Collection Rate</u>
2008	\$66,577,714	\$65,928,445	99.02%
2007	60,715,643	60,074,402	98.94
2006	58,146,754	57,569,395	99.00

Source: Municipal Tax Collector

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<sup>3</sup> Reassessment completed for 2009

### **Delinquent Taxes and Tax Title Lien**

The following table provides an overview of delinquent taxes for the years 2006 to 2008, inclusive.

<b><u>Year</u></b>	<b><u>Amount of Title Tax Liens</u></b>	<b><u>Delinquent Taxes</u></b>	<b><u>Amount of Total Delinquent</u></b>	<b><u>Percentage of Tax Levy</u></b>
2008	\$19,831.98	\$639,868.23	\$659,700.21	0.99%
2007	20,855.26	582,628.67	603,483.93	0.99%
2006	20,758.00	509,376.86	530,134.86	0.91%

Source: Township of Manchester 2008 Audit

### **Property Acquired by Tax Title Lien Liquidation**

The following table details the value of property acquired by liquidation of tax title liens for the years 2006 to 2008, inclusive.

<b><u>Amount of Title</u></b>	
<b><u>Year</u></b>	<b><u>Tax Liens</u></b>
2008	\$942,423.37
2007	942,423.37
2006	942,423.37

Source: Township of Manchester 2008 Audit

**DEBT INFORMATION**  
(as of June 30, 2008)

**Statement of Indebtedness**

Bonds, Notes, and Loans:

General	\$20,585,929
Water Utility	3,825,000
Sewer Utility	5,100,329
Local School District	20,714,000

Authorized but Not Issued:

General	1,473,295
Water Utility	0
Sewer Utility	0
Local School District	<u>0</u>

Gross Direct Debt	<u>\$51,698,553</u>
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Applicable Deduction for Gross Debt:

General	1,030,000
Water Utility	3,825,000
Sewer Utility	5,100,329
Local School District	<u>20,714,000</u>

Net Direct Debt	<u><b>\$21,029,224</b></u>
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**Direct and Overlapping Debt (as of June 30, 2009)**

<b>Net Direct Debt of the School District</b>	<b>\$20,659,000</b>
---	---------------------

Net Overlapping Debt of School District

Manchester Township (100%)	\$28,294,046
Ocean County, Township's share (4.6%)	<u>19,561,590</u>

<b>Total Direct and Overlapping Bonded Debt</b>	<u><b>\$68,514,636</b></u>
---	----------------------------

**Township Borrowing Capacity**  
**(as of June 30, 2009)**

Average of Equalized Valuations of Real Property with Improvements for 2007, 2008, and 2009	\$4,586,412,791
Township Borrowing Margin (3.50% of \$4,586,412,791)	\$160,524,447
Net Debt (as of June 30, 2009)	<u>28,294,046</u>
Remaining Borrowing Capacity	<u>\$132,230,401</u>
Statutory Net Debt as a Percentage of the Average Equalized Valuations as of June 30, 2009	0.617%

**School District Borrowing Capacity**  
**(as of June 30, 2009)**

Average of Equalized Valuations of Real Property with Improvements for 2007, 2008, and 2009	\$4,586,412,791
District Borrowing Margin (4.00% of \$4,586,412,791)	\$183,456,512
Net school bonded Debt as of June 30, 2009	<u>20,659,000</u>
District Borrowing Capacity Available	<u>\$162,797,512</u>
Statutory Net Debt as a Percentage of the Average Equalized Valuations as of June 30, 2009	0.450%

**APPENDIX B**

**FINANCIAL STATEMENTS OF  
THE BOARD OF EDUCATION OF THE TOWNSHIP OF MANCHESTER**

**School District of**  
**Manchester Township**

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

Financial Statements  
June 30, 2009

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## Report of Independent Auditors

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

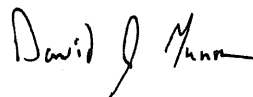
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Manchester Township School District, County of Ocean, New Jersey (District), as of and for the year ended June 30, 2009, 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 and the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. 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, 2009, 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.



Management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



David J. Gannon  
Licensed Public School Accountant  
No. 2305



WISS & COMPANY, LLP

October 7, 2009  
Iselin, New Jersey

Manchester Township School District  
Management's Discussion and Analysis  
Year ended June 30, 2009  
(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, 2009. 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 (2008-2009) and the prior fiscal year (2007-2008) 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 26 - 27 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, 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 other supplementary information for the debt service fund.

The basic governmental fund financial statements can be found on pages 28 - 30 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. Internal service funds are funds 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. The District uses one internal service fund to account for services provided to all the other funds of the District or other entities for transportation, which is considered to be a major fund of the District. The tuition internal service fund was discontinued in the 2008-2009 school year. 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 31 - 33 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 has an unemployment compensation fund and a private purpose scholarship fund. The basic fiduciary fund financial statements can be found on pages 34 - 35 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 36 - 60 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 financial statements. Combining and individual fund statements and schedules can be found on pages 61 - 85 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 \$15,113,545 at the close of 2009 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 for the years ended June 30, 2009 and 2008:

Manchester Township Board of Education  
Manchester Township, New Jersey

Net Assets

	2009			2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,237,574	\$ 641,243	\$ 1,878,817	\$ 2,728,679	\$ 733,487	\$ 3,462,166
Capital assets, net	40,352,183	679,203	41,031,386	42,051,765	759,160	42,810,925
Total assets	41,589,757	1,320,446	42,910,203	44,780,444	1,492,647	46,273,091
Current liabilities	747,788	129,953	877,741	1,638,256	331,198	1,969,454
Long-term liabilities outstanding	26,832,498	86,419	26,918,917	27,617,736	90,905	27,708,641
Total liabilities	27,580,286	216,372	27,796,658	29,255,992	422,103	29,678,095
Net assets:						
Invested in capital assets, net of related debt	17,886,665	592,784	18,479,449	18,305,578	668,255	18,973,833
Restricted	278,105		278,105	417,665		417,665
Unrestricted (deficit)	(4,155,299)	511,209	(3,644,009)	(3,198,791)	402,289	(2,796,502)
Total net assets	\$14,009,471	\$1,104,074	\$15,113,545	\$ 15,524,452	\$ 1,070,544	\$ 16,594,996

Current and other assets decreased mainly due to the withholding by the State of the District's final two state aid payments, \$533,640, until July 2009. Additionally, the State reduced state aid during the year in an amount, \$198,739 that equaled one-half of the District's PERS pension liability.

Capital assets, net decreased mainly due to depreciation on capital assets.

Current liabilities decreased due to the June health benefit and the May food service management fee payment for the fiscal year being paid prior to the fiscal year end, thus decreasing accounts payable as compared to the prior year.

Long-term liabilities decreased by \$789,724 based on scheduled debt service payments that were made during fiscal year 2009 offset by the execution of a new capital lease in the amount \$170,024.

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.

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 an increase of \$33,530 in net assets reported in connection with the District's business-type activities as a result of an increase in participation in the District's programs.

The total net assets of the District decreased by \$1,481,451 during the current fiscal year as a result of utilizing accumulated fund balance in the amount of \$300,000 to support the 2008-2009 budget, an increase in the deferral of the last state aid payment in the amount of \$235,893, an unanticipated reduction in state aid during the 2009 fiscal year in the amount of \$198,739 and depreciation expense exceeding capital asset additions during the current year.

**District activities.** The key elements of the District's net assets for the years ended June 30, 2009 and 2008 are as follows:

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

**Changes in Net Assets**

	<b>2009</b>			<b>2008</b>		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,519,498	\$ 7,076,298	\$ 9,595,796	\$ 2,582,677	\$ 6,297,533	\$ 8,880,210
Operating and capital grants and contributions	1,155,824	612,645	1,768,469	1,330,645	538,379	1,869,024
General revenues:						
Property taxes	36,576,791		36,576,791	34,892,145		34,892,145
Federal and state aid not restricted to specific purposes	9,255,839		9,255,839	10,266,111		10,266,111
Earnings on investments	48,588	4,386	52,974	128,395	18,386	146,781
Miscellaneous	293,699		293,699	512,093		512,093
Total revenues	49,850,239	7,693,329	57,543,568	49,712,066	6,854,298	56,566,364
Expenses:						
Instructional services	29,642,243		29,642,243	29,053,870		29,053,870
Support services	20,804,716	7,659,799	28,464,515	19,382,412	7,054,230	26,436,642
Capital outlay				32,653		32,653
Interest on long-term liabilities	918,261		918,261	960,311		960,311
Total expenses	51,365,220	7,659,799	59,025,019	49,429,246	7,054,230	56,483,476
Decrease (increase) in net assets before transfers	(1,514,981)	33,530	(1,481,451)	282,820	(199,932)	82,888
Transfers				(2,209)	2,209	
Change in net assets	(1,514,981)	33,530	(1,481,451)	282,611	(197,723)	82,888
Net assets – beginning	15,524,452	1,070,544	16,594,996	15,243,841	1,268,267	16,512,108
Net assets – ending	\$14,009,471	\$1,104,074	\$15,113,545	\$15,524,452	\$ 1,070,544	\$16,594,996

## Governmental Activities

- Property tax revenues increased from 2008 due to the increase in the tax levy to support educational services.
- Federal and state aid decreased due to a decrease in State on-behalf reimbursed contributions.
- Instructional and support services costs increased due to contractual obligations of teachers and other employees.

## Business-Type Activities

- Charges for services increased from 2008 due to the increased need for specialized services amongst our students with special needs.
- Support services increased to meet the needs for additional specialized services.

## 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 unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities that are not recognized in the governmental funds.

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, 2009, and the increases and decreases in relation to the prior year.

Revenue	Amount	Percent of Total	Increase (Decrease) from 2008	Percent of Increase (Decrease)
Local sources	\$ 39,218,389	79.1%	\$ 1,674,723	4.5%
State sources	9,242,797	18.7	(1,245,887)	(11.9)
Federal sources	1,108,895	2.2	32,917	3.1
Total	<u>\$ 49,570,081</u>	<u>100.0%</u>	<u>\$ 461,753</u>	<u>0.9%</u>

The increase in local sources is mainly attributable to the tax levy increase of \$1,684,646.

The decrease in state sources is mainly attributable to a decrease in on-behalf TPAF Pension contributions of \$1,044,185, an increase in the deferral of the last state aid payment in the amount of \$235,893, and an unanticipated reduction in state aid during the 2009 fiscal year in the amount of \$198,739, offset by an increase in on-behalf TPAF Social Security contributions in the amount of \$62,994.

The increase in federal sources is mainly attributable to an increase in federal funding relating to grant programs and the timing of expenditures.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2009 and the increases and decreases related to prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2008	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 19,770,498	39.3%	\$ 746,972	3.9%
Undistributed expenditures	27,792,557	55.2	396,159	1.4
Capital outlay	555,039	1.1	360,580	185.4
Debt service:				
Principal	1,325,000	2.6	40,000	3.1
Interest	897,001	1.8	(36,552)	(3.9)
Total	<u>\$ 50,340,095</u>	<u>100.0%</u>	<u>\$1,507,159</u>	<u>3.1%</u>

The increase in instruction and undistributed expenditures is attributable primarily to the increase in salaries and benefits, tuition for special education, general administration, on-behalf social security and transportation.

The increase in capital outlay is mainly attributable to the new capital lease in 2009.

Debt service principal increased due to the timing of the repayment schedule of outstanding debt.

### Capital Asset and Debt Administration

*Capital Assets.* The District has capital assets, net of accumulated depreciation, including land, school buildings, facilities, equipment and vehicles noted as follows at June 30, 2009 and 2008:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,220,818	\$ 1,220,818			\$ 1,220,818	\$ 1,220,818
Buildings and buildings improvements	38,357,950	39,035,521			38,357,950	39,035,521
Machinery, equipment, and vehicles	773,415	1,795,426	\$ 679,203	\$ 759,160	1,452,618	2,554,586
Total capital assets, net	<u>40,352,183</u>	<u>\$ 42,051,765</u>	<u>\$ 679,203</u>	<u>\$ 759,160</u>	<u>\$41,031,386</u>	<u>\$ 42,810,925</u>

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



*Debt Administration.* The District's long-term liabilities are as follows for the governmental activities at June 30, 2009 and 2008:

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Bonds payable	\$20,029,000	\$20,714,000
Capital leases payable	2,436,518	3,134,155
Compensated absences	4,366,980	3,769,581
Total long-term liabilities	<u>\$26,832,498</u>	<u>\$27,617,736</u>

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.

The District recently implemented an 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. The District is very optimistic about this program and will be working toward significantly reducing energy costs. 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 School Reform Act of 2008 calls for a 6-year roll out of high quality preschool for all at risk children across the state. The 2009-2010 school year was designated to be the first year of implementation. However, State funding to support this program did not materialize therefore delaying implementation. The District has a plan in place and is ready to implement it pending State funding. The implementation of this program could have a significant impact on the district due to the increasing demand for space in our schools. Alternative implementation strategies are also being considered to meet this need.

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 only 14% of its general fund budget from state aid, excluding on-behalf TPAF, FICA and pension when the average is 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 13

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 2010 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.

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

- Instruction-regular programs – an increase of \$290,337 was attributable to the need for additional teachers for classrooms and programs and contractual obligations not anticipated at the time of the budget.
- Undistributed instructional regular programs – an increase of \$707,378; and Other instructional programs – a decrease of \$762,499 was a result of re-aligning the budget to conform to the new State chart of accounts.
- Required maintenance for school facilities – a decrease of \$260,289; and Custodial services – an increase of \$165,938 was a result of re-aligning the budget to conform to the new State chart of accounts.
- Undistributed instruction for tuition – an increase of \$179,939 was attributable to increased costs of providing an education to our students with special needs.
- Unallocated benefits – a decrease of \$378,118 was attributable to the rate stabilization of health benefits.
- Capital outlay equipment – an increase of \$178,531 was attributable to the purchase of computer equipment to replace equipment that is outdated and no longer under warranty and to supplement the District's curriculum.

### **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.

## Manchester Township School District

## Statement of Net Assets

June 30, 2009

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 595,370	\$ 231,237	\$ 826,607
Accounts receivable	534,764	423,217	957,981
Internal balances	37,996	(37,996)	
Inventories		24,785	24,785
Deferred charges	69,444		69,444
Capital assets, non-depreciable	1,220,818		1,220,818
Capital assets, depreciable, net	39,131,365	679,203	39,810,568
Total assets	<u>41,589,757</u>	<u>1,320,446</u>	<u>42,910,203</u>
<b>Liabilities</b>			
Accounts payable	335,176	116,144	451,320
Accrued interest payable	382,627		382,627
Unearned revenue	29,985	13,809	43,794
Current portion of long-term obligations	1,768,487	18,892	1,787,379
Noncurrent portion of long-term obligations	25,064,011	67,527	25,131,538
Total liabilities	<u>27,580,286</u>	<u>216,372</u>	<u>27,796,658</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$17,886,665	592,784	18,479,449
Restricted for:			
Debt service	4,441		4,441
Other purposes	273,664		273,664
Unrestricted (deficit)	(4,155,299)	511,290	(3,644,009)
Total net assets	<u>\$ 14,009,471</u>	<u>\$ 1,104,074</u>	<u>\$ 15,113,545</u>

*See accompanying notes to basic financial statements.*

## Manchester Township School District

## Statement of Activities

Year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>						
Instruction	\$ 29,642,243	\$ 2,239,340	\$ 1,012,252	\$ (26,390,651)		\$(26,390,651)
Support services:						
Attendance/social work	39,033			(39,033)		(39,033)
Health services	481,711			(481,711)		(481,711)
Other support services	3,918,777		143,572	(3,775,205)		(3,775,205)
Improvement of instruction	929,658			(929,658)		(929,658)
Other support:						
Instructional staff	79,851			(79,851)		(79,851)
School library	625,575			(625,575)		(625,575)
General administration	2,194,515			(2,194,515)		(2,194,515)
School administration	3,120,614			(3,120,614)		(3,120,614)
Required maintenance of plant	585,542			(585,542)		(585,542)
Operation of plant	4,904,404			(4,904,404)		(4,904,404)
Student transportation	3,925,035	280,158		(3,644,877)		(3,644,877)
Interest on long-term debt	918,261			(918,261)		(918,261)
Total governmental activities	51,365,220	2,519,498	1,155,824	(47,689,898)		(47,689,898)
<b>Business-type activities</b>						
Food service	1,246,249	820,402	444,883		\$ 19,036	19,036
Regional day school	6,413,550	6,255,896	167,762		10,108	10,108
Total business-type activities	7,659,799	7,076,298	612,645		29,144	29,144
	<u>\$ 59,025,019</u>	<u>\$ 9,595,796</u>	<u>\$ 1,768,469</u>	<u>(47,689,898)</u>	<u>29,144</u>	<u>(47,660,754)</u>
<b>General revenues:</b>						
Property taxes, levied for general purposes				34,439,117		34,439,117
Property taxes, levied for debt service				2,137,674		2,137,674
Federal sources, unrestricted				25,572		25,572
State sources, unrestricted				9,230,267		9,230,267
Investment earnings				48,588	4,386	52,974
Miscellaneous income				293,699		293,699
Total general revenues				46,174,917	4,386	46,179,303
Change in net assets				(1,514,981)	33,530	(1,481,451)
Net assets—beginning				15,524,452	1,070,544	16,594,996
Net assets—ending				<u>\$ 14,009,471</u>	<u>\$ 1,104,074</u>	<u>\$ 15,113,545</u>

See accompanying notes to basic financial statements.

Manchester Township School District  
Governmental Funds

Balance Sheet

June 30, 2009

	Major Funds			
	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 509,469		\$ 4,441	\$ 513,910
Accounts receivable:				
State	208,426			208,426
Federal	13,608	159,739		173,347
Other		7,000		7,000
Interfund receivable	248,144			248,144
Total assets	<u>\$ 979,647</u>	<u>\$ 166,739</u>	<u>\$ 4,441</u>	<u>\$ 1,150,827</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Interfund payable		\$ 90,148		\$ 90,148
Accounts payable	\$ 278,101	56,994		335,095
Deferred revenue	10,388	19,597		29,985
Total liabilities	<u>288,489</u>	<u>166,739</u>		<u>455,228</u>
<b>Fund balances</b>				
Reserved for:				
Encumbrances	91,633			91,633
Excess surplus - prior year	273,664			273,664
Debt service			\$ 4,441	4,441
Unreserved:				
Designated for subsequent years expenditures	289,560			289,560
Undesignated	36,301	-		36,301
Total fund balances	<u>691,158</u>	<u>-</u>	<u>4,441</u>	<u>695,599</u>
Total liabilities and fund balances	<u>\$ 979,647</u>	<u>\$ 166,739</u>	<u>\$ 4,441</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 \$72,883,890 and the accumulated depreciation is \$32,531,707.	40,352,183
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.	107,370
Unamortized portion of debt issuance costs not reported as an asset in the funds.	69,444
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.	(382,627)
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>(26,832,498)</u>
Net assets of governmental activities	<u>\$ 14,009,471</u>

See 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, 2009

	Major Funds			
	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues:</b>				
Local sources:				
Local tax levy	\$ 34,439,117		\$ 2,137,674	\$ 36,576,791
Tuition	2,239,340			2,239,340
Interest on investments	48,588			48,588
Miscellaneous	293,699	\$ 59,971		353,670
Total local sources	37,020,744	59,971	2,137,674	39,218,389
State sources	9,145,940	12,530	84,327	9,242,797
Federal sources	25,572	1,083,323		1,108,895
Total revenues	46,192,256	1,155,824	2,222,001	49,570,081
<b>Expenditures:</b>				
Current:				
Instruction	18,770,776	999,722		19,770,498
Undistributed-current:				
Instruction	1,246,473			1,246,473
Attendance/social work	29,822			29,822
Health services	357,234			357,234
Support services	2,690,329	143,572		2,833,901
Improvement of instruction	663,131			663,131
School library	461,542			461,542
Instructional staff training	67,141			67,141
General administration	772,067			772,067
School administration	1,598,231			1,598,231
Central services	462,950			462,950
Information technology	159,610			159,610
Required maintenance for school facilities	503,492			503,492
Operation of plant	4,331,538			4,331,538
Student transportation	2,845,464			2,845,464
Unlocated benefits	8,538,129			8,538,129
On-behalf TPAF social security and pension contributions	2,921,832			2,921,832
Capital outlay	555,039			555,039
Debt service:				
Principal			1,325,000	1,325,000
Interest			897,001	897,001
Total expenditures	46,974,800	1,143,294	2,222,001	50,340,095
(Deficiency)/Excess of revenues (under)/over expenditures	(782,544)	12,530	-	(770,014)
<b>Other financing sources:</b>				
Transfers in	20,654			20,654
Capital leases	170,024			170,024
Total other financing sources	190,678		-	190,678
Net change in fund balances	(591,866)	12,530		(579,336)
Fund balances (deficit), July 1	1,283,024	(12,530)	4,441	1,274,935
Fund balances, June 30	\$ 691,158	\$ -	\$ 4,441	\$ 695,599

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

See 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, 2009

**Total net change in fund balances - governmental funds (from B-2)** **\$ (579,336)**

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 outlays in the period.

	Capital outlays	\$ 327,860	
	Depreciation expense	<u>(2,027,442)</u>	(1,699,582)

Repayments of bond 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. The issuance of bonds and leases provide current financial resources to governmental funds, while the repayment of principal consumes the current financial resources of governmental funds. Also, governmental funds report the effect on issuance costs, premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of these long-term liabilities.

1,350,113

Internal service funds are used by the District to charge the costs of the transportation, tuition and adult education programs to the individual funds. The activities of these funds are included in the Statement of Activities.

(41)

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.

11,264

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).

(597,399)

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

\$ (1,514,981)

*See accompanying notes to basic financial statements.*

Manchester Township School District  
Proprietary Funds

Statement of Net Assets

June 30, 2009

	Major Funds			Governmental Activities Internal Service Funds
	Business Type Activities - Enterprise Funds			
	Food Service	Regional Day School	Totals	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 197,647	\$ 33,590	\$ 231,237	\$ 81,460
Accounts receivable:				
State	2,244	8,156	10,400	
Federal	36,474		36,474	
Other	13,709	362,634	376,343	25,991
Inventories	24,785		24,785	
Total current assets	274,859	404,380	679,239	107,451
Noncurrent assets:				
Capital assets:				
Vehicles and equipment	660,177	2,515,383	3,175,560	
Accumulated depreciation	(613,054)	(1,883,303)	(2,496,357)	
Total capital assets, net	47,123	632,080	679,203	
Total noncurrent assets	47,123	632,080	679,203	
Total assets	321,982	1,036,460	1,358,442	107,451
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	83,487	32,657	116,144	81
Interfund payable	30,212	7,784	37,996	
Capital leases payable		18,892	18,892	
Unearned revenue	13,809		13,809	
Total current liabilities	127,508	59,333	186,841	81
Noncurrent liabilities:				
Capital leases payable		67,527	67,527	
Total noncurrent liabilities		67,527	67,527	
Total liabilities	127,508	126,860	254,368	81
<b>Net Assets</b>				
Invested in capital assets, net of related debt	47,123	545,661	592,784	
Unrestricted:				
Designated for subsequent year’s expenses		100,000	100,000	
Undesignated	147,351	263,939	411,290	107,370
Total net assets	\$ 194,474	\$ 909,600	\$ 1,104,074	\$ 107,370

See 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, 2009

	Major Funds			Governmental Activities Internal Service Funds
	Business Type Activities - Enterprise Funds		Totals	
	Food Service	Regional Day School		
Operating revenues:				
Local sources:				
Daily food sales-reimbursable programs	\$ 379,647		\$ 379,647	
Daily food sales non-reimbursable programs	301,016		301,016	
Special functions	139,739		139,739	
Tuition		\$ 6,255,896	6,255,896	
Total local sources	820,402	6,255,896	7,076,298	
Services provided to other funds				\$ 280,158
Total operating revenues	820,402	6,255,896	7,076,298	280,158
Operating expenses:				
Salaries	377,248	3,667,359	4,044,607	186,545
Employee benefits	70,643	1,965,584	2,036,227	
Purchased professional services	21,783	184,812	206,595	40,000
Purchased property services	45,388	70,836	116,224	
Other purchased services	42,683	127,943	170,626	
Supplies and materials	85,743	235,591	321,334	
Depreciation	20,648	87,399	108,047	
Cost of sales	582,113		582,113	
Other objects		56,018	56,018	33,000
Tuition reimbursement		13,032	13,032	
Total operating expenses	1,246,249	6,408,574	7,654,823	259,545
Operating (loss) income	(425,847)	(152,678)	(578,525)	20,613
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	19,580		19,580	
State breakfast program	3,367		3,367	
Reimbursed TPAF social security contribution		167,762	167,762	
Federal sources:				
National school lunch program	336,734		336,734	
National breakfast program	35,281		35,281	
Food donation program	49,921		49,921	
Interest revenue	1,471	2,915	4,386	
Interest expense		(4,976)	(4,976)	
Total nonoperating revenues (expenses)	446,354	165,701	612,055	
Income before transfers	20,507	13,023	33,530	20,613
Transfer out				(20,654)
Change in net assets	20,507	13,023	33,530	(41)
Total net assets-beginning	173,967	896,577	1,070,544	107,411
Total net assets-ending	\$ 194,474	\$ 909,600	\$ 1,104,074	\$ 107,370

See accompanying notes to basic financial statements.

Manchester Township School District  
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2009

	Major Funds			Governmental Activities Internal Service Funds
	Business Type Activities			
	Enterprise Funds			
	Food Service	Regional Day School	Totals	
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 814,348	\$ 6,081,539	\$ 6,895,887	\$ 298,344
Payments to employees	(377,248)	(3,667,359)	(4,044,607)	(186,464)
Payments for employee benefits	(70,643)	(1,965,584)	(2,036,227)	
Payments to suppliers	(861,301)	(612,758)	(1,474,059)	(73,000)
Payments for tuition				(3,675)
Payments for insurance	(21,783)	(184,812)	(206,595)	
Net cash (used in) provided by operating activities	(516,627)	(348,974)	(865,601)	35,205
<b>Cash flows from noncapital financing activities</b>				
Cash received from state and federal reimbursements	425,349	167,576	592,925	
Transfers to other funds				(20,654)
Net cash provided by (used in) noncapital financing activities	425,349	167,576	592,925	(20,654)
<b>Cash flows from capital and related financing activities</b>				
Proceeds from capital lease		14,785	14,785	
Payment of capital leases		(19,272)	(19,272)	
Purchases of capital assets - equipment		(28,090)	(28,090)	
Net cash (used in) capital and related financing activities		(32,577)	(32,577)	
<b>Cash flows from investing activities</b>				
Cash received from interest income	1,471	2,915	4,386	
Cash paid for interest expense		(4,976)	(4,976)	
Net cash provided by (used in) investing activities	1,471	(2,061)	(590)	
Net (decrease) increase in cash and cash equivalents	(89,807)	(216,036)	(305,843)	14,551
Cash and cash equivalents, beginning of year	287,454	249,626	537,080	66,909
Cash and cash equivalents, end of year	\$ 197,647	\$ 33,590	\$ 231,237	\$ 81,460
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:</b>				
Operating (loss) income	\$ (425,847)	\$ (152,678)	\$ (578,525)	\$ 20,613
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation	20,648	87,399	108,047	
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable	(12,484)	(174,357)	(186,841)	18,186
(Increase) in inventory	(7,037)		(7,037)	
(Decrease) in accounts payable	(98,337)	(109,338)	(207,675)	(3,594)
Increase in unearned revenue	6,430		6,430	
Net cash (used in) provided by operating activities	\$ (516,627)	\$ (348,974)	\$ (865,601)	\$ 35,205

*Noncash noncapital related financing activities:*

The District received \$49,921 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2009.

*See accompanying notes to basic financial statements.*

Manchester Township School District  
Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2009

	<u>Private-Purpose Scholarship Fund</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 39,309	\$ 371,835	\$ 1,731,051
Investments	<u>296,133</u>		
Total assets	<u>335,442</u>	<u>371,835</u>	<u>\$ 1,731,051</u>
<b>Liabilities</b>			
Payroll deductions and withholdings payable			\$ 1,440,352
Interfund payable			120,000
Due to student groups			<u>170,699</u>
Total liabilities			<u>\$ 1,731,051</u>
<b>Net Assets</b>			
Held in trust for unemployment claims and other purposes		<u>\$ 371,835</u>	
Reserved for scholarships	<u>\$ 335,442</u>		

*See accompanying notes to basic financial statements.*

Manchester Township School District  
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2009

	<b>Private-purpose Scholarship Fund</b>	<b>Unemployment Compensation Trust</b>
<b>Additions</b>		
Contributions:		
Employee contributions		\$ 57,306
Donations	\$ 50	
Total contributions	50	57,306
Investment earnings:		
Interest	10,756	2,993
Total additions	10,806	60,299
<b>Deductions</b>		
Unemployment payments		42,787
Scholarship payments	19,500	
Total deductions	19,500	42,787
Change in net assets	(8,694)	17,512
Net assets-beginning of the year	344,136	354,323
Net assets-end of the year	\$ 335,442	\$ 371,835

*See accompanying notes to basic financial statements.*

Manchester Township School District  
Notes to the Basic Financial Statements

Year ended June 30, 2009

**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, 2009

### **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 segment 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 the 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, 2009

**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.

*Special Revenue Fund:* The District maintains one special revenue fund which includes the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Fund:* The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

*Food Service and Regional Day School Enterprise Funds:* 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. 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.

Additionally, the District reports the following fund types:

*Internal Service (Transportation and Tuition) Funds:* 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. During the year, the District discontinued its tuition internal service fund.

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

Year ended June 30, 2009

**1. Summary of Significant Accounting Policies (continued)**

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.

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



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

Year ended June 30, 2009

**1. Summary of Significant Accounting Policies (continued)**

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports deferred (unearned) revenue on its balance sheet. Deferred (unearned) revenue arises when a 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 on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. The overexpenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary

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

Year ended June 30, 2009

**1. Summary of Significant Accounting Policies (continued)**

overexpenditures. All budget amendments must be approved by School Board resolution. Budget amendments were made during the year ended June 30, 2009 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 payment 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 years 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, 2009, the unused Food Donation Program commodities of \$13,809 are reported as unearned revenue.

**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

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

Year ended June 30, 2009

**1. Summary of Significant Accounting Policies (continued)**

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, 2009, a liability existed for compensated absences in the government-wide financial statements in the amount of \$4,366,980 and no liability existed for compensated absences in the proprietary fund types.

**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.

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

Year ended June 30, 2009

**1. Summary of Significant Accounting Policies (continued)**

**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.

**K. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent plans for future use of financial resources that are subject to change.

**L. 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.

See Note 4 for additional information relating to capital assets.

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

Year ended June 30, 2009

**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.

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 July 1, 2012.

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

Year ended June 30, 2009

**1. Summary of Significant Accounting Policies (continued)**

**P. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for reserved fund balance -- excess surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). 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.

**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 \$26,832,498 difference are as follows:

Bonds payable	\$ 20,029,000
Capital leases payable	2,436,518
Compensated absences	<u>4,366,980</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets -- governmental activities	<u>\$ 26,832,498</u>

## Manchester Township School District

### Notes to the Basic Financial Statements (continued)

Year ended June 30, 2009

#### **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 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.

# Manchester Township School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2009

### 3. Deposits and Investments (continued)

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

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

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

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

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2009, the carrying amount of the District's deposits was \$1,841,231 and the bank balance was \$4,003,850. Of the bank balance, \$405,942 of the District's cash deposits on June 30, 2009 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the remaining bank balance of \$3,597,908.

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.



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

Year ended June 30, 2009

**3. Deposits and Investments (continued)**

**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 Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2009, the District's investment balances of \$296,133 were certificates of deposit with original maturities of three months or more.

**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. 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, 2009, the District's balance was \$1,127,571.

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.

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

Year ended June 30, 2009

**3. Deposits and Investments (continued)**

*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, 2009, all of the District's investments were invested in certificates of deposits and NJCMF.

*Interest Rate Risk:* The District does not have a policy to limit interest rate risk. The average maturity of the District's sole investment, the NJCMF, is less than one year.

# Manchester Township School District

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2009

### 4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2009:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>			
Capital assets, not being depreciated:			
Land	\$ 1,220,818		\$ 1,220,818
Total capital assets, not being depreciated	1,220,818		1,220,818
Capital assets, being depreciated:			
Buildings and building improvements	56,862,740		56,862,740
Machinery, equipment and vehicles	14,472,472	\$ 327,860	14,800,332
Total capital assets being depreciated	71,335,212	327,860	71,663,072
Less accumulated depreciation for:			
Buildings and building improvements	17,827,219	677,571	18,504,790
Machinery, equipment and vehicles	12,677,046	1,349,871	14,026,917
Total accumulated depreciation	30,504,265	2,027,442	32,531,707
Total capital assets, being depreciated, net	40,830,947	(1,699,582)	39,131,365
Governmental activities capital assets, net	<u>\$ 42,051,765</u>	<u>\$ (1,699,582)</u>	<u>\$ 40,352,183</u>

The following is a summarization of the business-type activities changes in capital assets for the fiscal year ended June 30, 2009:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>			
Capital assets, being depreciated:			
Equipment and vehicles	\$ 3,147,470	\$ 28,090	\$ 3,175,560
Less accumulated depreciation for:			
Equipment and vehicles	2,388,310	108,047	2,496,357
Total business-type activities capital assets, net	<u>\$ 759,160</u>	<u>\$ (79,957)</u>	<u>\$ 679,203</u>

As noted in Note 1, the 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, 2009

**4. Capital Assets (Continued)**

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

Instruction	\$ 895,878
General administration	1,131,564
Total depreciation expense – governmental activities	<u>\$ 2,027,442</u>

**5. Long-Term Liabilities**

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Compensated absences payable	\$ 3,769,581	\$ 853,387	\$ 255,988	\$ 4,366,980	\$ 140,000
Bonds payable	20,714,000		685,000	20,029,000	710,000
Obligations under capital leases	3,134,155	170,024	867,661	2,436,518	958,487
Governmental activity long-term liabilities	<u>\$ 27,617,736</u>	<u>\$ 1,023,411</u>	<u>\$ 1,808,649</u>	<u>\$ 26,832,498</u>	<u>\$ 1,768,487</u>
Business-type activities:					
Obligations under capital leases	<u>\$ 90,906</u>	<u>\$ 14,785</u>	<u>\$ 19,272</u>	<u>\$ 86,419</u>	<u>\$ 18,892</u>

**Bonds Payable**

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

In 2004, the District issued \$2,945,000 of School District Refunding Bonds, Series 2004 in order to fund a portion of the Board's 1996 Bonds relating to the renovation of Ridgeway School. The bonds are due to mature annually through the 2016 fiscal year at an annual interest rate ranging from 3.00% to 4.00%.

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. The bonds are due to mature annually through the 2028 fiscal year at annual interest rates ranging from 4.00% to 4.75%.

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

Year ended June 30, 2009

**5. Long-Term Liabilities (continued)**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2010	\$ 710,000	\$ 843,776	\$ 1,553,776
2011	695,000	815,371	1,510,371
2012	1,145,000	779,858	1,924,858
2013	1,255,000	733,932	1,988,932
2014	1,300,000	684,443	1,984,443
2015-2019	5,895,000	2,627,375	8,522,375
2020-2024	5,400,000	1,442,610	6,842,610
2025-2028	3,629,000	325,353	3,954,353
	<u>\$ 20,029,000</u>	<u>\$8,252,718</u>	<u>\$28,281,718</u>

**Capital Leases Payable – Certificates of Participation**

On December 15, 2003, the Board issued \$4,525,000 of Refunding Certificates of Participation (COPs), Series 2003 for the purpose of refunding the remaining portion of the 1993 Refunding Certificates of Participation outstanding. The COPs are due to mature annually through the 2010 fiscal year at interest rates ranging from 1.25% to 2.75%. Payment of the principal of and interest on the Refunding Certificates is insured by Municipal Bond Investors Assurance Corporation.

The following is a schedule of the future minimum lease payments under this certificate of participation, and the present value of the net minimum lease payments at June 30, 2009.

	<u>Amount</u>
Fiscal year:	
2010	\$ 638,662
Total minimum lease payments	638,662
Less amount representing interest	(8,662)
Present value of net minimum lease payments	<u>\$ 630,000</u>

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

Year ended June 30, 2009

**5. Long-Term Liabilities (continued)**

The assets acquired through capital leases are as follows at June 30, 2009:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
Machinery, equipment		
And vehicles	\$ 3,394,731	\$ 265,587
Less accumulated depreciation	<u>(1,626,772)</u>	<u>(172,274)</u>
Total	<u>\$ 1,767,959</u>	<u>\$ 93,313</u>

**Other Capital Leases**

*Governmental Funds*

The District has capital leases outstanding for various purposes (School buses and office equipment-copiers) with rates ranging from 1.97% 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, 2009:

<u>Fiscal Year</u>	<u>Amounts</u>
Year ending June 30:	
2010	\$ 406,336
2011	406,334
2012	376,592
2013	279,480
2014	221,148
2015-2017	<u>386,328</u>
Total minimum lease payment	2,076,218
Less amount representing interest	<u>(269,700)</u>
Present value of net future minimum lease payments	<u>\$ 1,806,518</u>

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

Year ended June 30, 2009

**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, 2009:

	<u><b>Total</b></u>
Fiscal year:	
2010	\$ 23,177
2011	18,597
2012	17,031
2013	15,466
2014	13,529
2015	<u>12,147</u>
Total minimum lease payment	99,947
Less amount representing interest	<u>(13,528)</u>
Present value of net future minimum lease payments	<u><u>\$ 86,419</u></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, 2009

#### **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 60 with an annual benefit generally determined to be 1/60th 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 60 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 60 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 60).

##### **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 60 with an annual benefit generally determined to be 1/60th 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 60 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 60 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 60).

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, 2009

**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% 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, 2009, the State of New Jersey contributed \$1,421,305 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 \$1,668,289 during the year ended June 30, 2009 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, 2009, 2008 and 2007 \$386,923, \$354,987, and \$179,372, 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, 2009

**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, 2008, there were 80,181 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 made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in fiscal year 2008.

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 \$116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in fiscal year 2008.

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, 2009, 2008 and 2007 were \$1,350,514, \$889,129, and \$802,894 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, 2009

**7. Interfund Receivables and Payables**

The total interfund accounts receivable and payable for the District at June 30, 2009 amounted to \$248,144 analyzed as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 248,144	
Special Revenue Fund		\$ 90,148
Enterprise Fund - Food Service		30,212
Enterprise Fund – Regional Day School		7,784
Agency Fund		120,000
	<u>\$ 248,144</u>	<u>\$ 248,144</u>

The interfund payables in the enterprise funds represent loans from the general fund not returned at June 30, 2009 and are expected to be repaid within one year.

The interfund payable in the agency fund represents accumulated interest income earned and excess deposits due to the general fund at June 30, 2009 and is expected to be repaid within one year.

The interfund payable in the special revenue represents loans from the general fund not returned at June 30, 2009 and is expected to be repaid within one year.

**8. Economic Dependency**

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

**9. Contingent Liabilities**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2009 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.

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

Year ended June 30, 2009

**9. Contingent Liabilities (continued)**

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.

**11. Transfers – Reconciliation**

The following presents a reconciliation of transfers during the 2009 fiscal year:

	<u>In</u>	<u>Out</u>
General Fund	\$ 20,654	
Internal Service Fund – Tuition		\$ 20,654
	<u>\$ 20,654</u>	<u>\$ 20,654</u>

The transfer between the internal service fund-tuition and the general fund represents the closeout of the tuition fund that was discontinued in fiscal year 2009.

## Manchester Township School District

### Notes to the Basic Financial Statements (continued)

Year ended June 30, 2009

#### **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. Fund Balance**

Of the \$691,158 of General Fund fund balance at June 30, 2009 (B-1), \$91,633 is reserved for encumbrances, \$273,664 is reserved for excess surplus, \$289,560 is designated for subsequent years and has been appropriated as anticipated revenue for the year ending June 30, 2010, and the remainder of \$36,301 is unreserved and undesignated.

The Debt Service Fund fund balance at June 30, 2009 of \$4,441 is reserved for future debt service expenditures.

#### **14. 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 \$69,444 at June 30, 2009. The amortization expense for the year ended June 30, 2009 amounted to \$32,524. In governmental funds, debt issuance costs are recognized in the current period.

#### **15. Subsequent Events**

Management has reviewed and evaluated all events and transactions from June 30, 2009 through October 7, 2009, the date that the financial statements are issued and the effects of those that provide additional pertinent information about conditions that existed at the balance sheet date, have been recognized in the accompanying financial statements.

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources:					
Local tax levy	\$ 34,439,117		\$ 34,439,117	\$ 34,439,117	
Tuition	2,239,340		2,239,340	2,239,340	
Interest on investments				48,588	\$ 48,588
Miscellaneous	300,000		300,000	293,699	(6,301)
Total revenues - local sources	36,978,457		36,978,457	37,020,744	42,287
State sources:					
Special Education Categorical Aid	1,527,527		1,527,527	1,527,527	
Security Aid	303,051		303,051	303,051	
Adjustment Aid	3,237,799		3,237,799	2,958,919	(278,880)
Categorical Transportation Aid	1,536,648		1,536,648	1,536,648	
Extraordinary aid	44,102		44,102	124,243	80,141
On-behalf TPAF pension contributions (non-budgeted)				1,421,305	1,421,305
Reimbursed TPAF social security contributions (non-budgeted)				1,500,527	1,500,527
Other state aid				9,613	9,613
Total - state sources	6,649,127		6,649,127	9,381,833	2,732,706
Federal sources:					
Medical Assistance Program	40,000		40,000	25,572	(14,428)
Total - federal sources	40,000		40,000	25,572	(14,428)
Total revenues	43,667,584		43,667,584	46,428,149	2,760,565
<b>Expenditures</b>					
Current expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool/kindergarten	523,347	\$ (75,582)	447,765	446,766	999
Grades 1-5	5,024,293	65,165	5,089,458	5,087,149	2,309
Grades 6-8	2,899,844	91,755	2,991,599	2,991,599	
Grades 9-12	4,353,000	208,999	4,561,999	4,561,914	85
	12,800,484	290,337	13,090,821	13,087,428	3,393
Home instruction:					
Salaries of teachers	79,800	(6,047)	73,753	73,753	
Other purchased services	3,000	13	3,013	2,537	476
Other objects	3,000	(2,946)	54		54
	85,800	(8,980)	76,820	76,290	530
Undistributed instruction-regular programs					
Other purchased services		13,800	13,800	9,372	4,428
General supplies		405,391	405,391	394,877	10,514
Textbooks		87,297	87,297	85,780	1,517
Other objects		200,890	200,890	164,073	36,817
		707,378	707,378	654,102	53,276
Total instruction - regular programs	12,886,284	1,977,470	13,875,019	13,817,820	57,199

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Special education (continued):					
Preschool disabilities - part-time:					
Salaries of teachers	\$ 89,500	\$ 1,235	\$ 90,735	\$ 90,631	\$ 104
Other salaries for instruction	101,829	(4,086)	97,743	97,276	467
General supplies	2,975		2,975	1,974	1,001
Other objects	1,100		1,100	936	164
Total preschool disabilities - part-time	195,404	(2,851)	192,553	190,817	1,736
Learning and/or language disabilities:					
Salaries of teachers	413,000	4,466	417,466	417,141	325
Other salaries for instruction	415,749	71,286	487,035	487,035	
General supplies	9,550	(2,000)	7,550	7,075	475
Textbooks	4,850	136	4,986	4,200	786
Total learning and/or language disabilities	843,149	73,888	917,037	915,451	1,586
Behavioral disabilities:					
Salaries of teachers	77,500	(300)	77,200	77,200	
Other salaries for instruction	3,173	(2,381)	792	550	242
Total behavioral disabilities	80,673	(2,681)	77,992	77,750	242
Multiple disabilities:					
Salaries of teachers	170,000	925	170,925	169,943	982
Other salaries for instruction	120,000	(11,842)	108,158	107,560	598
General supplies	5,700	1,154	6,854	6,205	649
Textbooks	1,500		1,500	1,179	321
Other objects	1,100	(534)	566	202	364
Total multiple disabilities	298,300	(10,297)	288,003	285,089	2,914
Resource room/center:					
Salaries of teachers	2,200,000	44,357	2,244,357	2,244,357	
General supplies	15,486	(2,979)	12,507	12,077	430
Textbooks	5,097	(126)	4,971	4,753	218
Total resource room/center	2,220,583	41,252	2,261,835	2,261,187	648
Total special education	3,638,109	99,311	3,737,420	3,730,294	7,126

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Bilingual education:					
Salaries of teachers	\$ 155,000	\$ (68)	\$ 154,932	\$ 154,932	
General supplies	1,500	(1,098)	402		\$ 402
Textbooks	500		500	61	439
Other objects	1,000	(1,000)			
Total bilingual education	158,000	(2,166)	155,834	154,993	841
Vocational programs - local - instruction:					
Other objects	4,000		4,000		4,000
Total vocational programs - local instruction	4,000		4,000		4,000
School - sponsored cocurricular activities:					
Salaries	264,229	1,064	265,293	265,293	
Supplies and materials	10,000		10,000	10,000	
Other objects	14,400	(200)	14,200	9,875	4,325
Total school - sponsored cocurricular activities	288,629	864	289,493	285,168	4,325
School - sponsored athletics - instruction:					
Salaries	462,449	19,318	481,767	481,767	
Purchased services	15,000		15,000	15,000	
Supplies and materials	95,500	(653)	94,847	91,119	3,728
Other objects	106,324		106,324	103,125	3,199
Total school - sponsored athletics - instruction	679,273	18,665	697,938	691,011	6,927
Other instructional programs:					
Salaries	80,000	11,790	91,790	91,490	300
Purchased services	19,500	(19,500)			
Supplies and materials	537,114	(537,114)			
Other objects	217,675	(217,675)			
Total other instructional programs	854,289	(762,499)	91,790	91,490	300
Total instruction	18,508,584	1,331,645	18,851,494	18,770,776	80,718



Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures:					
Instruction:					
Tuition to other LEAs within the state-regular	\$ 41,000	\$ (14,200)	\$ 26,800	\$ 26,800	
Tuition to other LEAs within the state-special	369,486	(94,893)	274,593	274,593	
Tuition to County Voc. School Dist.-Regular		13,000	13,000	13,000	
Tuition to CSSD and regional day schools	497,048	68,635	565,683	565,683	
Tuition to private school for the handicapped - within state	150,000	207,397	357,397	357,397	
Tuition - state facilities	9,000		9,000	9,000	
Total undistributed instruction-tuition	1,066,534	179,939	1,246,473	1,246,473	
Attendance and social work services:					
Salaries	24,500	(3,179)	21,321	21,321	
Other objects	8,200	500	8,700	8,501	\$ 199
Total attendance and social work service	32,700	(2,679)	30,021	29,822	199
Health services:					
Salaries		288,402	288,402	288,139	263
Purchased professional and technical services	358,000	(296,069)	61,931	61,550	381
Supplies and materials	7,100	1,200	8,300	7,545	755
Total health services	365,100	(6,467)	358,633	357,234	1,399
Other support services - students - related services:					
Salaries	389,346	(13,695)	375,651	375,350	301
Purchased professional educational services	20,500	(7,627)	12,873	12,873	
Supplies and materials	3,550	(441)	3,109	2,636	473
Total other support services - students - related services	413,396	(21,763)	391,633	390,859	774
Other support services - students - extra services:					
Salaries	35,150	(1,486)	33,664	33,664	
Purchased professional educational services	9,519	(2,888)	6,631	6,631	
Supplies and materials	3,500	(2)	3,498	3,104	394
Other objects	1,500	(244)	1,256	1,256	
Total other support services - students - extra services	49,669	(4,620)	45,049	44,655	394

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Other support services -					
students - regular:					
Salaries of other professional staff	\$ 726,500	\$ 28,900	\$ 755,400	\$ 755,400	
Salaries of secretarial and clerical assts.	194,500	(8,414)	186,086	186,086	
Other purchased services	500	(43)	457		\$ 457
Supplies and materials	2,000		2,000	66	1,934
Other objects	21,500	(5,200)	16,300	13,793	2,507
Total other support services -					
students - regular	945,000	15,243	960,243	955,345	4,898
Child Study Teams:					
Salaries of other professional staff	960,000	(3,012)	956,988	956,755	233
Salaries of secretarial and clerical assts.	157,500	27,004	184,504	184,504	
Purchased professional -					
educational services	82,882	40,950	123,832	118,832	5,000
Miscellaneous purchased services	10,000	(6,246)	3,754	3,754	
Supplies and materials	1,920		1,920	1,881	39
Other objects	37,000	(960)	36,040	33,744	2,296
Total other support services -					
child study teams	1,249,302	57,736	1,307,038	1,299,470	7,568
Improvement of instructional services:					
Salaries of supervisors of instruction	291,252	(5,935)	285,317	285,317	
Salaries of other professional staff	247,768		247,768	247,768	
Salaries of secretarial and clerical assts	84,000	(129)	83,871	83,871	
Other purchased services	3,000	(2,000)	1,000	79	921
Supplies and materials	42,775	(21,119)	21,656	21,656	
Other objects	26,000	168	26,168	24,440	1,728
Total improvement of instructional					
services	694,795	(29,015)	665,780	663,131	2,649
Educational media services/ school library:					
Salaries	380,000	(298)	379,702	379,702	
Other purchased services	15,000		15,000	13,616	1,384
Supplies and materials	70,306		70,306	68,224	2,082
Total educational media services/ school library	465,306	(298)	465,008	461,542	3,466

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Instructional staff training services:					
Salaries of other professional staff	\$ 17,250		\$ 17,250	\$ 17,250	
Other purchased services	2,800	\$ 100	2,900	1,581	\$ 1,319
Other objects	61,600	(10,000)	51,600	48,310	3,290
Total instructional staff training services	81,650	(9,900)	71,750	67,141	4,609
Support services-general administration:					
Salaries	298,800	37,614	336,414	336,414	
Purchased professional services	110,000	3,836	113,836	111,640	2,196
Other purchased professional services	21,500	6,114	27,614	26,636	978
Communications/telephone	153,000	(33,198)	119,802	94,913	24,889
BOE other purchased services	69,200	(15,294)	53,906	47,637	6,269
Other purchased services	48,000	(24,700)	23,300	22,371	929
BOE membership dues and fees	30,000	(3,012)	26,988	25,473	1,515
General supplies	31,500	58,500	90,000	90,000	
Miscellaneous expenditures	29,000	(11,000)	18,000	16,983	1,017
Total support services-general administration	791,000	18,860	809,860	772,067	37,793
Support services-school administration:					
Salaries of principals/assistant principals	1,017,000	20,494	1,037,494	1,037,494	
Salaries of secretarial and clerical assistants	541,500	19,237	560,737	560,737	
Total support services-school administration	1,558,500	39,731	1,598,231	1,598,231	
Undistributed expenditures-Central services					
Salaries	377,500	(31,884)	345,616	345,616	
Miscellaneous purchased services	7,500	(2,052)	5,448	4,636	812
Miscellaneous expenditures	125,000	(12,092)	112,908	112,698	210
Total undistributed expenditures-central services	510,000	(46,028)	463,972	462,950	1,022
Undistributed expenditures-Admin. Info Tech.:					
Salaries	141,500		141,500	141,470	30
Miscellaneous purchased services	3,000	52	3,052	2,304	748
Supplies and materials	34,410	(8,212)	26,198	15,836	10,362
Total undistributed expenditures-admin. Info. technology	178,910	(8,160)	170,750	159,610	11,140
Required maintenance for school facilities:					
Salaries	194,500	(194,500)			
Cleaning, repair and maintenance services	504,000	(12,139)	491,861	491,070	791
General supplies	66,150	(53,650)	12,500	12,422	78
Total required maintenance for school facilities	764,650	(260,289)	504,361	503,492	869

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Operations and maintenance of plant services:					
Salaries	\$ 1,345,120	\$ 179,346	\$ 1,524,466	\$ 1,524,466	
Purchased professional and technical services	5,000	10,000	15,000	15,000	
Cleaning, repair and maintenance services	280,407	(24,004)	256,403	237,517	\$ 18,886
Other purchased property services	160,800	6,598	167,398	136,943	30,455
Insurance	545,000	(75,992)	469,008	469,008	
General supplies	144,800	49,196	193,996	188,615	5,381
Energy	1,633,500	30,351	1,663,851	1,659,789	4,062
Other objects	116,000	(9,557)	106,443	100,200	6,243
Total operation and maintenance of plant services	4,230,627	165,938	4,396,565	4,331,538	65,027
Student transportation services:					
Salaries for pupil transportation:					
Between home and school - regular	1,147,000	54,268	1,201,268	1,201,268	
Between home and school - special	206,500	24,380	230,880	230,880	
Other than between home and school-vendors	441,500	23,182	464,682	464,682	
Lease purchase payments-buses	310,000	(104,750)	205,250	205,250	
Contracted services:					
Aid in lieu	28,000	(3,000)	25,000	24,752	248
Between home and school-vendors	10,000		10,000	8,849	1151
Special ed. Vendors	250,000	(40,464)	209,536	209,536	
Miscellaneous purchased services	55,000	(8,000)	47,000	46,784	216
Supplies and materials	375,000	22,339	397,339	396,452	887
Other objects	84,500	(27,451)	57,049	57,011	38
Total student transportation services	2,907,500	(59,496)	2,848,004	2,845,464	2,540
Unallocated benefits:					
Social security contributions	604,839	(5,544)	599,295	599,295	
Other retirement contributions-regular	443,775	(56,852)	386,923	386,923	
Health benefits	7,759,096	(309,914)	7,449,182	7,449,182	
Tuition reimbursement	140,000	(5,808)	134,192	102,729	31,463
Total unallocated benefits	8,947,710	(378,118)	8,569,592	8,538,129	31,463

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Current expenditures (continued):					
Undistributed expenditures (continued):					
On-behalf TPAF pension contributions (non-budgeted)				\$ 1,421,305	\$ (1,421,305)
Reimbursed TPAF social security contributions (non-budgeted)				1,500,527	(1,500,527)
Total undistributed expenditures	\$ 25,252,349	\$ (349,386)	\$ 24,902,963	27,648,985	(2,746,022)
Total expenditures - current	43,760,933	(6,476)	43,754,457	46,419,761	(2,665,304)
Capital outlay:					
Equipment:					
Grades 1-5		5,640	5,640	5,640	
Grades 6-8		8,405	8,405	8,405	
Grades 9-12	6,250	3,266	9,516	9,516	
Undistributed expenditures:					
Support services - students - special	4,120	(4,120)			
Support services - instructional staff	10,090	(9,032)	1,058	1,058	
Support service - central services	16,900	(16,900)			
Operation and maintenance of plant services	26,760	10,742	37,502	37,502	
Non-instructional equipment		11,350	11,350	11,350	
School Buses-Regular		13,400	13,400	13,400	
Non-instructional services	142,531	155,780	298,311	298,144	167
Total equipment	206,651	178,531	385,182	385,015	167
Assets acquired under capital leases (non-budgeted)		-		170,024	(170,024)
		-		170,024	(170,024)
Total expenditures - capital outlay	206,651	178,531	385,182	555,039	(169,857)

Manchester Township School District  
General Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Expenditures (continued)</b>					
Total expenditures	\$ 43,967,584	\$ 172,055	\$ 44,139,639	\$ 46,974,800	\$ (2,835,161)
(Deficiency) of revenues (under) expenditures	(300,000)	(172,055)	(472,055)	(546,651)	(74,596)
Other financing sources:					
Transfers in				20,654	20,654
Capital leases (non-budgeted)		-		170,024	170,024
Total other financing sources (uses)	-	-	-	190,678	190,678
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(300,000)	(172,055)	(472,055)	(355,973)	116,082
Fund balances, July 1	1,580,771		1,580,771	1,580,771	
Fund balances, June 30	\$ 1,280,771	\$ (172,055)	\$ 1,108,716	\$ 1,224,798	\$ 116,082
<b>Recapitulation of excess (deficiency) of     revenues over (under) expenditures</b>					
Budgeted fund balance	\$ (300,000)		\$ (300,000)	\$ (183,918)	\$ 116,082
Adjustment for prior year encumbrances		\$ (172,055)	(172,055)	(172,055)	
Total	\$ (300,000)	\$ (172,055)	\$ (472,055)	\$ (355,973)	\$ 116,082
Recapitulation of fund balance:					
Reserved for encumbrances				\$ 91,633	
Designated for subsequent years expenditures - prior year excess surplus				273,664	
Designated for subsequent years expenditures				289,560	
Unreserved undesignated fund balance				569,941	
				1,224,798	
Reconciliation to Government Funds Statements GAAP:					
Last two state aid payments not recognized on GAAP basis				(533,640)	
Fund balance per Government Funds (GAAP)				\$ 691,158	

Manchester Township School District  
Special Revenue Fund

Budgetary Comparison Schedule  
(Budgetary Basis)

Year ended June 30, 2009

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Revenues:</b>					
Federal sources	\$ 920,665	\$ 221,678	\$ 1,142,343	\$ 1,085,110	\$ (57,233)
Local sources	7,000	56,849	63,849	59,965	(3,884)
Total revenues	927,665	278,527	1,206,192	1,145,075	(61,117)
<b>Expenditures:</b>					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	210,974	30,499	241,473	241,473	
Other salaries for instruction	60,109	(2,702)	57,407	47,962	9,445
Other purchased services	3,167	(3,167)			
Tuition	568,766	116,521	685,287	683,527	1,760
General supplies	17,469	23,209	40,678	26,760	13,918
Total instruction	860,485	164,360	1,024,845	999,722	25,123
Support services:					
Personal services-employee benefits	61,295	(17,273)	44,022	42,611	1,411
Other purchased services	2,119	36,705	38,824	6,627	32,197
Purchased professional services	-	34,106	34,106	34,106	-
General supplies	3,766	60,629	64,395	62,009	2,386
Total support services	67,180	114,167	181,347	145,353	35,994
Total expenditures	927,665	278,527	1,206,192	1,145,075	61,117
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Manchester Township School District  
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule (C-1, C-2)	\$46,428,149	\$ 1,145,075
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current year		(1,787)
Prior year		6
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	297,747	12,530
The last state aid payments from 2008-2009 is 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).	(533,640)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$46,192,256</u>	<u>\$ 1,155,824</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 46,974,800	\$ 1,145,075
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.		(1,781)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 46,974,800</u>	<u>\$ 1,143,294</u>



## **APPENDIX C**

### **FORM OF LEGAL OPINION**

*An opinion in substantially the following form  
will be delivered at Closing, assuming no  
material changes in facts or law.*

\_\_\_\_\_, 2010

The Board of Education of the  
The Township of Manchester,  
in the County of Ocean, New Jersey

Re: \$8,375,000 School District Bonds, Series 2010

Ladies and Gentlemen:

We have examined certified copies of a record of proceedings of the Board of Education of the Township of Manchester, in the County of Ocean, New Jersey (the “Board” or the “Board of Education”), a body corporate responsible for the supervision of the public schools located in the Township of Manchester, in Ocean County, New Jersey (the “School District”), pertaining to the issuance and sale of \$8,375,000 aggregate principal amount of School District Bonds, Series 2010 (the “Bonds”). The Bonds are dated \_\_\_\_\_, 2010 and mature on March 1 in the years and in the principal amounts and bear interest at the rates, payable on September 1, 2010 and semiannually thereafter on the first days of March and September in each year until maturity or earlier redemption, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$650,000	%	2021	\$550,000	%
2012	275,000		2022	550,000	
2013	10,000		2023	550,000	
2014	10,000		2024	550,000	
2015	65,000		2025	550,000	
2016	115,000		2026	550,000	
2017	500,000		2027	550,000	
2018	500,000		2028	550,000	
2019	550,000		2029	550,000	
2020	550,000		2030	550,000	

The Bonds are in fully registered form and are issued pursuant to Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by the Board of Education on August 26, 2009, and approved by the legally qualified voters of the School District at a special

school election held on September 29, 2009, and by virtue of a resolution duly adopted by the Board of Education on December 21, 2009 (the "Resolution"). The Bonds are subject to redemption prior to maturity as described in the Resolution.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers.

The bonds are being issued for the purpose of financing the costs of various repairs and renovations for school buildings in the School District, the purchase of equipment, furniture, apparatus and fixtures and to acquire school buses..

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, such matters of law, and such agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the Board of Education; the Bonds are legal, valid and binding obligations of the Board and the School District, enforceable in accordance with their terms; and all the taxable property within the School District is subject to the levy of *ad valorem* taxes, without limit as to rate or amount, for the payment of the principal of and interest on the Bonds. The Bonds are additionally secured by the provisions of the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, as amended by P.L. 2003, c. 118.

2. The Board of Education has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the Board of Education with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax and, pursuant to the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, adopted by the Congress of the United

States of America and signed into law on February 17, 2009, is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights, and by equitable principles, and the phrase "enforceable in accordance with their terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK & COLE, LLP

## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by The Board of Education of the Township of Manchester in the County of Ocean, New Jersey (the “Issuer”) in connection with the issuance by the Issuer of \$8,375,000 principal amount of its School District Bonds, Series 2010 (the “Bonds”). The Bonds are being issued pursuant to proposals approved by the voters of the school district and a resolution duly adopted by the Issuer on December 21, 2009 (the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bondholder” shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Issuer's fiscal year, commencing with the report for the first fiscal year ending June 30, 2010, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB 's website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with standards prescribed or permitted by the State Department of Education pursuant to Subchapter 2A of Chapter 20 of Title 6 of the New Jersey Administrative Code. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
2. The financial information and operating data set forth in the Official Statement dated January \_\_, 2009 prepared in connection with the sale of the Bonds in "APPENDIX A – Certain Demographic Information Concerning to the Township of Manchester and the School District".

### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. modifications to rights of Bondholders;
8. optional, contingent or unscheduled Bond calls;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds; and
11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

**SECTION 6. Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).



SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have

no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: January \_\_, 2010

THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF MANCHESTER, IN THE  
COUNTY OF OCEAN, NEW JERSEY

By: \_\_\_\_\_  
Craig A. Lorentzen  
Business Administrator

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer:       The Board of Education of the Township of Manchester, in the County of Ocean, New Jersey

Name of Bond Issue: \$8,375,000 School District Bonds, Series 2010

Date of Issuance:     January \_\_, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated January \_\_, 2010. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF MANCHESTER, IN THE  
COUNTY OF OCEAN, NEW JERSEY

By:\_\_\_\_\_