

School District of the Chathams

School District of the Chathams
Board of Education
Chatham Township
County of Morris
New Jersey

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

School District of the Chathams

Chatham, New Jersey

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

Prepared by

Business Office

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Note: The schedules denoted with N/A are not applicable in the current year. However, the New Jersey Department of Education requires the District to reference all schedules included in its sample Comprehensive Annual Financial Report.

INTRODUCTORY SECTION



School District of the Chathams

58 Meyersville Road
Chatham, NJ 07928
973-457-2526
973-457-2483 FAX

Peter Daquila
Business Administrator/
Board Secretary

November 27, 2012

The Honorable President and
Members of the Board of Education
The School District of the Chathams
County of Morris, New Jersey

Dear Board Members and Constituents:

The comprehensive annual financial report of the School District of the Chathams (the "District") as of and for the year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements (as noted in the Table of Contents) and results of operations and cash flows, where applicable, of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, consultants, independent auditor and advisors, the certificate of excellence in financial reporting, and a roster of officials. The financial section includes the Independent Auditors' Report, Management's discussion and analysis (immediately following the Independent Auditor's Report), the basic financial statements and notes providing an overview of the District's financial position and operating results and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State Treasury Circular Letter NJ OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and agreements along with any findings and questioned costs, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate for grade levels K through 12. These services include regular, vocational as well as special education for handicapped youngsters. The District completed the 2011/2012 fiscal year with an average daily enrollment of 4,052 students, which is an increase of 76 students from the previous year's average daily enrollment. The following details the changes in average daily enrollment over the past five years:

<u>Year</u>	<u>Average Daily Enrollment</u> <u>Student Enrollment</u>	<u>Percent Change</u>
2011-2012	4,052	1.9%
2010-2011	3,976	2.1%
2009-2010	3,895	5.2%
2008-2009	3,704	3.6%
2007-2008	3,574	3.6%

Based on the most recent demographers report the district enrollment should increase slightly in each of the next two schools years and then remain stable in the future.

2) ECONOMIC CONDITION AND OUTLOOK:

Chatham Borough is primarily a residential community with a small retail center and limited commercial activities. This trend is not expected to change at any time in the near future. Due to its proximity to New York, Newark and Morristown, Chatham Borough will continue to have high property values. Chatham Borough has experienced a slowdown in growth of residential property values due to their already high value. At the same time, commercial property values have remained relatively constant.

Chatham Township is a stable, affluent, suburban municipality. Its predominately residential property tax base (90%) makes it virtually immune to individual corporate activities. A large percentage of the community's land area is wooded county park land and federal wildlife refuge. These undeveloped tracts give the community a distinctively natural, rural character, which both protect it from the higher density development more characteristic of surrounding communities and help maintain its residential property values.

The District has an approximate \$5,036,345,000 tax base, which has grown over 100% since 2000; however, both municipalities conducted a revaluation program in 2004 which affected this comparison. The tax rate is expected to continue to grow at a modest rate as a result of market appreciation. The District exhibits wealth and income levels that are well above state medians. The District has a low debt burden as a percentage of equalized valuation.

3) MAJOR INITIATIVES AND INSTRUCTIONAL PROGRAMS: CURRICULUM NARRATIVE

The School District of the Chathams offers a superior curricular and instructional program to its students. Our curriculum aligns with the New Jersey Core Curriculum Content Standards in all nine areas, and over the past year we have invested in program improvements to ensure that our students master the skills and content outlined in the New Jersey Core Curriculum Content Standards and the Common Core Standards. To accomplish this task and to prepare students for meaningful professional, intellectual, and emotional life in their years beyond our school system, we drive learning through the hiring and support of talented staff, the acquisition of technology and other resources, and the funding of a diverse and rich extracurricular program.

The current budget enables the above, and our budget managers at each level of schooling and within each department work to secure the resources necessary to implement their programs while also adhering to responsible and conservative budgeting practices. The result of their work is that students and teachers are supported in learning, and the school district expends its resources in a prudent manner.

4) INTERNAL CONTROL:

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state awards programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS:

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

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

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements," Note 1.

7) DEBT ADMINISTRATION:

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

8) CASH MANAGEMENT:

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

9) RISK MANAGEMENT:

The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts as detailed on J-20, Insurance Schedule contained in this CAFR.

10) OTHER INFORMATION:

A. *Independent Audit* - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wiss & Company, LLP has been selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133 and State Treasury Circular Letter NJ OMB 04-04. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

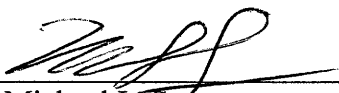
B. *Awards* - The Association of School Business Officials (ASBO) awarded the Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the fifth year that the District applied for and received this prestigious award. In order to be awarded this certificate, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States and applicable legal requirements.

The Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Program's requirements and we are submitting it to ASBO to determine its eligibility for the fiscal year 2011/2012 certificate.

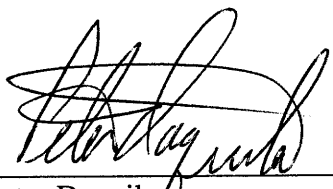
11) ACKNOWLEDGMENTS:

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

Respectfully submitted,

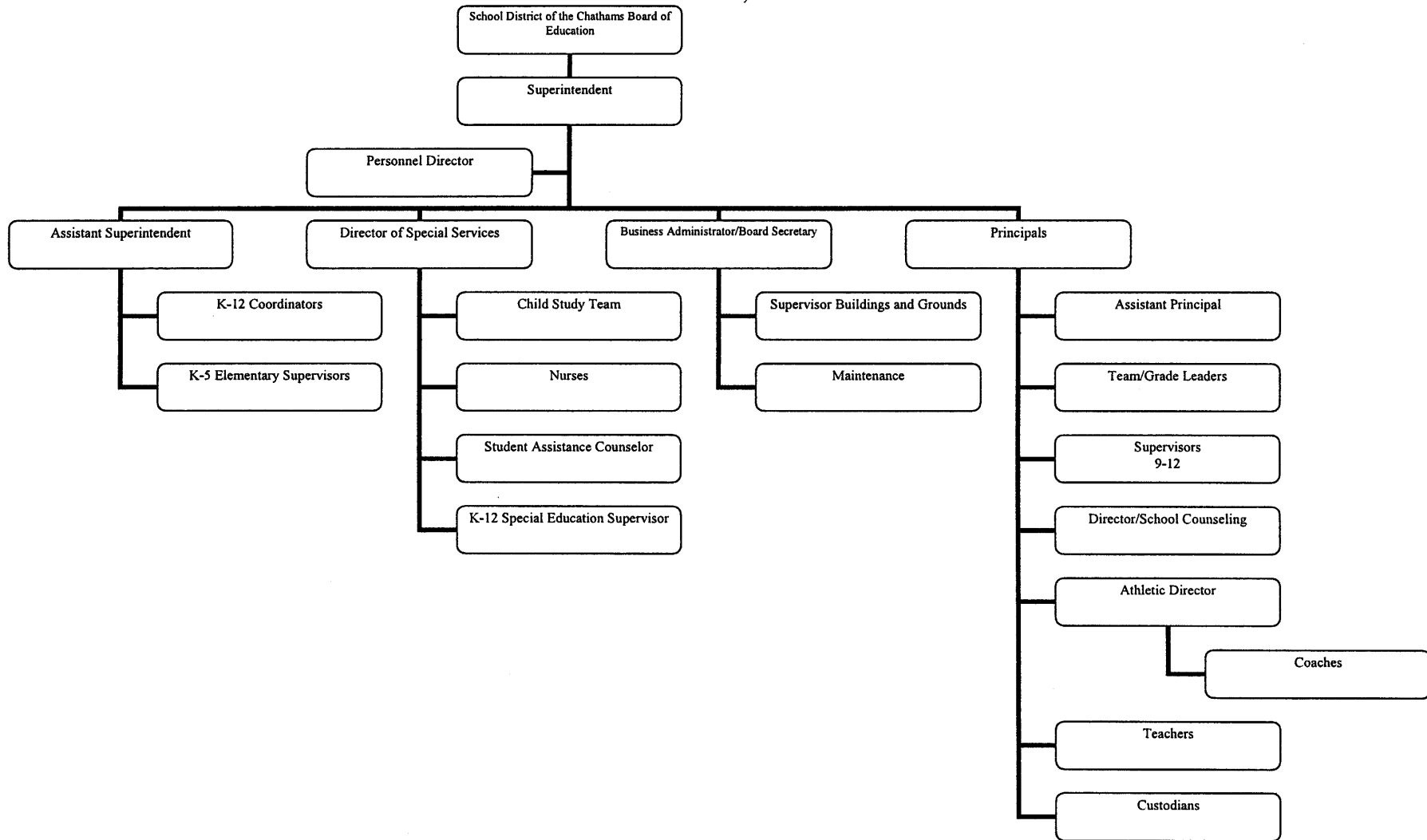


Dr. Michael LaSusa
Superintendent



Peter Daquila
Business Administrator/Board Secretary

School District of the Chathams
Organizational Chart
June 30, 2012



K-5 Elementary Supervisors
Math
English

9-12 Supervisors
English
Mathematics
Science
Social Studies
World Language

K-12 Supervisors
Technology
Arts (Music, Art Theater)

School District of the Chathams
Chatham, New Jersey

Roster of Officials

June 30, 2012

<u>Members of the Board of Education</u>	<u>Expires</u>
Tom Belding, President	2015
Jill Critchley Weber, Vice President	2014
Steve Barna	2013
Al Burgunder	2015
Richard Connors	2014
Kim Cronin	2014
Matthew Gilfillan	2013
Lata Kenney	2015
John Nonnenmacher	2013

Other Officers

Dr. Michael LaSusa, Superintendent of Schools (effective 7/1/2012)

Dennis Fyffe, Interim Superintendent of Schools (through 6/30/2012)

Peter Daquila, RSBA, Business Administrator/Board Secretary

Patricia MacKenzie, Assistant Board Secretary (effective 6/1/2012)

Annette M. Wells, Treasurer of School Monies

School District of the Chathams
Chatham, New Jersey

Consultants, Independent Auditor and Advisors

June 30, 2012

Architects

DiCaro/Rubino
30 Galesi Drive, West Wing
Wayne, NJ 07470

Parette Somjen Architects
439 Route 46 East
Rockaway, NJ 07866

Independent Auditor

Wiss & Company, LLP
485C Route One South
Suite 250
Iselin, NJ 08830

Attorney

Adams, Stern, Gutierrez & Lattiboudere, LLC
1037 Raymond Boulevard – Suite 900
Newark, NJ 07102

Official Depositories

PNC Bank
82 Floral Avenue
New Providence, NJ 07974

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

SCHOOL DISTRICT OF THE CHATHAMS

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2011

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

President

Executive Director

FINANCIAL SECTION



Independent Auditors' Report

Honorable President and Members
of the Board of Education
School District of the Chathams
Chatham, New Jersey
County of Morris

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 School District of the Chathams in the County of Morris, State of New Jersey (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

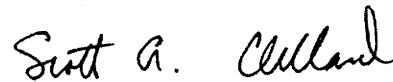
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and the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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 27, 2012
Iselin, New Jersey

Required Supplementary Information - Part I

Management's Discussion and Analysis

Board of Education
School District of the Chathams
Management's Discussion and Analysis

Year Ended June 30, 2012
(Unaudited)

This section of the School District of the Chatham's (the "District") annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

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 and the prior fiscal year 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 23-24 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 25-27 of this report.

Proprietary funds. The District maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of its food service program.

The basic proprietary fund financial statements can be found on pages 28-30 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, health benefits, unemployment compensation claims and payroll related liabilities. The fiduciary fund financial statements can be found on pages 31-32 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 33-57 of this report.

Other information. The combining statements referred to earlier in connection with governmental funds and enterprise funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 58-81 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 \$39,870,088 at the close of fiscal 2012. The following table provides a summary of net assets at June 30, 2012 and 2011 relating to the District's governmental and business-type activities:

Key financial Highlights for the 2011-2012 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2012.
- The State increased the approved state aid to the District for 2011-2012 by approximately \$1.03 million from the final amount awarded to the District in the 2011 fiscal year.

	Government Activities		Business-Type Activities		Total School District	
		(as restated)				(as restated)
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Current and other assets	\$ 6,832,009	\$ 7,124,858	\$ 137,668	\$ 124,072	\$ 6,969,677	\$ 7,248,930
Capital Assets, net	69,395,459	68,023,807	257,164	278,994	69,652,623	68,302,801
Total Assets	76,227,468	75,148,665	394,832	403,066	76,622,300	75,551,731
Current and other liabilities	2,291,275	2,480,089	90,738	123,521	2,382,013	2,603,610
Long-term liabilities outstanding	34,335,403	35,581,259	34,796	69,591	34,370,199	35,650,850
Total Liabilities	36,626,678	38,061,348	125,534	193,112	36,752,212	38,254,460
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	34,480,331	31,969,490	187,573	174,608	34,667,904	32,144,098
Restricted	4,364,029	4,705,913			4,364,029	4,705,913
Unrestricted	756,430	411,914	81,725	35,346	838,155	447,260
Total Net Assets	\$ 39,600,790	\$ 37,087,317	\$ 269,298	\$ 209,954	\$ 39,870,088	\$ 37,297,271

The largest portion of the District's net assets is its investment in capital assets (e.g., land, construction-in progress, buildings and improvements, and machinery, equipment, and vehicles), less any related debt (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 (namely, property taxes), 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 restrictions on how they may be used. The remaining balance represents unrestricted net assets.

The total net assets of the District increased \$2,572,817 during the current fiscal year.

Capital assets, net increased from the prior year due to the new additions associated with the District's capital projects, which exceeded related depreciation.

Long-term liabilities decreased due to the scheduled payment of principal on debt.

Restricted net assets decreased mainly due to the change in funds restricted for capital projects, which resulted from the remaining projects coming closer to completion, while there were no new projects in the capital projects fund during the current year.

Unrestricted net assets increased mainly due to the result of general fund operations.

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

	Governmental Activities		Business-Type Activities		Total School District	
		(as restated)				(as restated)
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Revenues:						
Program Revenues:						
Charges for Services	\$ 142,368	\$ 163,237	\$ 948,046	\$ 934,688	\$ 1,090,414	\$ 1,097,925
Operating Grants and Contributions	1,276,311	1,596,703	93,540	70,277	1,369,851	1,666,980
Capital Grants and Contributions	276,089	63,241			276,089	63,241
General Revenue:						
Property Taxes	55,524,892	54,289,371			55,524,892	54,289,371
Federal and State Aid	6,091,571	4,782,789			6,091,571	4,782,789
Earnings on Investments	9,600	14,064			9,600	14,064
Miscellaneous	417,024	296,104			417,024	296,104
Total Revenue	63,737,855	61,205,509	1,041,586	1,004,965	64,779,441	62,210,474
Expenses:						
Instruction	36,397,419	34,950,236			36,397,419	34,950,236
Support Services	8,324,801	7,254,394			8,324,801	7,254,394
Administration and Business	6,318,537	5,949,603			6,318,537	5,949,603
Maintenance and Operations	5,969,017	6,506,910			5,969,017	6,506,910
Transportation	2,417,836	2,434,908			2,417,836	2,434,908
Special Schools	150,240	117,587			150,240	117,587
Charter Schools	11,223				11,223	
Interest on long-term liabilities	1,635,309	1,701,122			1,635,309	1,701,122
Business Type Activities			982,242	998,679	982,242	998,679
Total Expenses	61,224,382	58,914,760	982,242	998,679	62,206,624	59,913,439
Change in Net Assets	2,513,473	2,290,749	59,344	6,286	2,572,817	2,297,035
Net assets - beginning (as restated)	37,087,317	34,796,568	209,954	203,668	37,297,271	35,000,236
Net assets - ending	\$ 39,600,790	\$ 37,087,317	\$ 269,298	\$ 209,954	\$ 39,870,088	\$ 37,297,271

Revenue Sources. The District's total revenue for the 2011/12 school year was \$64,779,441. Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$55,524,892 of the total, or 85.71 percent. Another 11.52 percent came from federal and state aids not restricted for specific programs and operating and capital grants and contributions, 1.68 percent came from charges for services and the remainder from other miscellaneous sources. Included in the State Aid number is the TPAF, Pension and Social Security Employer Share. The TPAF contributions are made to districts for the reimbursement of the Employer's portion of Pension and Social Security.

The subsequent reimbursement amount is a memorandum entry. The School District of the Chatham's primarily conducts its operations from the revenue it receives from its local taxpayers. The increase in capital grants is mainly attributable to \$212,848 more revenue from New Jersey Schools Development Authority for funding of Capital Projects due to the timing of expenditures. The decrease in operating grants and contributions is the result of the fact that the District received the remaining federal aid for the American Recovery and Reinvestment Act in the prior year.

Under the New Jersey reporting guidelines, many programs that could be considered instructional programs are categorized under support services such as tuition paid for special education students placed in private or regional day schools and library/media services. Health benefits, at the option of the District, paid on behalf of employees, including instructional, may be charged under the support services category and not by program and function code.

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 unrestricted fund balance is divided between assigned to and unassigned balances. The District has assigned portions of the unrestricted fund balance to earmark resources for the payment of certain government-wide liabilities that are not recognized in the governmental funds.

General Fund. The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$1,050,698, while the total fund balance was \$5,671,095.

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 Governmental fund revenues for the fiscal year ended June 30, 2012, and the increases and decreases in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$ 56,300,887	88.33%	\$ 1,330,227	2.42%
State Sources	6,400,866	10.04	1,396,187	27.90
Federal Sources	1,036,102	1.63	(194,068)	(15.78)
	<u>\$ 63,737,855</u>	<u>100.00%</u>	<u>\$ 2,532,346</u>	<u>4.14%</u>

The increase in local sources is mainly attributable to an increase in the tax levy.

The increase of approximately \$1.4 million or 27.90% of State sources in FY 2012 is mainly the result the State of New Jersey increasing the amount of general state aid awarded to the District.

The decrease of approximately \$194,000 or 15.78% of Federal sources in FY 2012 is mainly the result of the District realizing revenues of approximately \$344,000 in the prior year for funds received by the

District for the American Recovery and Reinvestment Act. The funds were awarded for the period of September 1, 2009 through August 31, 2011 and the District expended the remaining portion of these funds in the prior year. This portion of the decrease was offset by the Education Jobs Fund award in the current year of approximately \$102,000.

The following schedule presents a summary of Governmental Fund expenditures for the fiscal year ended June 30, 2012 and the increases and decreases in relation to the prior year.

	Amount	Percentage	(Decrease) Increase from 2011	Percent of (Decrease) Increase
Current Expenditures				
Instruction	\$ 25,000,591	39.05%	\$ (43,921)	(0.18)%
Undistributed	32,477,290	50.73	1,206,241	3.86
Special Schools	107,902	0.17	18,155	20.23
Charter Schools	10,758	0.02	10,758	100.00
Capital Outlay	3,328,298	5.20	2,081,921	167.04
Debt Service				
Principal	1,497,837	2.34	35,229	2.41
Interest	1,600,417	2.50	(30,073)	(1.84)
	<u>\$ 64,023,093</u>	<u>100.00%</u>	<u>\$ 3,278,310</u>	<u>5.40%</u>

The increase in undistributed expenditures is attributable mainly to the increase in employee benefits and on-behalf pension contributions.

The increase in capital outlay expenditures of approximately \$2.08 million or 167.04% is mainly the result of the timing of one time expenditures occurring for construction costs and purchases of various machinery and equipment.

All other fluctuations are deemed immaterial and no further explanations are deemed necessary.

Business-Type Activities

The net assets from the District's business-type activity increased in the 2012 fiscal year by \$59,344. This increase is primarily the result of an increase in federal and state lunch reimbursement rates from the prior year, as well as an increase in the number of meals sold over the prior year.

General Fund Budgetary Highlights

The District budget is prepared according to New Jersey Statutes. The most significant budgeted fund is the general fund. During the fiscal year, there were several differences between the original budget and the final amended budget as a result of transfers being applied to certain line items. These transfers were made between line items as part of the normal process as permitted by State guidelines. Readers should refer to Section C of the financial report for comparisons between actual and budgeted amounts

Described below are explanations for variations in revenues and expenditures for certain lines where the modified budgeted amounts differ from the original budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed required.

Revenues

- The modified budget for Categorical Special Education Aid exceeded the original budget by approximately \$250,000 or 27.01% as a result of the appropriation of a portion of the additional unbudgeted state aid received after the budget was prepared. This aid was appropriated to replace a boiler at Lafayette Elementary School.

Expenditures

- The modified budget for undistributed instruction – basic skills / remedial instruction – salaries of teachers exceeded the original budget by approximately \$111,000 or 22.86% as a result of additional teachers required to support the increase in basic skills instruction in the current year.
- The modified budget for undistributed expenditures – instruction – tuition to private schools for the disabled – within state decreased from the original budget by approximately \$307,000 or 12.37% as a result of a decrease in-District students who require the services provided by a private school for the disabled.
- The modified budget for undistributed expenditures – required maintenance for school facilities – cleaning, repairs, and maintenance services exceeded the original budget by approximately \$188,000 or 64.00% as a result of maintenance related projects that were identified during the year that needed to be performed.
- The modified budget for undistributed expenditures –other operation and maintenance of plant – energy decreased from the original budget by approximately \$492,000 or 29.37% as a result of District savings realized from cooperative energy agreements with ACES and conservation efforts.
- The modified budget for undistributed expenditures – unallocated benefits – social security contributions increased from the original budget by approximately \$174,000 or 27.47% as a result of an increase in overall headcount, as well as a greater portion of employees in the current year being non-TPAF employees, which led to less of an on-behalf payment of these costs by the state during the year.

- The modified budget for capital outlay – equipment - undistributed expenditures – non-instructional services increased from the original budget by approximately \$170,000 or 6,533.56% as a result of maintenance related equipment purchases that needed to be addressed by the District.
- The modified budget for capital outlay – facilities acquisition and construction services - construction services increased from the original budget by approximately \$988,000 or 52.26% as a result of additional improvements made to District buildings during the year.

Described below are explanations for variations in revenues and expenditures for certain lines where the modified budgeted amounts differ from the actual by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed required.

Revenues

- Actual miscellaneous income was in excess of the modified budgeted amount by approximately \$172,000 or 70.21% as a result of rental income received for the use of District buildings, as well as revenue received for refunds of prior year expenditures.
- Actual categorical special education aid was in excess of the modified budgeted amount by approximately \$267,000 or 22.71% as a result of the portion of the additional unbudgeted state aid received after the budget was prepared which was designated for subsequent year's expenditures.

Expenditures

- The actual amounts expended for undistributed expenditures – operation and maintenance of plant services – energy were less than the final budget by approximately \$287,000 or 24.24% as a result of District conservation and less than anticipated demands.
- The actual amounts expended for Capital outlay – facilities acquisition and construction services were less than the final budget by approximately \$809,000 or 26.00% as a result of the District allocating 2011-2012 funds for use in summer 2012 to complete the ongoing projects. Monies for these projects were encumbered from the 2011-2012 school year but not expensed until the following year after the projects were completed. In addition, several of the ongoing projects were completed after year-end at significantly less cost than originally budgeted, which also resulted in the cancellation of a portion of the School Development Authority awards previously granted to the District.

Capital Assets

As of June 30, 2012, the District has capital assets, net of accumulated depreciation, of \$69,652,623, including land, construction in progress, building and building improvements and machinery, equipment, vehicles noted as follows:

	Government Activities		Business-Type Activities		Total School District	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Land	\$11,616,511	\$ 11,616,511			\$ 11,616,511	\$ 11,616,511
Construction in Progress	44,175	243,460			44,175	243,460
Buildings and Building Improvements	52,904,445	51,256,880	\$ 39,922	\$ 40,762	52,944,367	51,297,642
Land Improvements	3,479,752	3,482,842			3,479,752	3,482,842
Machinery and Equipment	1,350,576	1,424,114	217,242	238,232	1,567,818	1,662,346
Total Capital Assets						
Net of Depreciation	<u>\$69,395,459</u>	<u>\$ 68,023,807</u>	<u>\$ 257,164</u>	<u>\$ 278,994</u>	<u>\$ 69,652,623</u>	<u>\$ 68,302,801</u>

More detailed information about the District's capital assets is presented in Note 5 to the District's basic financial statements.

Debt Administration and Long-Term Liabilities

The District's long-term liabilities at June 30, 2012 and 2011 are as follows for the governmental activities:

	2011/12	(as restated) 2010/11
General Obligation Bonds, Net	\$ 34,915,128	\$ 36,032,445
Capital Leases	157,152	489,989
Compensated Absences	609,865	573,979
	<u>\$ 35,682,145</u>	<u>\$ 37,096,413</u>

Additionally, the District has business-type long-term liabilities relating to a purchase agreement payable for equipment of \$69,591 outstanding at June 30, 2012. Additional information on the School District of the Chatham's long-term liabilities can be found in Note 6 to the basic financial statements

Factors Bearing on the District's Future

In preparing the 2012-2013 budget, the primary goal of the Board was to develop a budget that would meet the needs of the school district and comply with the stringent restrictions placed on school district budgets by the new legislation. This legislation put a "2% cap" on the local tax levy; therefore, limiting the amount of funds a district can raise to support its budget. During the preparation of the 2012-2013 budget, the District continued to utilize banked cap, and plans to continue to utilize it in the school years of 2013 -2014 and 2014-2015. The District generated banked cap from enrollment adjustments and health benefits adjustments.

The Board has opted to continue zero based budgeting to ensure only effective programs/services are funded in the future. The 2012-2013 unrestricted fund balance will be limited to 2% of our budget as per the New Jersey Department of Education regulations. Thus, it will be more important than ever to develop a budget that will closely reflect actual expenditures since the small unrestricted fund balance will not permit much flexibility. Looking ahead to the development of the 2013-2014 budget, there will be increased demands for more teaching staff, supplies and equipment due to continued expected enrollment increases (This despite the trend elsewhere in the State). This will be made more difficult because of the New Jersey Department of Education's new funding law. This law goes beyond the capping of revenues for the budget but it also authorizes the Executive County Superintendent to look into the budget and challenge the District in their expenditure decisions. Further, the State has made it clear that they are moving to reduce the number of school districts in the State by consolidating neighboring districts or at a minimum, to encourage shared services.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office of the School Business Administrator, 58 Meyersville Road, Chatham, New Jersey 07928.

Basic Financial Statements

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Net Assets
June 30, 2012**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,269,638	\$ 116,878	\$ 2,386,516
Receivables	1,074,974	22,892	1,097,866
Internal balances	10,281	(10,281)	-
Inventory		8,179	8,179
Deferred Charges	301,701		301,701
Restricted assets:			
Capital reserve account - cash	3,175,415		3,175,415
Capital assets, non-depreciable	11,660,686		11,660,686
Capital assets, depreciable, net	57,734,773	257,164	57,991,937
Total Assets	<u>76,227,468</u>	<u>394,832</u>	<u>76,622,300</u>
LIABILITIES			
Accounts Payable	10,235		10,235
Accrued Interest Payable	713,186		713,186
Payable to state government	36,501		36,501
Unearned revenue	184,611	55,943	240,554
Noncurrent liabilities:			
Due within one year	1,346,742	34,795	1,381,537
Due beyond one year	34,335,403	34,796	34,370,199
Total liabilities	<u>36,626,678</u>	<u>125,534</u>	<u>36,752,212</u>
NET ASSETS			
Invested in capital assets, net of related debt	34,480,331	187,573	34,667,904
Restricted for:			
Capital Projects	627,129		627,129
Debt service	737		737
Other purposes	3,736,163		3,736,163
Unrestricted	756,430	81,725	838,155
Total Net Assets	<u>\$ 39,600,790</u>	<u>\$ 269,298</u>	<u>\$ 39,870,088</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 26,553,647	\$ 43,900	\$ 312,962	\$ 123,140	\$ (26,073,645)		\$ (26,073,645)
Special education	7,618,399		820,527	25,500	(6,772,372)		(6,772,372)
Other instruction	2,225,373			10,553	(2,214,820)		(2,214,820)
Support services:							
Student and instruction related services	8,324,801		142,822	40,166	(8,141,813)		(8,141,813)
School administration services	3,730,147			17,041	(3,713,106)		(3,713,106)
General and business administration services	2,588,390			12,535	(2,575,855)		(2,575,855)
Operation and maintenance of plant services	5,969,017			31,692	(5,937,325)		(5,937,325)
Pupil transportation	2,417,836	98,468		14,706	(2,304,662)		(2,304,662)
Special schools	150,240			687	(149,553)		(149,553)
Charter Schools	11,223			69	(11,154)		(11,154)
Interest and other costs on long-term debt	1,635,309	-	-	-	(1,635,309)		(1,635,309)
Total governmental activities	61,224,382	142,368	1,276,311	276,089	(59,529,614)		(59,529,614)
Business-type activities:							
Food Service	982,242	948,046	93,540	-	-	\$ 59,344	59,344
Total business-type activities	982,242	948,046	93,540	-	-	59,344	59,344
Total primary government	\$ 62,206,624	\$ 1,090,414	\$ 1,369,851	\$ 276,089	(59,529,614)	59,344	(59,470,270)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					52,791,296		52,791,296
Property taxes, levied for debt service					2,733,596		2,733,596
State aid not restricted					5,989,353		5,989,353
Federal Sources					102,218		102,218
Investment Earnings					9,600		9,600
Miscellaneous Income					417,024	-	417,024
Total general revenues					62,043,087	-	62,043,087
Change in Net Assets					2,513,473	59,344	2,572,817
Net Assets—beginning (as restated)					37,087,317	209,954	37,297,271
Net Assets—ending					\$ 39,600,790	\$ 269,298	\$ 39,870,088

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Balance Sheet
Governmental Funds
June 30, 2012

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,876,272		\$ 392,629	\$ 737	\$ 2,269,638
Intergovernmental Accounts Receivable					
State	566,810	\$ 2,037	306,440		875,287
Federal	9,693	170,254			179,947
Local		2,544			2,544
Other	17,196				17,196
Interfunds receivable	67,300				67,300
Restricted cash and cash equivalents	3,175,415	-	-	-	3,175,415
Total Assets	\$ 5,712,686	\$ 174,835	\$ 699,069	\$ 737	\$ 6,587,327
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 10,235				\$ 10,235
Interfunds payable	5,656	\$ 51,363			57,019
Payable to state government		36,501			36,501
Deferred revenue	25,700	86,971	\$ 71,940		184,611
Total Liabilities	41,591	174,835	71,940		288,366
Fund Balances:					
Restricted for:					
Excess surplus - current year	289,471				289,471
Excess surplus - designated for subsequent year's expenditures	271,277				271,277
Capital reserve account	3,175,415				3,175,415
Capital projects			627,129		627,129
Debt service				\$ 737	737
Assigned to:					
Other Purposes	617,228				617,228
Designated for Subsequent Year's Expenditures	267,006				267,006
Unassigned Fund Balance Reported In:					
General fund	1,050,698	-	-	-	1,050,698
Total Fund Balances	5,671,095	-	627,129	737	6,298,961
Total Liabilities and Fund Balances	\$ 5,712,686	\$ 174,835	\$ 699,069	\$ 737	\$ 6,587,327

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 are \$91,869,518 and the accumulated depreciation is \$22,474,059. 69,395,459

Long-term liabilities, including bonds payable, compensated absences and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the funds (less the unamortized deferred amount on refunding). (35,682,145)

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. (713,186)

Bond issuance costs are reported as expenditures in the governmental funds and is deferred in the government-wide financial statements. The cost is \$513,419 and the accumulated amortization is \$211,718. 301,701

Net assets of governmental activities \$ 39,600,790

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	Major Funds				Total
	General	Special	Capital	Debt	Total
	Fund	Revenue	Projects	Service	Governmental
	Fund	Fund	Fund	Fund	Funds
REVENUES					
Local sources:					
Local tax levy	\$ 52,791,296			\$ 2,733,596	\$ 55,524,892
Tuition charges	43,900				43,900
Transportation fees	98,468				98,468
Interest earned on investments	9,600				9,600
Miscellaneous	417,024	\$ 207,003		-	624,027
Total - Local Sources	53,360,288	207,003		2,733,596	56,300,887
State sources	5,989,353	135,424	\$ 276,089		6,400,866
Federal sources	102,218	933,884	-	-	1,036,102
Total Revenues	59,451,859	1,276,311	276,089	2,733,596	63,737,855
EXPENDITURES					
Current:					
Regular instruction	19,059,599	279,014			19,338,613
Special education instruction	3,184,079	820,527			4,004,606
Other instruction	1,657,372				1,657,372
Support services and undistributed costs:					
Tuition	2,386,967				2,386,967
Attendance/social work	58,185				58,185
Health services	586,778				586,778
Other support services	3,749,695	142,822			3,892,517
Improvement of instruction	647,573				647,573
School library	992,541				992,541
Instructional staff training	130,269				130,269
General administration services	839,785				839,785
School administration services	2,676,125				2,676,125
Central services	682,780				682,780
Administrative information technology	445,972				445,972
Required maintenance of school facility	986,919				986,919
Operations of plant services	3,709,037				3,709,037
Care and upkeep of grounds	201,217				201,217
Security	79,963				79,963
Pupil transportation services	2,309,451				2,309,451
Unallocated benefits	7,691,119				7,691,119
On-behalf TPAF social security and pension contributions	4,160,092				4,160,092
Debt service:					
Principal	332,837			1,165,000	1,497,837
Interest	32,556			1,567,861	1,600,417
Special schools	107,902				107,902
Transfer to charter school	10,758				10,758
Capital outlay	2,447,452	33,948	846,898	-	3,328,298
Total Expenditures	59,167,023	1,276,311	846,898	2,732,861	64,023,093
Excess (Deficiency) of revenues over (under) expenditures	284,836	-	(570,809)	735	(285,238)
Fund Balance—July 1	5,386,259	-	1,197,938	2	6,584,199
Fund Balance—June 30	\$ 5,671,095	\$ -	\$ 627,129	\$ 737	\$ 6,298,961

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).

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2012**

Total net change in fund balances - governmental funds (from B-2) **\$ (285,238)**

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 capital asset (capital outlay) additions exceeded depreciation in the period.

Depreciation expense	\$	(1,874,826)	
Capital additions		3,246,478	1,371,652

Repayment of bond and capital lease principal is an expenditure 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 cost, 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.

Payment of Bond Principal	\$	1,165,000	
Payment of Capital Lease Principal		332,837	
Amortization of Deferred Interest Costs		(47,683)	
Amortization of Issuance Costs		(26,202)	1,423,952

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+) 38,993

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) 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). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+). (35,886)

Change in net assets of governmental activities (A-2) **\$ 2,513,473**

PROPRIETARY FUND

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Proprietary Fund
Statement of Net Assets
June 30, 2012

	<u>Major Fund</u> <u>Food Service</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 116,878
Accounts receivable:	
State	1,390
Federal	14,547
Other	6,955
Inventories	<u>8,179</u>
Total Current Assets	<u>147,949</u>
Noncurrent assets:	
Furniture, machinery and equipment	413,400
Less accumulated depreciation	<u>(156,236)</u>
Total Noncurrent Assets	<u>257,164</u>
Total Assets	<u>405,113</u>
LIABILITIES	
Current Liabilities:	
Interfund payable	10,281
Purchase agreement payable	34,795
Unearned revenue	<u>55,943</u>
Total Current Liabilities	<u>101,019</u>
Noncurrent Liabilities:	
Purchase agreement payable	<u>34,796</u>
Total Noncurrent Liabilities	<u>34,796</u>
Total Liabilities	<u>135,815</u>
NET ASSETS	
Invested in capital assets, net of related debt	187,573
Unrestricted	<u>81,725</u>
Total Net Assets	<u>\$ 269,298</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2012

	<u>Major Fund Food Service</u>
Operating Revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 928,924
Daily sales - non-reimbursable programs	<u>19,122</u>
Total Operating Revenues	<u>948,046</u>
 Operating Expenses:	
Cost of sales	446,676
Salaries	333,961
Employee benefits	28,644
Other purchased services	49,952
Management Fee	36,089
General supplies	45,442
Miscellaneous	19,648
Depreciation	<u>21,830</u>
Total Operating Expenses	<u>982,242</u>
Operating (Loss)	<u>(34,196)</u>
 Nonoperating Revenues:	
State sources:	
State school lunch program	5,145
Federal sources:	
National school lunch program	54,007
Food donation program	<u>34,388</u>
Total Nonoperating Revenues	<u>93,540</u>
Change in net assets	59,344
 Total Net Assets—Beginning	<u>209,954</u>
Total Net Assets—Ending	<u>\$ 269,298</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Proprietary Fund
Statement of Cash Flows
Year Ended June 30, 2012

	<u>Major Fund</u> <u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,002,263
Payments to employees	(333,961)
Payments for employee benefits	(28,644)
Payments to suppliers	<u>(662,267)</u>
Net cash (used for) operating activities	<u>(22,609)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	4,961
Federal sources	48,089
Food donation program	<u>38,304</u>
Net cash provided by non-capital financing activities	<u>91,354</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments of purchase agreement payable	<u>(34,795)</u>
Net cash (used for) capital and related financing activities	<u>(34,795)</u>
Net increase in cash and cash equivalents	33,950
Cash and cash equivalents, beginning of year	<u>82,928</u>
Cash and cash equivalents, end of year	<u>\$ 116,878</u>
Reconciliation of operating loss to net cash (used for) operating activities:	
Operating (loss)	\$ (34,196)
Adjustments to reconcile operating loss to net cash (used for) operating activities:	
Depreciation	21,830
(Increase) in inventories	(5,533)
Decrease in other accounts receivable	16,314
Increase in deferred revenue (non-commodities)	22,328
Increase in interfund payable	15,675
(Decrease) in accounts payable	<u>(59,027)</u>
Total adjustments	<u>11,587</u>
Net cash (used for) operating activities	<u>\$ (22,609)</u>

Noncash noncapital financing activities:

The District received \$38,304 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2012.

FIDUCIARY FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>	Agency <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 363,955	\$ 27,822	\$ 1,280,807
Total Assets	<u>363,955</u>	<u>27,822</u>	<u>\$ 1,280,807</u>
LIABILITIES			
Payroll deductions and withholdings payable			\$ 901,222
Unemployment claims payable	\$ 20,740		
Due to student groups	<u>-</u>		<u>379,585</u>
Total Liabilities	<u>20,740</u>		<u>\$ 1,280,807</u>
NET ASSETS			
Held in trust for unemployment claims	<u>\$ 343,215</u>		
Held in trust for scholarship		<u>\$ 27,822</u>	

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Employee	\$ 52,367	
Other	-	\$ 2,500
Total Contributions	<u>52,367</u>	<u>2,500</u>
Investment earnings:		
Interest	386	30
Total investment earnings	<u>386</u>	<u>30</u>
Total Additions	<u>52,753</u>	<u>2,530</u>
DEDUCTIONS		
Unemployment claims	121,762	
Scholarships awarded	-	4,250
Total Deductions	<u>121,762</u>	<u>4,250</u>
Change in Net Assets	<u>(69,009)</u>	<u>(1,720)</u>
Net Assets—beginning of the year	412,224	29,542
Net Assets—end of the year	<u>\$ 343,215</u>	<u>\$ 27,822</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies

The financial statements of the Board of Education (the "Board") of the School District of the Chathams (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.

The more significant of the District's accounting policies are described below.

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 School District of the Chathams in Chatham, 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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 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 the major individual proprietary fund are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires all non-fiduciary funds to 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

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.

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. All other revenue items are considered to be measurable and available only when the District receives cash.

The District has reported the following major governmental funds:

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

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

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other assets (other than those financed by proprietary funds).

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

The District reports the following major proprietary fund:

Food Service Enterprise Fund: The food service enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service enterprise 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.

Additionally, the District reports the following fund types:

Fiduciary 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 and 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 Funds: The unemployment compensation fund is used to account for contributions from the District and 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 fund and business-type activities have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

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

The proprietary funds distinguish operating revenue 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's enterprise funds are charges for sales of food and tuition. Operating expenses for the enterprise funds include the cost of sales, salary expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports deferred (unearned) revenue on its balance sheet and statement of net assets. 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 statement of net assets 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 Borough and Township Tax Collectors are 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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 District must approve all budget amendments and certain transfers must be approved by the County Superintendent of Schools. The District did make transfers during the year, which are identified on schedules C-1 and C-2. Some of the transfers made were in significant amounts, but all were in the normal course of operations and properly approved.

The overexpenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures.

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

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

E. Interfund Receivables/Payables

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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 and the District uses the consumption method for expensing inventory. At June 30, 2012, the District had inventories in the Food Service Enterprise Fund in the amount of \$8,179, of which, the portion of unused Food Donation Program commodities in the amount of \$4,593 is 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 district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

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

	<u>Years</u>
Machinery and equipment	2-20
Buildings	50
Building improvements	20
Vehicles	5-10

H. Compensated Absences

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

H. Compensated Absences (continued)

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, a liability existed for compensated absences in the government-wide financial statements in the amount of \$609,865 and no liability existed for compensated absences in the proprietary fund.

I. Deferred Revenue

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

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 financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as either capital projects fund or debt service fund expenditures in the year of issuance.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

K. Fund Balances

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

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

K. Fund Balances (continued)

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

Of the \$5,671,095 of fund balances in the General Fund, \$617,228 of encumbrances is assigned to other purposes, \$289,471 has been restricted for excess surplus-current year, \$271,277 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$3,175,415 has been restricted for the capital reserve, \$267,006 has been classified as assigned fund balance designated for subsequent year's expenditures and \$1,050,698 is unassigned.

L. Net Assets and Fund Balance / Restricted 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 5 for additional information relating to capital assets.

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 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

O. Calculation of Excess Surplus

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended (CEIFA). New Jersey school districts are required to reserve fund balance of the general fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 was \$560,748. Of this amount, \$271,277 has been appropriated in the 2012/13 budget and the remaining \$289,471 will be appropriated in the 2013/14 budget.

P. Restatement of Beginning Balances

The District has restated its June 30, 2011 government-wide net assets related to governmental activities (A-2) for a change in the policy for reporting compensated absences. The following presents the effects of the restatement on net assets:

Beginning net assets	\$35,543,774
Adjustment to compensated absences	<u>1,543,543</u>
Beginning net assets, as restated	<u>\$37,087,317</u>

Q. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2012 and November 27, 2012, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

2. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, capital leases and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. The details of this \$35,682,145 difference are as follows:

Bonds payable, net	\$ 34,915,128
Capital leases payable	157,152
Compensated absences payable	<u>609,865</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 35,682,145</u>

3. Deposits and Investments

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

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

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

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

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 and the New Jersey Asset and Rebate Management Fund.

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

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

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

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

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2012, the carrying amount of the District's deposits was \$7,234,515 and the bank balance was \$8,548,201. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2012 was secured by federal depository insurance company. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the remaining bank balance of \$8,298,201.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

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

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

Investments

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

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank, which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA CLASS.

Custodial Credit Risk: Pursuant to GASB 40, the District did not have any investments that were exposed to custodial credit risk. 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 District did not have any investments at June 30, 2012.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The District did not have any investments at June 30, 2012.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2012, the District had no investments.

4. Capital Reserve Account

A capital reserve account was established by the Board for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance, July 1, 2011	\$ 2,956,750
Deposits:	
Approved by Board Resolution at the June 25, 2012 meeting	2,225,000
Withdrawals	<u>(2,006,335)</u>
Ending balance, June 30, 2012	<u>\$ 3,175,415</u>

The balance is available for use in a DOE approved facilities project, consistent with the District's Long Range Facilities Plan (LRFP). The June 30, 2012 balance of local support costs of uncompleted projects was in excess of the amount held in the capital reserve account.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

5. Capital Assets

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,616,511			\$ 11,616,511
Construction in progress	243,460	\$ 44,175	\$ (243,460)	44,175
Total capital assets, not being depreciated	11,859,971	44,175	(243,460)	11,660,686
Capital assets, being depreciated:				
Buildings and building improvements	67,807,309	2,725,051	243,460	70,775,820
Land improvements	6,139,228	297,796		6,437,024
Machinery, equipment and vehicles and intangible assets	2,816,532	179,456		2,995,988
Total capital assets being depreciated	76,763,069	3,202,303	243,460	80,208,832
Less accumulated depreciation for:				
Buildings and building improvements	(16,550,429)	(1,320,946)		(17,871,375)
Land improvements	(2,656,386)	(300,886)		(2,957,272)
Machinery, equipment and vehicles and intangible assets	(1,392,418)	(252,994)		(1,645,412)
Total accumulated depreciation	(20,599,233)	(1,874,826)	-	(22,474,059)
Total capital assets, being depreciated, net	56,163,836	1,327,477	-	57,734,773
Governmental activities capital assets, net	\$ 68,023,807	\$ 1,371,652	\$ -	\$ 69,395,459

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

Instruction	
Regular	\$ 836,206
Special education	173,160
Other	71,665
Support services	
Student and instruction related services	272,754
School administration services	115,716
General and business administration services	85,120
Operation and maintenance of plant services	215,213
Pupil transportation	99,861
Special schools	4,666
Charter schools	465
Total depreciation expense – governmental activities	<u>\$ 1,874,826</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

5. Capital Assets (continued)

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

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
Capital assets, being depreciated:			
Building improvements	\$ 42,022		\$ 42,022
Machinery and equipment	371,378		371,378
Total capital assets, being depreciated	413,400		413,400
Less accumulated depreciation for:			
Building improvements	(1,260)	\$ (840)	(2,100)
Machinery and equipment	(133,146)	(20,990)	(154,136)
Total accumulated depreciation	(134,406)	(21,830)	(156,236)
Total business-type activities capital assets, net	\$ 287,994	\$ (21,830)	\$ 257,164

6. Long-Term Liabilities

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

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable	\$ 36,700,000		\$ (1,165,000)	\$ 35,535,000	\$ 1,210,000
Less: Deferred interest costs	(667,555)		47,683	(619,872)	(47,683)
Net bonds payable	36,032,445		(1,117,317)	34,915,128	1,162,317
Compensated absences payable	573,979	\$ 139,246	(103,360)	609,865	27,273
Obligations under capital leases	489,989	-	(332,837)	157,152	157,152
Governmental activities long-term liabilities	\$ 37,096,413	\$ 139,246	\$ (1,553,514)	\$ 35,682,145	\$ 1,346,742
Business-Type activities:					
Purchase agreement payable	\$ 104,386	\$ -	\$ (34,795)	\$ 69,591	\$ 34,795
Business-Type activities long-term liabilities	\$ 104,386	\$ -	\$ (34,795)	\$ 69,591	\$ 34,795

The compensated absences and obligations under capital leases are expected to be paid from general fund appropriations. Bonds payable are expected to be paid from debt service fund

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

6. Long-Term Liabilities (continued)

appropriations. The District expects to liquidate the purchase agreement payable with payments made from the District's enterprise fund – food service.

Bonds Payable

Bonds are authorized in accordance with State law or by the voters of the municipalities through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

In June 2005, the District issued \$16,950,000 of School District Refunding Bonds with interest rates ranging from 3.00% to 5.00% to advance refund \$15,783,000 school bonds. As of June 30, 2012, \$15,755,000 of the defeased bonds remains outstanding.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 1,210,000	\$ 1,519,135	\$ 2,729,135
2014	1,270,000	1,467,760	2,737,760
2015	1,325,000	1,407,888	2,732,888
2016	1,390,000	1,346,584	2,736,584
2017	1,445,000	1,293,751	2,738,751
2018-2022	8,215,000	5,510,653	13,725,653
2023-2027	10,280,000	3,552,788	13,832,788
2028-2031	10,400,000	937,344	11,337,344
	<u>\$35,535,000</u>	<u>\$17,035,901</u>	<u>\$52,570,901</u>

Capital Leases

Governmental Funds

The District has a capital lease outstanding for computers which has an interest rate of 8.89%. The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net future minimum lease payments at June 30, 2012:

<u>Fiscal Year</u>	<u>Amounts</u>
Year ending June 30:	
2013	\$ 171,130
Total minimum lease payment	171,130
Less amount representing interest	(13,978)
Present value of net future minimum lease payments	<u>\$ 157,152</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

6. Long-Term Liabilities (continued)

There were no new capital leases during the year ended June 30, 2012. The assets acquired through capital leases at June 30, 2012 amounted to \$338,535, net of \$1,914,657 of accumulated depreciation.

Operating Leases

The District has commitments to lease copiers, mail equipment and other equipment under operating leases which expire in the 2017 fiscal year. Total operating lease payments made during the year ended June 30, 2012 were \$153,230. Future lease payments are as follows:

Fiscal Year	Amounts
Year ending June 30:	
2013	\$ 128,861
2014	122,632
2015	71,053
2016	16,560
2017	5,520
Total lease payments	<u>\$ 344,626</u>

7. Deferred Bond Issuance Costs

In the governmental funds, debt issuance costs are recognized as expenditures in the year the bonds are issued. For the government-wide financial statements, debt issuance costs are amortized using the straight line method, which approximates the effective interest method, over the life of specific bonds (17 to 20 years). The costs associated with the issues of various bonds amounted to \$513,419. The amortization expense for the fiscal year ended June 30, 2012, amounted to \$26,202 and the total accumulated amortization, at June 30, 2012 is \$211,718.

8. Pension Plans

Plan Descriptions

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

8. Pension Plans (continued)

Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

8. 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 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2012, the State of New Jersey contributed \$2,361,926 to the TPAF for on-behalf medical and pension contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$1,798,166 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the district-wide and fund financial statements.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2012, 2011 and 2010 were \$598,757, \$555,911, and \$429,331, respectively, equal to the required contributions for each year.

Post-Retirement Benefits

Plan Description

The School 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

8. Pension Plans (continued)

Post-Retirement Benefits (continued)

Funding Policy

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

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

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2012, 2011 and 2010 were \$1,577,301, \$1,660,781, and \$1,533,045 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

9. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2012 is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 67,300	\$ 5,656
Special Revenue Fund		51,363
Food Service Enterprise Fund	5,656	15,937
	<u>\$ 72,956</u>	<u>\$ 72,956</u>

The interfund between the general and special revenue fund represents cash loaned to the special revenue fund by the general fund to cover a pooled cash deficit resulting from the District incurring expenditures for federal programs for which reimbursement from the grantor had been requested, but not received by year end. The interfund between the general fund and the food service enterprise fund represents cash due from the food service enterprise fund for an excess transfer of State and Federal meal reimbursements from the general fund to the food service enterprise fund.

All interfund balances are expected to be repaid within one year.

10. Economic Dependency

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

11. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2012 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority ("NJSDA") relating to certain referendum projects and local projects funded with capital outlay funds. The District is required to expend funds in accordance with its approved final eligible costs. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met

School District of the Chathams
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

11. Contingent Liabilities (continued)

the final eligible costs requirements, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2012 may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

The District is involved in several other 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 District.

12. 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, Liability and Health Benefits

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. 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.

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

13. Deferred Compensation Plans

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by the entities listed below, permit 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.

The plan administrators are as follows:

AIG Valic
AXA Equitable
Citistreet Metro TSA
FTJ Fund Choice
Galic

ING Financial Advisors
Matrix Financial Group, Inc.
Metropolitan Life Insurance Co.
Prudential Annuities
The Vanguard Group

14. Restricted Assets

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

15. Commitments

The District has contractual commitments at June 30, 2012 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$617,228.

Required Supplementary Information - Part II
Budgetary Comparison

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 52,791,296		\$ 52,791,296	\$ 52,791,296	
Tuition from individuals	19,000		19,000	43,900	\$ 24,900
Transportation Fees	60,000		60,000	98,468	38,468
Interest Earned on Investments	55,000		55,000	9,600	(45,400)
Miscellaneous	245,000		245,000	417,024	172,024
Total - Local Sources	53,170,296		53,170,296	53,360,288	189,992
State Sources:					
Categorical Special Education Aid	925,725	\$ 250,000	1,175,725	1,442,731	267,006
Non-Public Transportation Aid				43,033	43,033
Extraordinary Aid	400,000		400,000	434,692	34,692
TPAF Pension (On-Behalf - Non-Budgeted)				2,361,926	2,361,926
TPAF Social Security (Reimbursed - Non-Budgeted)				1,798,166	1,798,166
Other State Aid	-	-	-	15,123	15,123
Total State Sources	1,325,725	250,000	1,575,725	6,095,671	4,519,946
Federal Sources:					
Education Jobs Fund	99,113	3,105	102,218	102,218	-
Total - Federal Sources	99,113	3,105	102,218	102,218	-
Total Revenues	54,595,134	253,105	54,848,239	59,558,177	4,709,938
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool/Kindergarten - Salaries of Teachers	504,835	18,483	523,318	523,318	
Grades 1-5 - Salaries of Teachers	6,651,234	30,017	6,681,251	6,673,589	7,662
Grades 6-8 - Salaries of Teachers	4,426,992	20,090	4,447,082	4,443,982	3,100
Grades 9-12 - Salaries of Teachers	6,137,962	(242,674)	5,895,288	5,891,937	3,351
Regular Programs - Home Instruction:					
Salaries of Teachers	45,000	(13,638)	31,362	31,362	
Purchased Professional-Educational Services	10,000	13,800	23,800	22,735	1,065
Other Purchased Services	300		300		300
General Supplies	200		200	162	38
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	109,104	34,124	143,228	143,228	
Other Purchased Services	1,660		1,660		1,660
General Supplies	1,615,212	25,291	1,640,503	1,593,604	46,899
Textbooks	79,846	625	80,471	53,555	26,916
Other Objects	78,089	(75)	78,014	41,065	36,949
TOTAL REGULAR PROGRAMS - INSTRUCTION	19,660,434	(113,957)	19,546,477	19,418,537	127,940
SPECIAL EDUCATION - INSTRUCTION					
Visual Impairments:					
Other Salaries for Instruction	33,590	500	34,090	33,590	500
Purchased Professional-Educational Services	16,700	8,000	24,700	17,853	6,847
Total Visual Impairments	50,290	8,500	58,790	51,443	7,347
Multiple Disabilities:					
Salaries of Teachers	63,967	2,200	66,167	65,883	284
Other Salaries for Instruction	59,681	8,400	68,081	68,045	36
General Supplies	4,045	(1,856)	2,189	2,189	-
Total Multiple Disabilities:	127,693	8,744	136,437	136,117	320
Resource Room/Resource Center:					
Salaries of Teachers	2,237,061	26,206	2,263,267	2,260,260	3,007
Other Salaries for Instruction	415,454	(87,630)	327,824	327,824	
General Supplies	8,996	721	9,717	9,389	328
Total Resource Room/Resource Center	2,661,511	(60,703)	2,600,808	2,597,473	3,335
Preschool Disabilities - Part-Time:					
Salaries of Teachers	229,835	(1,547)	228,288	228,288	
Other Salaries for Instruction	62,498	1,740	64,238	64,238	
General Supplies	6,619	(770)	5,849	5,589	260
Total Preschool Disabilities - Part-Time	298,952	(577)	298,375	298,115	260

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers		\$ 57,453	\$ 57,453	\$ 57,430	\$ 23
Other Salaries for Instruction		43,210	43,210	43,207	3
General Supplies		636	636	294	342
Total Preschool Disabilities - Full-Time		<u>101,299</u>	<u>101,299</u>	<u>100,931</u>	<u>368</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>\$ 3,138,446</u>	<u>57,263</u>	<u>3,195,709</u>	<u>3,184,079</u>	<u>11,630</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	485,538	110,990	596,528	595,465	1,063
General Supplies	749	-	749	723	26
Total Basic Skills/Remedial - Instruction	<u>486,287</u>	<u>110,990</u>	<u>597,277</u>	<u>596,188</u>	<u>1,089</u>
Bilingual Education - Instruction					
Salaries of Teachers	152,923	(6,516)	146,407	146,404	3
General Supplies	1,686	(868)	818	817	1
Total Bilingual Education - Instruction	<u>154,609</u>	<u>(7,384)</u>	<u>147,225</u>	<u>147,221</u>	<u>4</u>
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	301,500		301,500	293,446	8,054
Rentals	1,500		1,500	970	530
Supplies and Materials	8,380		8,380	8,365	15
Other Objects	8,548	3,265	11,813	11,766	47
Total School-Spon. Cocurricular Actvts. - Inst.	<u>319,928</u>	<u>3,265</u>	<u>323,193</u>	<u>314,547</u>	<u>8,646</u>
School-Spon Athletics					
Salaries	404,779	(10,000)	394,779	365,451	29,328
Purchased Services	86,110	10,468	96,578	96,510	68
Supplies and Materials	59,046		59,046	55,462	3,584
Other Objects	92,050	(8,468)	83,582	81,993	1,589
Total School-Spon. Athletics	<u>641,985</u>	<u>(8,000)</u>	<u>633,985</u>	<u>599,416</u>	<u>34,569</u>
Total Instruction	<u>24,401,689</u>	<u>42,177</u>	<u>24,443,866</u>	<u>24,259,988</u>	<u>183,878</u>
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	130,547	20,000	150,547	135,485	15,062
Tuition to County Voc. School Dist. - Regular	23,047		23,047	14,588	8,459
Tuition to CSSD & Regional Day Schools	130,662	(8,000)	122,662	122,000	662
Tuition to Private Schools for the Disabled - Within State	2,486,806	(307,499)	2,179,307	2,018,119	161,188
Tuition to Priv. Sch. Disabled & Other LEAs-Spl. O/S	189,273	-	189,273	96,775	92,498
Total Undistributed Expenditures - Instruction:	<u>2,960,335</u>	<u>(295,499)</u>	<u>2,664,836</u>	<u>2,386,967</u>	<u>277,869</u>
Undistributed Expend. - Attend. & Social Work					
Salaries	66,715	(8,530)	58,185	58,185	
Total Undistributed Expend. - Attend. & Social Work	<u>66,715</u>	<u>(8,530)</u>	<u>58,185</u>	<u>58,185</u>	
Undist. Expend. - Health Services					
Salaries	535,907	5,335	541,242	539,697	1,545
Purchased Professional and Technical Services	32,850	8,439	41,289	36,100	5,189
Supplies and Materials	15,544	(1,400)	14,144	10,981	3,163
Total Undistributed Expenditures - Health Services	<u>584,301</u>	<u>12,374</u>	<u>596,675</u>	<u>586,778</u>	<u>9,897</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	436,384	58,815	495,199	495,177	22
Purchased Professional - Educational Services	222,437	(63,196)	159,241	147,289	11,952
Supplies and Materials	4,059	(582)	3,477	3,477	-
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	<u>662,880</u>	<u>(4,963)</u>	<u>657,917</u>	<u>645,943</u>	<u>11,974</u>
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	146,000	52,205	198,205	198,205	
Other Salaries for Instruction	563,224	49,062	612,286	612,286	
Purchased Professional - Educational Services	61,076	12,938	74,014	74,014	
Supplies and Materials	12,000	(9,866)	2,134	2,134	
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	<u>782,300</u>	<u>104,339</u>	<u>886,639</u>	<u>886,639</u>	

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	\$ 772,471	\$ 66,938	\$ 839,409	\$ 838,820	\$ 589
Salaries of Secretarial and Clerical Assistants	141,349		141,349	138,274	3,075
Other Purchased Prof. and Tech. Services	20,534		20,534	8,616	11,918
Supplies and Materials	38,289	(750)	37,539	27,715	9,824
Other Objects	16,897	-	16,897	13,943	2,954
Total Undist. Expend. - Guidance	989,540	66,188	1,055,728	1,027,368	28,360
Undist. Expend. - Child Study Team					
Salaries of Other Professional Staff	979,330	37,735	1,017,065	1,016,315	750
Salaries of Secretarial and Clerical Assistants	156,598	(2,510)	154,088	154,088	
Other Purchased Services	2,800	(742)	2,058	1,719	339
Supplies and Materials	23,180	(936)	22,244	22,014	230
Other Objects	2,085	-	2,085	2,064	21
Total Undist. Expend. - Child Study Team	1,163,993	33,547	1,197,540	1,196,200	1,340
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisor of Instruction	568,335	74,384	642,719	633,653	9,066
Other Salaries	59,635	(25,000)	34,635	13,821	20,814
Supplies and Materials	1,000		1,000	99	901
Other Objects	1,000	-	1,000	-	1,000
Total Undist. Expend. - Improvement of Inst. Serv.	629,970	49,384	679,354	647,573	31,781
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	766,059	29,164	795,223	795,023	200
Other Purchased Services	84,200	4,172	88,372	88,372	
Supplies and Materials	87,298	(3,412)	83,886	82,175	1,711
Other Objects	30,658	15	30,673	26,971	3,702
Total Undist. Expend. - Edu. Media Serv./Sch. Library	968,215	29,939	998,154	992,541	5,613
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors of Instruction	21,256	19,000	40,256	40,160	96
Other Salaries	26,700	(20,000)	6,700	1,034	5,666
Purchased Professional - Educational Service	61,400	2,500	63,900	23,950	39,950
Other Purchased Services	92,763	(1,310)	91,453	48,968	42,485
Supplies and Materials	5,500		5,500	2,472	3,028
Other Objects	28,837	-	28,837	13,685	15,152
Total Undist. Expend. - Instructional Staff Training Serv.	236,456	190	236,646	130,269	106,377
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	540,793	(61,710)	479,083	473,456	5,627
Legal Services	105,000		105,000	95,094	9,906
Other Purchased Professional Services	138,250	2,500	140,750	133,535	7,215
Purchased Technical Services	9,500		9,500	5,753	3,747
Communications/Telephone	123,169	(10,000)	113,169	64,436	48,733
Board of Education Other Purchased Services	5,000		5,000	4,215	785
Other Purchased Services	9,000	485	9,485	2,905	6,580
General Supplies	46,920	(485)	46,435	13,420	33,015
Miscellaneous Expenditures	33,592		33,592	23,811	9,781
Board of Education Dues and Fees	23,500	-	23,500	23,160	340
Total Undist. Expend. - Supp. Serv. - General Admin.	1,034,724	(69,210)	965,514	839,785	125,729
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	1,939,990	19,509	1,959,499	1,955,909	3,590
Salaries of Secretarial and Clerical Assistants	686,591	7,492	694,083	692,189	1,894
Supplies and Materials	11,021	6,749	17,770	13,930	3,840
Other Objects	15,493	250	15,743	14,097	1,646
Total Undist. Expend. - Support Serv. - School Admin.	2,653,095	34,000	2,687,095	2,676,125	10,970
Undist. Expend. - Central School Admin.					
Salaries	659,654	(25,000)	634,654	634,201	453
Other Purchased Professional Services	8,000	14,000	22,000	9,834	12,166
Supplies and Materials	27,350	(3,500)	23,850	19,382	4,468
Misc. Purch. Services	17,700	(4,000)	13,700	13,700	
Miscellaneous Expenditures	6,800	1,500	8,300	5,663	2,637
Total Undist. Expend. - Central School Admin.	719,304	(17,000)	702,304	682,780	19,524

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Technology Admin.					
Salaries	\$ 427,873	\$ (26,400)	\$ 401,473	\$ 401,473	
Supplies and Materials	54,775	(10,800)	43,975	43,974	1
Other Objects	600	-	600	525	75
Total Undist. Expend. - Technology Admin.	483,248	(37,200)	446,048	445,972	76
Undist. Expend. - Required Maint. for Sch. Facil.					
Salaries	449,579		449,579	432,483	17,096
Cleaning, Repair and Maintenance Services	294,000	188,155	482,155	387,429	94,726
General Supplies	233,500	(16,690)	216,810	166,407	50,403
Other Objects	2,000	-	2,000	600	1,400
Total Undist. Expend. - Required Maint. for Sch. Facil.	979,079	171,465	1,150,544	986,919	163,625
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	1,800,566	74,725	1,675,291	1,653,686	21,605
Cleaning, Repair and Maintenance Services	646,998	(11,106)	635,892	551,450	84,442
Rental of Land & Buildings other than Leases	50,000		50,000	50,000	
Other Purchased Property Services	87,775	2,067	89,842	88,229	1,613
Insurance	200,127		200,127	185,191	14,936
General Supplies	310,595	33,421	344,016	283,379	60,637
Energy (Energy and Electricity)	1,676,702	(492,489)	1,184,213	897,102	287,111
Total Undist. Expend. - Other Oper. & Maint. Of Plant	4,572,763	(393,382)	4,179,381	3,709,037	470,344
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	109,418	(8,671)	100,747	100,724	23
Cleaning, Repair and Maintenance Services	74,450	(759)	73,691	48,963	24,728
General Supplies	46,460	8,000	54,460	51,530	2,930
Total Undist. Expend. - Care and Upkeep of Grounds	230,328	(1,430)	228,898	201,217	27,681
Undist. Expend. - Security					
Salaries	4,728	301	5,029	5,028	1
Cleaning, Repair and Maintenance Services	82,825	8,444	91,269	71,856	19,413
General Supplies	13,050	180	13,230	3,079	10,151
Total Undist. Expend. - Security	100,603	8,925	109,528	79,963	29,565
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Between Home & School) - Regular	26,099		26,099	24,058	2,041
Management Fees - ESC & CTSA Transportation Programs	12,100		12,100	11,888	212
Other Purchased Professional and Technical Services	5,000	(300)	4,700	4,285	415
Contracted Services (Between Home and School) - Vendors	646,421	11,815	658,236	658,236	
Contracted Services (Other than Between Home and School) - Vendors	286,244	20,420	306,664	277,940	28,724
Contracted Services (Regular Students) - ESCs	137,636		137,636	131,819	5,817
Contracted Services (Special Education Students) - ESCs	995,901	90,350	1,086,251	1,049,670	36,581
Contracted Services - Aid in Lieu of Payments	153,816	-	153,816	151,555	2,261
Total Undist. Expend. - Student Transportation Serv.	2,263,217	122,285	2,385,502	2,309,451	76,051
Unallocated Benefits					
Social Security Contributions	632,751	173,832	806,583	784,712	21,871
Other Retirement Contributions - PERS	640,871	(11,503)	629,368	629,363	5
Workmen's Compensation	220,380	(4,861)	215,519	215,519	
Health Benefits	6,036,466	(130,130)	5,906,336	5,733,645	172,691
Tuition Reimbursement	165,000	32,353	197,353	177,628	19,725
Other Employee Benefits	220,600	(70,330)	150,270	150,252	18
Total Unallocated Benefits	7,916,068	(10,639)	7,905,429	7,691,119	214,310
On-behalf TPAF Pension Contributions (non-budgeted)				2,361,926	(2,361,926)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,798,166	(1,798,166)
Total On-behalf Contributions				4,160,092	(4,160,092)
TOTAL UNDISTRIBUTED EXPENDITURES	29,997,134	(205,217)	29,791,917	32,340,923	(2,549,006)
TOTAL GENERAL CURRENT EXPENSE	54,398,823	(163,040)	54,235,783	56,600,911	(2,365,128)
CAPITAL OUTLAY					
Equipment					
Special Education - Instruction:					
Undistributed Expenditures - Instruction	32,450	(12,920)	19,530	13,152	6,378
Undistributed Expenditures - Non-Instructional	2,595	169,546	172,141	132,356	39,785
Total Equipment	35,045	156,626	191,671	145,508	46,163

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Facilities Acquisition and Construction Services					
Purchased Professional and Technical Services	\$ 128,000	\$ 22,774	\$ 150,774	\$ 24,867	\$ 125,907
Construction Services	1,890,255	987,918	2,878,173	2,195,255	682,918
Other Objects	81,822	-	81,822	81,822	-
Total Facilities Acquisition and Construction Services	<u>2,100,077</u>	<u>1,010,692</u>	<u>3,110,769</u>	<u>2,301,944</u>	<u>808,825</u>
School Sponsored Athletics					
Equipment - Non Instructional		8,000	8,000		8,000
Total School Sponsored Athletics		<u>8,000</u>	<u>8,000</u>		<u>8,000</u>
TOTAL CAPITAL OUTLAY	<u>2,135,122</u>	<u>1,175,318</u>	<u>3,310,440</u>	<u>2,447,452</u>	<u>862,988</u>
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of teachers	16,754	(2,000)	14,754	13,971	783
General Supplies	1,200	-	1,200	1,060	140
Total Instruction	<u>17,954</u>	<u>(2,000)</u>	<u>15,954</u>	<u>15,031</u>	<u>923</u>
Total Summer School	<u>17,954</u>	<u>(2,000)</u>	<u>15,954</u>	<u>15,031</u>	<u>923</u>
Other Special Schools - Instruction					
Salaries of Teachers	76,856	17,003	93,859	92,347	1,512
General Supplies	900	-	900	524	376
Total Other Special Schools - Instruction	<u>77,756</u>	<u>17,003</u>	<u>94,759</u>	<u>92,871</u>	<u>1,888</u>
Total Other Special Schools	<u>77,756</u>	<u>17,003</u>	<u>94,759</u>	<u>92,871</u>	<u>1,888</u>
TOTAL SPECIAL SCHOOLS	<u>95,710</u>	<u>15,003</u>	<u>110,713</u>	<u>107,902</u>	<u>2,811</u>
Transfer of Funds to Charter Schools		10,758	10,758	10,758	
TOTAL EXPENDITURES	<u>56,629,655</u>	<u>1,038,039</u>	<u>57,667,694</u>	<u>59,167,023</u>	<u>(1,499,329)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	(2,034,521)	(784,934)	(2,819,455)	391,154	3,210,609
Fund Balance, July 1	<u>5,407,107</u>	-	<u>5,407,107</u>	<u>5,407,107</u>	-
Fund Balance, June 30	<u>\$ 3,372,586</u>	<u>\$ (784,934)</u>	<u>\$ 2,587,652</u>	<u>\$ 5,798,261</u>	<u>\$ 3,210,609</u>
Recapitulation of (Deficiency) Excess of Revenues and Other Financing Sources (uses) (Under) Over Expenditures:					
Adjustment for Prior Year Encumbrances		\$ (533,174)	\$ (533,174)	\$ (533,174)	
Budgeted Fund Balance	\$ (279,946)		(279,946)	2,930,663	\$ 3,210,609
Withdrawal from Capital Reserve	(1,754,575)	(251,760)	(2,006,335)	(2,006,335)	-
Total	<u>\$ (2,034,521)</u>	<u>\$ (784,934)</u>	<u>\$ (2,819,455)</u>	<u>\$ 391,154</u>	<u>\$ 3,210,609</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				\$ 271,277	
Excess Surplus-current year				289,471	
Capital Reserve				3,175,415	
Assigned to:					
Designated for Subsequent Year's Expenditures				267,006	
Year End Encumbrances				617,228	
Unassigned Fund Balance				<u>1,177,864</u>	
				<u>\$ 5,798,261</u>	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Fund Balance				\$ 5,798,261	
Final State Aid Payments Not Realized on GAAP Basis				<u>(127,166)</u>	
Fund balance per Government Funds (GAAP)				<u>\$ 5,671,095</u>	

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Education Jobs Fund Program - Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 99,113	\$ 3,105	\$ 102,218	\$ 102,218	
Education Jobs Fund	99,113	3,105	102,218	102,218	
Total Revenues					
EXPENDITURES:					
Instruction:					
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	92,069	2,827	94,896	94,896	
Other Salaries for Instruction	92,069	2,827	94,896	94,896	
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	92,069	2,827	94,896	94,896	
Total instruction					
Undistributed expenditures:					
Unallocated Benefits	7,044	(1,682)	5,362	5,362	
Social Security Contributions	-	1,960	1,960	1,960	
Other Retirement Contributions - Regular	7,044	278	7,322	7,322	
Total Unallocated Benefits	7,044	278	7,322	7,322	
Total undistributed expenditures	99,113	3,105	102,218	102,218	
Total expenditures - current expense	\$ 99,113	\$ 3,105	\$ 102,218	\$ 102,218	\$ -
Total expenditures					

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
Special Revenue Fund
Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 187,187	\$ (17,299)	\$ 169,888	\$ 135,424	\$ (34,464)
Federal Sources	798,604	171,599	970,203	926,998	(43,205)
Local Sources	-	312,169	312,169	251,935	(60,234)
Total Revenues	<u>\$ 985,791</u>	<u>\$ 466,469</u>	<u>\$ 1,452,260</u>	<u>\$ 1,314,357</u>	<u>\$ (137,903)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries		\$ 8,000	\$ 8,000	\$ 7,000	\$ 1,000
Salaries of Teachers	\$ 32,955	30,233	63,188	63,188	
Purchased Professional and Educational Services	156,436	13,463	169,899	132,664	37,235
Tuition	685,000	79,401	764,401	755,542	8,859
General Supplies	35,649	164,999	200,648	133,063	67,585
Textbooks	30,751	(12,421)	18,330	18,330	-
Total Instruction	<u>940,791</u>	<u>283,675</u>	<u>1,224,466</u>	<u>1,109,787</u>	<u>114,679</u>
Support Services					
Other Salaries		14,203	14,203	14,203	
Personal Services - Employee Benefits		12,405	12,405	12,405	
Purchased Professional and Educational Services	45,000	(18,980)	26,020	26,020	
Supplies and Materials	-	136,016	136,016	117,994	18,022
Total Support Services	<u>45,000</u>	<u>143,644</u>	<u>188,644</u>	<u>170,622</u>	<u>18,022</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		36,150	36,150	33,948	2,202
Noninstructional Equipment	-	3,000	3,000	-	3,000
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>39,150</u>	<u>39,150</u>	<u>33,948</u>	<u>5,202</u>
Total Expenditures	<u>985,791</u>	<u>466,469</u>	<u>1,452,260</u>	<u>1,314,357</u>	<u>137,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Note to Required Supplementary Information
Budget to GAAP Reconciliation
Year Ended June 30, 2012

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (C-1, C-2)	\$ 59,558,177	\$ 1,314,357
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		(55,477)
Current Year		17,431
Prior Year		
State aid payments from prior year recognized in prior year for budgetary purposes, and recognized for GAAP statements in the current fiscal year.	20,848	
State aid payments recognized in current year for budgetary purposes, not recognized for GAAP statements:	<u>(127,166)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2).	<u>\$ 59,451,859</u>	<u>\$ 1,276,311</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 59,167,023	\$ 1,314,357
Differences - budget to GAAP		
Encumbrances (net) for supplies and services ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	<u>-</u>	<u>(38,046)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 59,167,023</u>	<u>\$ 1,276,311</u>

Supplementary Information

SPECIAL REVENUE FUND

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
Year Ended June 30, 2012**

	<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES				
State Sources	\$ 135,424	\$ 135,424		
Federal Sources	926,998		\$ 926,998	
Local Sources	251,935	-	-	\$ 251,935
Total Revenues	<u>\$ 1,314,357</u>	<u>\$ 135,424</u>	<u>\$ 926,998</u>	<u>\$ 251,935</u>
EXPENDITURES:				
Instruction:				
Salaries	\$ 7,000			\$ 7,000
Salaries of Teachers	63,188		\$ 54,880	8,308
Purchased Professional and Educational Services	132,664	\$ 117,094		15,570
Tuition	755,542		755,542	
General Supplies	133,063		63,282	69,781
Textbooks	18,330	18,330	-	-
	<u>1,109,787</u>	<u>135,424</u>	<u>873,704</u>	<u>100,659</u>
Total Instruction				
Support Services:				
Other Salaries	14,203		14,203	
Personal Services - Employee Benefits	12,405		12,405	
Purchased Professional and Educational Services	26,020		26,020	
Supplies and Materials	117,994		666	117,328
Total Support Services	<u>170,622</u>		<u>53,294</u>	<u>117,328</u>
Facilities Acquisition and Const. Serv.:				
Instructional Equipment	33,948			33,948
Total Facilities Acquisition and Const. Serv.	<u>33,948</u>			<u>33,948</u>
Total Expenditures	<u>1,314,357</u>	<u>135,424</u>	<u>926,998</u>	<u>251,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
Year Ended June 30, 2012**

	<u>Total</u>	<u>N.J. Nonpublic Textbook Aid</u>	<u>N.J. Nonpublic Auxiliary Services</u>	<u>N.J. Nonpublic Handicapped Services</u>	<u>N.J. Nonpublic Nursing Services</u>
REVENUES					
State Sources	\$ 135,424	\$ 18,330	\$ 16,412	\$ 64,794	\$ 35,888
Total State Revenues	<u>\$ 135,424</u>	<u>\$ 18,330</u>	<u>\$ 16,412</u>	<u>\$ 64,794</u>	<u>\$ 35,888</u>
EXPENDITURES:					
Instruction:					
Purchased Professional and Educational Service	\$ 117,094		\$ 16,412	\$ 64,794	\$ 35,888
Textbooks	18,330	\$ 18,330	-	-	-
Total Instruction	<u>135,424</u>	<u>18,330</u>	<u>16,412</u>	<u>64,794</u>	<u>35,888</u>
Total Expenditures	<u>\$ 135,424</u>	<u>\$ 18,330</u>	<u>\$ 16,412</u>	<u>\$ 64,794</u>	<u>\$ 35,888</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
Year Ended June 30, 2012

	<u>N.C.L.B</u>			<u>I.D.E.A.</u>	
	<u>Total</u>	<u>Title II-A</u>	<u>Title III</u>	<u>Part B</u>	<u>Preschool</u>
REVENUES					
Federal Sources	\$ 926,998	\$ 59,037	\$ 12,119	\$ 852,753	\$ 3,089
Total Federal Revenues	<u>\$ 926,998</u>	<u>\$ 59,037</u>	<u>\$ 12,119</u>	<u>\$ 852,753</u>	<u>\$ 3,089</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 54,880	\$ 48,361	\$ 6,519		
Tuition	755,542			\$ 755,542	
General Supplies	63,282	-	4,292	55,901	\$ 3,089
Total Instruction	<u>873,704</u>	<u>48,361</u>	<u>10,811</u>	<u>811,443</u>	<u>3,089</u>
Support Services:					
Support Services - Salaries	14,203			14,203	
Employee Benefits	12,405	10,010	1,308	1,087	
Purchased Professional and Educational Services	26,020			26,020	
Supplies and Materials	666	666	-	-	
Total Support Services	<u>53,294</u>	<u>10,676</u>	<u>1,308</u>	<u>41,310</u>	
Total Expenditures	<u>\$ 926,998</u>	<u>\$ 59,037</u>	<u>\$ 12,119</u>	<u>\$ 852,753</u>	<u>\$ 3,089</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL PROJECTS FUND

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Summary Schedule of Project Revenues, Expenditures, Project Balances and Project Status - Budgetary Basis
Year Ended June 30, 2012**

REVENUES AND OTHER FINANCING SOURCES

State Sources	
SDA Grants	\$ (145,342)

Total revenues (award reductions)	(145,342)
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EXPENDITURES

Other Purchased Professional and Technical Services	14,667
Construction Services	832,231
Total Expenditures	846,898

Excess (Deficiency) of Revenues Over (Under) Expenditures	(992,240)
---	-----------

Fund Balance - July 1	1,785,027
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Fund Balance - June 30	\$ 792,787
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Reconciliation to Governmental Funds Statements (GAAP):

SDA Grant Revenue not Recognized on GAAP Basis	\$ (93,718)
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SDA Unexpended Proceeds Not Recognizable on a GAAP Basis	(71,940)
--	----------

	(165,658)
--	-----------

Fund Balance per Governmental Funds (GAAP)	\$ 627,129
--	------------

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Lafayette Elementary School
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	\$ 1,194,049		\$ 1,194,049	\$ 1,194,049
Bond Proceeds	4,048,386		4,048,386	4,048,215
Bonds Authorized but Not Issued	-		-	171
Total Revenues	<u>5,242,435</u>		<u>5,242,435</u>	<u>5,242,435</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	640,223		640,223	640,223
Construction Services	4,241,543		4,241,543	4,538,296
Other Objects	<u>63,916</u>		<u>63,916</u>	<u>63,916</u>
Total Expenditures	<u>4,945,682</u>		<u>4,945,682</u>	<u>\$ 5,242,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 296,753</u>	<u>\$ -</u>	<u>\$ 296,753</u>	
ADDITIONAL PROJECT INFORMATION				
Project Number	0785-050-05-1000			
Grant Date	7/12/05			
Bond Authorization Date	7/26/05			
Bonds Authorized	\$ 4,048,386			
Bonds Issued	4,048,386			
Original Authorized Cost	5,357,000			
Additional Authorized Cost	(114,565)			
Revised Authorized Cost	\$ 5,242,435			
Percentage (Decrease) over Original Authorized Cost	-2%			
Percentage Completed	100%			
Original Target Completion Date	9/07			
Revised Target Completion Date	Complete			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Chatham High School Roofing Project
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	\$ 187,017		\$ 187,017	\$ 187,017
Transfer From Capital Outlay	<u>280,525</u>		<u>280,525</u>	<u>280,525</u>
Total Revenues	<u>467,542</u>		<u>467,542</u>	<u>467,542</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	29,873		29,873	32,680
Construction Services	<u>426,794</u>		<u>426,794</u>	<u>434,862</u>
Total Expenditures	<u>456,667</u>		<u>456,667</u>	<u>\$ 467,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,875</u>	<u>\$ -</u>	<u>\$ 10,875</u>	
ADDITIONAL PROJECT INFORMATION				
Project Number	0785-010-24-2000			
Grant Date	10/1/04			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 467,542			
Additional Authorized Cost				
Revised Authorized Cost	\$ 467,542			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completed	100%			
Original Target Completion Date	9/04			
Revised Target Completion Date	Complete			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Replacement of Southern Boulevard School Roof and Partial Replacement of Chatham Middle School Roof
Chatham High School Partial Roof Replacement
From Inception and for the Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	\$ 383,751		\$ 383,751	\$ 383,751
Transfer From Capital Outlay	780,000		780,000	780,000
Total Revenues	<u>1,163,751</u>		<u>1,163,751</u>	<u>1,163,751</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	66,697		66,697	125,000
Construction Services	907,355		907,355	1,038,751
Total Expenditures	<u>974,052</u>		<u>974,052</u>	<u>\$ 1,163,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 189,699</u>	<u>\$ -</u>	<u>\$ 189,699</u>	
ADDITIONAL PROJECT INFORMATION				
Project Number	0785-010-09-1001			
Grant Date	6/12/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 1,800,000			
Additional Authorized Cost	(636,249)			
Revised Authorized Cost	\$ 1,163,751			
Percentage (Decrease) over Original Authorized Cost	(35%)			
Percentage Completed	100%			
Original Target Completion Date	9/1/09			
Revised Target Completion Date	Complete			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Washington Avenue Elementary School Partial Roof Replacement
Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	\$ 45,800	\$ (11,672)	\$ 34,128	\$ 34,128
Transfer From Capital Reserve	68,700	-	68,700	68,700
Total Revenues	<u>114,500</u>	<u>(11,672)</u>	<u>102,828</u>	<u>102,828</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	3,293	1,802	5,095	26,420
Construction Services	<u>5,488</u>	<u>63,852</u>	<u>69,340</u>	<u>76,408</u>
Total Expenditures	<u>8,781</u>	<u>65,654</u>	<u>74,435</u>	<u>\$ 102,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 105,719</u>	<u>\$ (77,326)</u>	<u>\$ 28,393</u>	
ADDITIONAL PROJECT INFORMATION				
Project Number	0785-070-10-1002			
Grant Date	6/29/11			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 114,500			
Additional Authorized Cost	(11,672)			
Revised Authorized Cost	\$ 102,828			
Percentage (Decrease) over Original Authorized Cost	-10%			
Percentage Completed	72%			
Original Target Completion Date	December 2011			
Revised Target Completion Date	August 2012			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Chatham Middle School Conversion of Workshop to a Science Lab and Classrooms
Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	\$ 236,000	\$ (94,822)	\$ 141,178	\$ 141,178
Transfer From Capital Reserve	<u>354,000</u>	<u>-</u>	<u>354,000</u>	<u>354,000</u>
Total Revenues	<u>590,000</u>	<u>(94,822)</u>	<u>495,178</u>	<u>495,178</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	6,454	10,271	16,725	115,000
Construction Services	<u>45,531</u>	<u>270,477</u>	<u>316,008</u>	<u>380,178</u>
Total Expenditures	<u>51,985</u>	<u>280,748</u>	<u>332,733</u>	<u>\$ 495,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 538,015</u>	<u>\$ (375,570)</u>	<u>\$ 162,445</u>	
ADDITIONAL PROJECT INFORMATION				
Project Number	0785-030-10-1003			
Grant Date	6/29/11			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 590,000			
Additional Authorized Cost	(94,822)			
Revised Authorized Cost	\$ 495,178			
Percentage (Decrease) over Original Authorized Cost	-16%			
Percentage Completed	67%			
Original Target Completion Date	December 2011			
Revised Target Completion Date	August 2012			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Lafayette Elementary School Partial Roof Replacement
Year Ended June 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SDA Grant	\$ 263,700	\$ (38,848)	\$ 224,852	\$ 224,852
Transfer From Capital Reserve	395,550	-	395,550	395,550
Total Revenues	<u>659,250</u>	<u>(38,848)</u>	<u>620,402</u>	<u>620,402</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	4,237	2,594	6,831	131,850
Construction Services	<u>10,876</u>	<u>497,902</u>	<u>508,778</u>	<u>488,552</u>
Total Expenditures	<u>15,113</u>	<u>500,496</u>	<u>515,609</u>	<u>\$ 620,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 644,137</u>	<u>\$ (539,344)</u>	<u>\$ 104,793</u>	
ADDITIONAL PROJECT INFORMATION				
Project Number	0785-050-10-1001			
Grant Date	6/29/11			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 659,250			
Additional Authorized Cost	(38,848)			
Revised Authorized Cost	\$ 620,402			
Percentage (Decrease) over Original Authorized Cost	-6%			
Percentage Completed	83%			
Original Target Completion Date	December 2011			
Revised Target Completion Date	August 2012			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Capital Projects Fund

Summary Schedule of Project Expenditures
Year Ended June 30, 2012

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 6/30/2012
			Prior Years	Current Year	
Chatham High School Roof Replacement	6/12/2009	\$ 1,163,751	\$ 974,052		\$ 189,699
Chatham High School Roofing Project	10/1/2004	467,542	456,667		10,875
Lafayette Elementary School	7/12/2005	5,242,435	4,945,682		296,753
Washington Avenue School Partial Roof Replacement	6/29/2011	102,828	8,781	\$ 65,654	28,393
Middle School Conversion of Workshop	6/29/2011	495,178	51,985	280,748	162,445
Lafayette School Partial Replacement	6/29/2011	620,402	15,113	500,496	104,793
Totals		\$ 8,092,136	\$ 6,452,280	\$ 846,898	\$ 792,958
Bond proceeds - 2005 Referendum		\$ 4,048,215			
State Grant (SDA)		2,164,975			
Transfer From Capital Outlay		1,060,525			
Transfer From Capital Reserve		818,250			
Bonds Authorized But Not Issued		171			
Total referendum		\$ 8,092,136			
				Bonds authorized but not issued	(171)
				Balance per F-1	\$ 792,787

FIDUCIARY FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Student Activity Agency Fund
Schedule of Cash Receipts and Cash Disbursements
Year Ended June 30, 2012

<u>Schools</u>	<u>Balance July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Elementary Schools:				
Southern Boulevard	\$ 12,747	\$ 5,505	\$ 5,405	\$ 12,847
Milton Avenue	7,415	15,027	17,820	4,622
Lafayette Avenue	38,818	48,078	44,739	42,157
Washington Avenue	660	577	370	867
Middle School:				
Activity	104,080	201,230	219,259	86,051
High School:				
Activity	224,708	373,092	375,680	222,120
Athletic	<u>9,420</u>	<u>15,799</u>	<u>14,298</u>	<u>10,921</u>
	<u>\$ 397,848</u>	<u>\$ 659,308</u>	<u>\$ 677,571</u>	<u>\$ 379,585</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Payroll Agency Fund
Schedule of Cash Receipts and Cash Disbursements
Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 843,588	\$ 60,151,104	\$ 60,093,470	\$ 901,222
Total Assets	<u>\$ 843,588</u>	<u>\$ 60,151,104</u>	<u>\$ 60,093,470</u>	<u>\$ 901,222</u>
LIABILITIES:				
Interfund Payable		\$ 904	\$ 904	
Salaries and Wages Payable		41,221,332	41,221,332	
Payroll Deductions and Withholdings Payable	\$ 843,588	18,928,868	18,871,234	\$ 901,222
	<u>\$ 843,588</u>	<u>\$ 60,151,104</u>	<u>\$ 60,093,470</u>	<u>\$ 901,222</u>

LONG-TERM DEBT

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Long - Term Debt
Schedule of Serial Bonds Payable
Year Ended June 30, 2012**

Purpose	Date of Issue	Amount of Issue	Annual Maturities of Bonds Outstanding June 30, 2012		Interest Rate	Balance July 1, 2011	Retired Current Year	Balance June 30, 2012	
			Date	Amount					
School Improvements	2/1/1995	\$ 4,993,000	8/1/2012	\$ 315,000	4.60%	\$ 1,485,000	\$ 315,000	\$ 1,170,000	
			8/1/2013	310,000					
			8/1/2014	305,000					
			8/1/2015	240,000					
Refunding Bonds - Series 2001	6/1/2005	16,950,000	1/15/2013	585,000	4.000%	16,305,000	550,000	15,755,000	
			1/15/2014	630,000	5.000%				
			1/15/2015	680,000	5.000%				
			1/15/2016	795,000	4.000%				
			1/15/2017	1,070,000	4.000%				
			1/15/2018	1,115,000	4.000%				
			1/15/2019	1,165,000	4.050%				
			1/15/2020	1,215,000	4.500%				
			1/15/2021	1,270,000	4.500%				
			1/15/2022	1,330,000	4.125%				
			1/15/2023	1,380,000	4.125%				
			1/15/2024	1,445,000	4.250%				
			1/15/2025	1,505,000	4.250%				
			1/15/2026	1,570,000	4.250%				
School Improvements	7/26/2005	20,525,000	7/15/2012	310,000	4.250%	18,910,000	300,000	18,610,000	
			7/15/2013	330,000	4.250%				
			7/15/2014	340,000	4.250%				
			7/15/2015	355,000	4.250%				
			7/15/2016	375,000	4.250%				
			7/15/2017	390,000	4.250%				
			7/15/2018	405,000	4.250%				
			7/15/2019	425,000	4.250%				
			7/15/2020	440,000	4.250%				
			7/15/2021	460,000	4.250%				
			7/15/2022	485,000	4.250%				
			7/15/2023	505,000	4.250%				
			7/15/2024	530,000	4.375%				
			7/15/2025	555,000	4.375%				
			7/15/2026	2,305,000	4.375%				
			7/15/2027	2,415,000	4.375%				
			7/15/2028	2,535,000	4.375%				
			7/15/2029	2,660,000	4.375%				
			7/15/2030	2,790,000	4.375%				
									-
						\$ 36,700,000	\$ 1,165,000	\$ 35,535,000	

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Long - Term Debt
Schedule of Obligations Under Capital Leases
Year Ended June 30, 2012

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Original Issue</u>	<u>Balance July 1, 2011</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
2010 Computers	3.05%	\$ 564,226	\$ 188,521	\$ 188,521	
2011 Computers	8.89%	472,599	301,468	144,316	\$ 157,152
			<u>\$ 489,989</u>	<u>\$ 332,837</u>	<u>\$ 157,152</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
Debt Service Fund
Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,733,596		\$ 2,733,596	\$ 2,733,596	
Total Revenues	<u>2,733,596</u>		<u>2,733,596</u>	<u>2,733,596</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	1,581,135	\$ (12,537)	1,568,598	1,567,861	\$ 737
Redemption of Principal	<u>1,152,463</u>	<u>12,537</u>	<u>1,165,000</u>	<u>1,165,000</u>	<u>-</u>
Total Regular Debt Service	<u>2,733,598</u>	<u>-</u>	<u>2,733,598</u>	<u>2,732,861</u>	<u>737</u>
Total Expenditures	<u>2,733,598</u>	<u>-</u>	<u>2,733,598</u>	<u>2,732,861</u>	<u>737</u>
Excess of Revenues Over Expenditures	(2)	-	(2)	735	737
Fund Balance, July 1	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 737</u>	<u>\$ 737</u>

STATISTICAL SECTION

Statistical Section
Unaudited

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.*

School District of the Chatham
Net Assets by Component
Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009 (as restated)	2010	2011 (as restated)	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 20,025,770	\$ 20,275,842	\$ 25,142,393	\$ 25,496,420	\$ 31,937,828	\$ 32,371,993	\$ 31,219,240	\$ 32,032,424	\$ 31,969,490	\$ 34,480,331
Restricted	1,597,279	1,171,379	1,040,939	1,038,786	725,831	490,427	2,609,775	2,333,377	4,705,913	4,364,029
Unrestricted (deficit)	(1,522,616)	(930,153)	(921,882)	(1,779,022)	(1,808,803)	(1,883,651)	(1,649,525)	430,767	411,914	756,430
Total governmental activities net assets	\$ 20,100,433	\$ 20,517,068	\$ 25,261,450	\$ 24,756,184	\$ 30,854,856	\$ 30,978,769	\$ 32,179,490	\$ 34,796,568	\$ 37,087,317	\$ 39,600,790
Business-type activities										
Invested in capital assets, net of related debt	\$ 23,662	\$ 31,010	\$ 129,094	\$ 113,646	\$ 98,229	\$ 71,218	\$ 87,525	\$ 161,450	\$ 174,608	\$ 187,573
Unrestricted	23,123	1,244	64,482	51,664	99,426	113,137	130,381	42,218	35,346	81,725
Total business-type activities net assets	\$ 46,785	\$ 32,254	\$ 193,576	\$ 165,310	\$ 197,655	\$ 184,355	\$ 217,906	\$ 203,668	\$ 209,954	\$ 269,298
Government-wide										
Invested in capital assets, net of related debt	\$ 20,049,432	\$ 20,306,852	\$ 25,271,487	\$ 25,610,066	\$ 32,036,057	\$ 32,443,211	\$ 31,306,765	\$ 32,193,874	\$ 32,144,098	\$ 34,667,904
Restricted	1,597,279	1,171,379	1,040,939	1,038,786	725,831	490,427	2,609,775	2,333,377	4,705,913	4,364,029
Unrestricted (deficit)	(1,499,493)	(928,909)	(857,400)	(1,727,358)	(1,709,377)	(1,770,514)	(1,519,144)	472,985	447,260	838,155
Total district net assets	\$ 20,147,218	\$ 20,549,322	\$ 25,455,026	\$ 24,921,494	\$ 31,052,511	\$ 31,163,124	\$ 32,397,396	\$ 35,000,236	\$ 37,297,271	\$ 39,870,088

Source: CAFR Schedule A-1 and District records.

School District of the Chathams
Changes in Net Assets
Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
							(as restated)		(as restated)	
Expenses										
Governmental activities										
Instruction	\$ 22,498,314	\$ 23,445,068	\$ 25,614,353	\$ 27,773,842	\$ 31,676,286	\$ 32,061,639	\$ 32,644,658	\$ 34,300,465	\$ 34,950,236	\$ 36,397,419
Support services:										
Student & instruction related services	5,647,537	6,328,881	6,578,114	6,441,483	7,076,956	7,181,385	7,153,721	6,921,714	7,254,394	8,324,801
School administration services	1,853,403	2,006,613	2,560,385	2,634,953	3,176,981	3,268,167	3,582,335	3,374,483	3,444,414	3,730,147
General and Business administration services	937,912	952,743	1,027,331	2,963,624	3,154,790	4,149,288	3,191,917	2,638,306	2,505,189	2,588,390
Operation and Maintenance of Plant Services	3,883,908	4,403,089	4,719,888	4,963,341	4,723,190	6,352,217	6,137,686	5,952,210	6,506,910	5,969,017
Student transportation services	1,347,771	1,309,138	1,599,789	1,755,215	1,956,925	1,945,282	2,045,509	2,222,207	2,434,908	2,417,836
Business and other support services and benefits	497,847	540,961	807,353	63,071						
Capital outlay		209,559	151,615							
Special Schools					49,025	78,748	87,400	99,470	117,587	150,240
Charter Schools										11,223
Interest and other costs on long term debt	1,143,830	1,111,983	790,781	1,818,141	1,903,601	1,868,878	1,816,950	1,768,979	1,701,122	1,635,309
Unallocated depreciation	684,833	685,603	853,809							
Total governmental activities	38,495,355	40,993,638	44,703,418	48,413,670	53,717,754	56,905,604	56,660,176	57,277,834	58,914,760	61,224,382
Business-type activities:										
Food service	536,434	550,164	554,555	662,931	656,450	699,032	819,534	906,257	930,380	982,242
Cougar Cubs								29,918	68,299	
Total business-type activities expense	536,434	550,164	554,555	662,931	656,450	699,032	819,534	936,175	998,679	982,242
Total government-wide expenses	\$ 39,031,789	\$ 41,543,802	\$ 45,257,973	\$ 49,076,601	\$ 54,374,204	\$ 57,604,636	\$ 57,479,710	\$ 58,214,009	\$ 59,913,439	\$ 62,206,624
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ 72,834	\$ 36,796	\$ 39,189	\$ 21,754	\$ 12,347	\$ 16,301	\$ 5,000	\$ 60,500	\$ 43,900
Pupil transportation			50,605	51,302	45,770	63,811	77,660	95,654	102,737	98,468
Operating grants and contributions	4,966,841	5,511,285	5,789,773	1,006,150	1,081,368	1,472,537	1,173,823	1,706,209	1,596,703	1,276,311
Capital grants and contributions	68,359		178,601	585,446	4,855,825	639,500	61,571	327,043	63,241	276,089
Total governmental activities program revenues	5,035,200	5,584,119	6,055,775	1,682,087	6,014,717	2,188,195	1,329,355	2,133,906	1,823,181	1,694,768
Business-type activities:										
Charges for services										
Food service	441,582	483,153	546,421	582,335	632,928	696,027	767,061	835,552	895,670	948,046
Cougar Cubs							34,535	24,664	39,018	
Operating grants and contributions				44,293	49,195	40,613	50,251	61,721	70,277	93,540
Total business type activities program revenues	441,582	483,153	546,421	626,628	682,123	736,640	851,847	921,937	1,004,965	1,041,586
Total government-wide program revenues	\$ 5,476,782	\$ 6,067,272	\$ 6,602,196	\$ 2,308,715	\$ 6,696,840	\$ 2,924,835	\$ 2,181,202	\$ 3,055,843	\$ 2,828,146	\$ 2,736,354
Net (Expense)/Revenue										
Governmental activities	\$ (33,460,155)	\$ (35,409,519)	\$ (38,647,643)	\$ (46,731,583)	\$ (47,703,037)	\$ (54,717,409)	\$ (55,330,821)	\$ (55,143,928)	\$ (57,091,579)	\$ (59,529,614)
Business-type activities	(94,852)	(67,011)	(8,134)	(36,303)	25,673	37,608	32,313	(14,238)	6,286	59,344
Total government-wide net (expense)/revenue	\$ (33,555,007)	\$ (35,476,530)	\$ (38,655,777)	\$ (46,767,886)	\$ (47,677,364)	\$ (54,679,801)	\$ (55,298,508)	\$ (55,158,166)	\$ (57,085,293)	\$ (59,470,270)

School District of the Chathams
Changes in Net Assets
Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	(as restated)									
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes	\$ 30,794,590	\$ 33,588,118	\$ 36,329,845	\$ 38,805,406	\$ 40,389,273	\$ 43,699,999	\$ 47,002,553	\$ 48,024,764	\$ 51,559,756	\$ 52,791,296
Taxes levied for debt service	1,647,101	1,734,034	1,657,239	1,656,755	3,216,025	2,925,392	2,790,669	2,728,257	2,729,615	2,733,596
Unrestricted grants and contributions	115,096	474,924	502,664	5,859,666	7,732,300	7,927,631	6,479,136	6,695,706	4,782,789	6,091,571
Investment earnings				730,142	826,333	148,834	14,644	17,334	14,064	9,600
Loss on disposal of capital assets					(73,907)					
Miscellaneous income	165,066	95,800	225,414	174,347	123,447	139,476	244,540	294,945	296,104	417,024
Total governmental activities	32,721,853	35,892,876	38,715,162	47,226,316	52,213,471	54,841,332	56,531,542	57,761,006	59,382,328	62,043,087
Business-type activities:										
Grants and contributions	56,069	51,444	51,595							
Investment earnings	1,126	1,036	3,816	8,037	6,672	8,769	1,238			
Total business-type activities	57,195	52,480	55,411	8,037	6,672	8,769	1,238	-	-	-
Total district-wide	\$ 32,779,048	\$ 35,945,356	\$ 38,770,573	\$ 47,234,353	\$ 52,220,143	\$ 54,850,101	\$ 56,532,780	\$ 57,761,006	\$ 59,382,328	\$ 62,043,087
Change in Net Assets										
Governmental activities										
Governmental activities	\$ (738,302)	\$ 483,357	\$ 67,519	\$ 494,733	\$ 4,510,434	\$ 123,923	\$ 1,200,721	\$ 2,617,078	\$ 2,290,749	\$ 2,513,473
Business-type activities	(37,657)	(14,531)	47,277	(28,266)	32,345	46,377	33,551	(14,238)	6,286	59,344
Total district	\$ (775,959)	\$ 468,826	\$ 114,796	\$ 466,467	\$ 4,542,779	\$ 170,300	\$ 1,234,272	\$ 2,602,840	\$ 2,297,035	\$ 2,572,817

Source: CAFR Schedule A-2 and District records.

School District of the Chathams
Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 32,534	\$ 169,761	\$ 324,278	\$ 864,926	\$ 518,205	\$ 1,129,118	\$ 2,022,567	\$ 2,966,886		
Unreserved	328,658	1,026,850	556,576	1,178,088	1,390,849	445,521	781,328	2,194,682		
Restricted									\$ 3,507,973	\$ 3,736,163
Assigned									533,174	884,234
Unassigned									1,345,112	1,050,698
Total general fund	<u>\$ 361,192</u>	<u>\$ 1,196,611</u>	<u>\$ 880,854</u>	<u>\$ 2,043,014</u>	<u>\$ 1,909,054</u>	<u>\$ 1,574,639</u>	<u>\$ 2,803,895</u>	<u>\$ 5,161,568</u>	<u>\$ 5,386,259</u>	<u>\$ 5,671,095</u>
All Other Governmental Funds										
Reserved	\$ 676,096	\$ 376,642	\$ 2,963,068	\$ 11,502,294	\$ 2,719,255	\$ 100,000	\$ 932,255	\$ 96,798		
Unreserved, reported in:										
Special revenue fund (deficit)	(6,477)									
Capital projects fund (deficit)	895,126	624,975	(2,246,408)	7,820,115	493,077	341,009	52,943	392,506		
Debt service fund		1	1	4,729	4,729	1	1	2		
Restricted									\$ 1,197,940	\$ 627,866
Total all other governmental funds	<u>\$ 1,564,745</u>	<u>\$ 1,001,618</u>	<u>\$ 716,661</u>	<u>\$ 19,327,138</u>	<u>\$ 3,217,061</u>	<u>\$ 441,010</u>	<u>\$ 985,199</u>	<u>\$ 489,306</u>	<u>\$ 1,197,940</u>	<u>\$ 627,866</u>

Source: CAFR Schedule B-1 and District records.

Note: GASB # 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (See footnote 1.L. in the basic financial statements). Prior years have not been restated above and are not required to be.

School District of the Chathams
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
Unaudited

Year Ended June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Local sources:										
Local tax levy	\$ 32,441,691	\$ 35,322,152	\$ 37,987,084	\$ 40,462,161	\$ 43,605,298	\$ 46,625,391	\$ 49,793,222	\$ 50,753,021	\$ 54,289,371	\$ 55,524,892
Transportation	37,558	43,953	50,605	51,302	45,770	63,811	77,660	95,854	102,737	98,468
Tuition charges	17,262	28,861	36,796	39,189	21,754	12,347	16,301	5,000	60,500	43,900
Interest income				730,142	826,333	146,834	14,644	17,334	14,964	8,600
Miscellaneous	130,666	106,456	245,657	269,293	242,024	336,679	412,971	417,752	503,988	624,027
Total local sources	32,627,177	35,501,442	38,320,142	41,552,087	44,741,179	47,187,062	50,314,796	51,286,761	54,970,680	56,300,867
State sources	4,619,248	5,356,174	5,769,939	6,632,860	12,803,499	9,068,821	6,774,499	7,229,308	5,004,679	6,400,866
Federal sources	510,628	619,379	680,856	718,237	757,417	773,644	771,600	1,376,843	1,230,170	1,036,102
Total revenue	37,757,053	41,476,995	44,770,937	48,903,184	58,302,095	57,029,527	57,860,897	59,894,912	61,205,509	63,737,855
Expenditures										
Current										
Instruction	17,231,199	17,649,795	18,919,885	20,417,646	21,623,960	21,765,799	22,401,522	24,178,669	25,044,512	25,000,591
Undistributed - current										
Tuition	1,449,459	1,288,038	1,526,935	1,864,882	1,960,712	2,245,509	2,297,823	2,210,229	2,338,936	2,386,967
Attendance/social work				51,375	54,341	56,867	60,304	62,715	65,223	58,195
Health services				538,096	537,432	504,508	538,244	533,086	565,778	586,778
Other support services	411,786	422,612		2,559,688	2,829,548	2,924,226	3,233,644	3,133,076	3,525,735	3,892,517
Student & inst. related services	4,691,264	5,252,605	5,411,497							
Improvement of instruction				882,637	915,507	937,253	855,941	697,162	622,673	647,573
Education media library				836,546	815,456	856,013	844,372	776,079	825,710	992,541
Other support: instructional staff				137,777	210,960	220,741	133,312	109,834	103,611	130,269
General administration services	829,554	797,230	809,635	755,465	988,279	1,686,817	1,076,374	947,810	921,756	839,785
School administration services	1,490,820	1,588,985	2,015,422	2,161,151	2,324,601	2,421,735	2,456,224	2,514,209	2,624,611	2,676,125
Central services				563,490	594,909	672,910	744,412	632,285	675,431	682,780
Administrative information technology services				78,709	66,427	66,379	67,788	482,676	413,660	445,972
Required maintenance of plant services	3,456,411	3,786,264	4,105,099	803,416	867,331	893,832	874,508	967,041	1,490,447	986,919
Operation and maintenance of plant services				3,536,310	3,824,148	4,226,567	4,446,882	3,921,013	3,942,246	3,709,037
Care and upkeep of grounds								138,864	177,534	201,217
Security								60,419	84,636	79,963
Student transportation	1,343,609	1,302,282	1,593,367	1,757,328	1,960,504	1,937,315	2,038,321	2,109,563	2,331,566	2,308,451
Unallocated benefits and On-behalf TPAF Contributions	5,581,133	6,587,926	7,542,707	8,290,280	10,376,976	10,508,614	9,285,799	9,718,513	10,561,496	11,851,211
Special schools					41,145	58,210	67,440	74,284	88,747	107,902
Charter Schools							8,555	452		10,758
Capital outlay	4,871,183	794,933	1,147,646	2,728,675	22,518,852	4,987,275	1,813,119	1,680,999	1,246,377	3,328,298
Debt Service:										
Principal	505,000	608,000	565,000	950,000	960,000	1,682,283	1,838,891	1,941,898	1,462,608	1,497,837
Interest	1,155,534	1,126,033	1,092,239	702,027	2,256,025	1,818,207	1,764,609	1,705,302	1,630,480	1,600,417
Total expenditures	43,018,952	41,204,703	45,371,651	49,745,278	75,827,113	60,471,080	56,849,084	58,597,358	60,744,783	64,023,093
Excess (Deficiency) of revenues over (under) expenditures	(5,261,899)	272,292	(600,714)	(842,094)	(17,525,018)	(3,441,533)	1,011,813	1,297,554	460,726	(285,238)
Other Financing sources (uses)										
Issuance of bonds				20,525,000						
Proceeds from bond issue				20,792,075						
Payment to bond escrow agent				(20,525,000)						
Accrued interest				(27,140)						
Costs of issuance				(239,935)						
Capital leases	31,053			89,731	1,280,981	331,067	761,632	564,226	472,599	
Transfers in					559,612	250,000	783,049	56	818,250	
Transfers out					(559,612)	(250,000)	(783,049)	(56)	(818,250)	
Total other financing sources (uses)	31,053	-	-	20,614,731	1,280,981	331,067	761,632	564,226	472,599	-
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(5,230,846)	272,292	(600,714)	19,772,637	(16,244,037)	(3,110,466)	1,773,445	1,861,780	933,325	(285,238)
Fund balance July 1	7,156,783	1,925,937	2,198,229	1,597,515	21,370,152	5,126,115	2,015,649	3,789,094	5,650,874	6,584,199
Fund balance June 30	\$ 1,925,937	\$ 2,198,229	\$ 1,597,515	\$ 21,370,152	\$ 5,126,115	\$ 2,015,649	\$ 3,789,094	\$ 5,650,874	\$ 6,584,199	\$ 6,298,961
Debt service as a percentage of noncapital expenditures	4.35%	4.29%	3.75%	3.51%	6.03%	6.31%	6.55%	6.41%	5.20%	5.10%

Source: District records

Note: Prior years are not available for this District

Note: Noncapital expenditures are total expenditures less capital outlay.

Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.

Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

School District of the Chathams
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years

(modified accrual basis of accounting)
Unaudited

Year Ended June 30,	Tuition	Interest on Investments	Rentals	Prior Year Refunds	Miscellaneous	Transportation Fees	Annual Totals
2003	\$ 17,262	\$ 76,418	\$ 8,005	\$ 731	\$ 45,512	\$ 37,558	\$ 185,486
2004	28,881	49,411	13,435	3,307	11,687	43,953	150,674
2005	36,796	106,549	15,069	7,104	85,428	50,605	301,551
2006	39,189	427,770			174,347	51,302	692,608
2007	21,754	266,721	8,412	53,966	61,069	45,770	457,692
2008	12,347	148,834			139,476	63,811	364,468
2009	16,301	11,595		131,229	113,311	77,660	350,096
2010	5,000	17,278	45,770	70,720	178,455	95,654	412,877
2011	60,500	14,064	64,626	16,831	214,647	102,737	473,405
2012	43,900	9,600	107,585	52,122	257,317	98,468	568,992

Source: District records

School District of the Chathams
Assessed Value and Actual Value of Taxable Property
Last Ten Years

Unaudited

Year Ended 12/31	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Public Utilities ^a	Total Assessed Value	Less : Tax Exempt Property	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
Borough of Chatham													
2003	\$ 5,813,275	\$ 649,487,444	None	\$ 100,000	\$ 105,692,600	\$ 7,942,200	\$ 16,819,300	\$ 936,100	\$ 786,790,919	\$ 65,479,600	\$ 721,311,319	\$ 1,505,680,519	\$ 1.834
2004	5,784,875	653,607,300	None	100,000	106,101,500	7,942,200	16,819,300	726,856	791,082,031	64,816,000	726,266,031	1,707,949,777	2.012
2005 c	12,685,100	1,739,443,300	None	200,000	220,482,100	15,418,000	41,356,800	1,829,935	2,031,417,235	148,480,100	1,882,927,135	1,842,202,687	0.842
2006	12,997,600	1,744,108,300	None	200,000	220,220,300	15,418,000	40,458,800	1,676,745	2,035,079,745	148,026,500	1,887,053,245	2,047,776,544	0.927
2007	13,555,600	1,751,080,200	None	200,000	217,881,000	13,725,100	39,373,700	1,655,966	2,037,471,566	146,672,700	1,890,798,866	2,229,300,135	0.930
2008	13,630,700	1,759,974,900	None	200,000	217,232,100	21,490,500	39,373,700	1,617,515	2,053,519,415	146,267,600	1,907,251,815	2,425,753,251	0.986
2009	13,630,700	1,764,771,200	None	200,000	217,092,700	21,490,500	39,373,700	1,600,626	2,058,159,426	146,267,600	1,911,891,826	2,357,398,831	1.030
2010	12,881,900	1,772,106,600	None	200,000	216,835,000	21,593,300	39,373,700	1,682,076	2,064,672,576	146,267,600	1,918,404,976	2,271,795,925	1.030
2011	12,657,900	1,772,631,200	None	200,000	212,066,200	21,593,300	39,373,700	1,409,757	2,058,932,057	146,267,600	1,913,664,457	2,329,736,842	1.120
2012	12,657,900	1,774,652,000	None	200,000	206,826,100	21,593,300	39,173,700	1,417,502	2,056,520,502	145,518,900	1,911,001,602	2,695,097,439	1.145
Township of Chatham													
2003	\$ 19,417,400	\$ 1,166,178,300	\$ 3,841,400	\$ 99,710	\$ 55,126,200	\$ 6,156,900	35,083,100	\$ 990,279	\$ 1,286,893,289	\$ 77,553,000	\$ 1,209,340,289	\$ 1,995,408,825	\$ 1.513
2004	19,955,200	1,160,615,105	3,841,400	181,310	70,611,200	6,156,900	29,639,900	887,436	1,291,888,451	79,574,000	1,212,314,451	2,202,993,424	1.606
2005 c	32,899,900	2,487,098,300	10,798,600	513,800	127,975,400	13,725,100	60,260,000	1,365,463	2,734,636,563	148,820,000	2,585,816,563	2,394,796,665	0.811
2006	60,972,700	2,488,667,600	10,721,000	475,100	121,434,900	13,725,100	60,260,000	1,228,357	2,757,484,757	157,771,000	2,599,713,757	2,732,050,104	0.899
2007	51,091,100	2,538,114,699	13,511,800	479,200	190,531,300	13,725,100	54,660,000	1,133,118	2,863,246,317	156,532,000	2,706,714,317	3,089,647,830	0.930
2008	46,219,100	2,638,012,800	13,684,800	455,300	121,926,400	13,725,100	26,525,000	1,135,045	2,861,683,545	159,523,300	2,702,160,245	3,200,792,772	0.975
2009	33,722,900	2,700,613,700	12,433,100	441,100	119,189,900	13,725,100	55,330,000	1,267,858	2,936,723,658	161,760,800	2,774,962,858	3,229,679,613	1.020
2010	31,098,400	2,724,471,100	14,277,500	245,100	119,702,100	13,725,100	56,110,000	1,401,393	2,961,030,693	175,132,800	2,785,897,893	3,193,385,085	1.020
2011	31,381,800	2,749,929,300	14,497,600	247,000	120,292,100	13,725,100	51,000,000	1,542,789	2,982,615,689	176,510,100	2,806,105,589	3,185,247,249	1.071
2012	27,977,300	2,754,348,700	13,868,900	230,300	120,292,100	13,725,100	51,000,000	1,599,125	2,983,041,525	177,150,400	2,805,891,125	3,214,706,572	1.071

Source: Table of Aggregates

Note:

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

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

b Tax rates are per \$100

c Re-evaluation

N/A - Information not available.

School District of the Chathams
Property Tax Rates-Direct and Overlapping Governments
Last Ten Years
(rate per \$100 of assessed value)

Unaudited

Year Ended December 31,	School District of the Chathams Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	(From J-6) Total Direct School Tax Rate	Municipality	Morris County	
Borough of Chatham						
2003	\$ 1.78	\$ 0.05	\$ 1.83	\$ 0.71	\$ 0.56	\$ 3.10
2004	1.96	0.05	2.01	0.69	0.61	3.31
2005 c	0.80	0.04	0.84	0.30	0.25	1.39
2006	0.89	0.04	0.93	0.32	0.25	1.50
2007	0.87	0.06	0.93	0.33	0.26	1.52
2008	0.93	0.06	0.99	0.35	0.27	1.60
2009	0.97	0.06	1.03	0.36	0.27	1.66
2010	0.97	0.06	1.03	0.35	0.27	1.65
2011	1.06	0.06	1.12	0.37	0.26	1.75
2012	1.09	0.06	1.15	0.40	0.28	1.82
Township of Chatham						
2003	\$ 1.46	\$ 0.05	\$ 1.51	\$ 0.47	\$ 0.46	\$ 2.44
2004	1.56	0.05	1.61	0.48	0.50	2.59
2005 c	0.77	0.04	0.81	0.27	0.24	1.32
2006	0.86	0.04	0.90	0.29	0.25	1.44
2007	0.87	0.06	0.93	0.30	0.26	1.49
2008	0.92	0.05	0.98	0.31	0.27	1.55
2009	0.97	0.05	1.02	0.33	0.25	1.60
2010	0.97	0.05	1.02	0.33	0.25	1.60
2011	1.02	0.05	1.07	0.33	0.26	1.65
2012	1.02	0.05	1.07	0.33	0.26	1.65

Source:

A4F and Table of Aggregates

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

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

^c Re-evaluation

School District of the Chathams
Principal Property Taxpayers
Current Year and Prior Year

Unaudited

	2012			2011	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
<u>Chatham Borough</u>			<u>Chatham Borough</u>		
Normandy Chatham, LLC	\$ 14,025,700	0.68%	Normandy Chatham, LLC	\$ 14,025,700	0.68%
One Main Street Associates	12,500,000	0.61%	One Main Street Associates	12,500,000	0.61%
S/K Chatham Associates	11,794,800	0.57%	S/K Chatham Associates	11,794,800	0.57%
J. Apgar	10,004,500	0.49%	J. Apgar	10,004,500	0.49%
Chatham Project, LLC	7,310,000	0.36%	Chatham Project, LLC	7,310,000	0.35%
Levin Properties, LP	6,884,600	0.33%	Levin Properties, LP	6,884,600	0.33%
Foresome Group	6,610,600	0.32%	Foresome Group	6,610,600	0.32%
Town Square Partners	5,734,000	0.28%	Town Square Partners	5,734,000	0.28%
Hickory Tree Properties	4,530,500	0.22%	Hickory Tree Properties	4,530,500	0.22%
Jackson house Apartments	4,000,000	0.19%	Jackson house Apartments	4,000,000	0.19%
Total	<u>\$ 83,394,700</u>	<u>4.06%</u>	Total	<u>\$ 83,394,700</u>	<u>4.05%</u>
<u>Township of Chatham</u>			<u>Township of Chatham</u>		
Home Poperties Chatham Hill, LLC	\$ 41,000,000	1.37%	Home Poperties Chatham Hill, LLC	\$ 41,000,000	1.37%
Hickory Square Associates LP	22,360,000	0.75%	Hickory Square Associates LP	22,360,000	0.75%
Fairmount Country Club	18,012,500	0.60%	Fairmount Country Club	18,012,500	0.60%
Texas Eastern Transmission Corp.	15,127,200	0.51%	Texas Eastern Transmission Corp.	15,127,200	0.51%
Giralda Farms	11,881,800	0.40%	Rosepond LLC	11,881,800	0.40%
Transcontinental Gas Pipeline Corp.	10,198,800	0.34%	Giralda Farms	10,198,800	0.34%
Chatham Hills, Inc.	10,000,000	0.34%	Transcontinental Gas Pipeline Corp.	10,000,000	0.34%
Juniper Assisted Living Residence	9,666,000	0.32%	Chatham Hills, Inc.	9,666,000	0.32%
Hanks and Condon, LLC	7,466,000	0.25%	Juniper Assisted Living Residence	9,585,600	0.32%
Chatham Mall Assoc, LLC	7,116,200	0.24%	Hanks and Condon, LLC	7,466,000	0.25%
Total	<u>\$ 152,828,500</u>	<u>5.12%</u>	Total	<u>\$ 155,297,900</u>	<u>5.21%</u>

Source: District CAFR & Municipal Tax Assessor.
Nine years ago information is not available for this District.
and therefore we presented the most recent information.

School District of the Chathams
Property Tax Levies and Collections
Last Ten Years

Unaudited

Year Ended June 30,	Taxes Levied for the Fiscal Year - School District of the Chathams	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 32,441,691	\$ 32,441,691	100.00%	-
2004	35,322,152	35,322,152	100.00%	-
2005	37,987,084	37,987,084	100.00%	-
2006	40,462,161	40,462,161	100.00%	-
2007	43,605,298	43,605,298	100.00%	-
2008	46,625,391	46,625,391	100.00%	-
2009	49,793,222	49,793,222	100.00%	-
2010	50,753,021	50,753,021	100.00%	-
2011	54,289,371	54,289,371	100.00%	-
2012	55,524,892	55,524,892	100.00%	-

Year Ended December 31,	Taxes Levied for the Fiscal Year - Borough of Chatham	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 22,797,463	\$ 22,498,435	98.69%	\$ 299,028
2003	24,429,799	24,231,495	99.19%	198,304
2004	26,234,466	25,921,583	98.81%	312,883
2005	28,293,299	27,997,342	98.95%	295,957
2006	30,643,935	30,242,464	98.69%	401,471
2007	31,176,717	30,870,814	99.02%	305,903
2008	32,899,145	32,583,610	99.04%	315,535
2009	34,236,517	33,861,184	98.90%	375,333
2010	34,818,611	34,148,365	98.08%	670,246
2011	36,110,675	35,593,677	98.57%	516,998

Year Ended December 31,	Taxes Levied for the Fiscal Year - Township of Chatham	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 29,394,802	\$ 29,031,628	98.76%	\$ 363,174
2003	31,534,398	31,152,113	98.79%	382,285
2004	33,702,075	33,157,545	98.38%	544,530
2005	36,266,605	35,846,789	98.84%	419,816
2006	40,194,857	39,756,462	98.91%	438,395
2007	42,580,137	42,025,237	98.70%	554,900
2008	45,332,669	44,771,903	98.76%	560,766
2009	46,405,540	45,773,092	98.64%	632,448
2010	47,709,719	47,036,066	98.59%	673,653
2011	49,677,509	48,991,001	98.62%	686,508

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

Note: The top chart represents the School District only, while the bottom two charts represent the total levy for each town/borough (municipality, county, school, etc).

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

School District of the Chathams
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Unaudited

Governmental Activities

Year Ended June 30,	General Obligation Bonds	Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita Income ^a
2003	\$ 22,501,000	\$ 181,292	\$ 22,682,292	0.25%	\$ 56,804
2004	21,893,000	126,592	22,019,592	0.28%	60,780
2005	22,495,000	34,115	22,529,115	0.28%	62,930
2006	42,070,000	89,575	42,159,575	0.16%	67,918
2007	41,110,000	876,145	41,986,145	0.17%	71,191
2008	39,945,000	689,929	40,634,929	0.18%	74,025
2009	38,870,000	687,870	39,557,870	0.17%	67,614
2010	37,810,000	369,998	38,179,998	0.18%	69,811
2011	36,700,000	489,989	37,189,989	*	*
2012	35,535,000	157,152	35,692,152	*	*

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

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

* Information not available

^a See J-14 for personal income and population data. These ratios are calculated using personal income and population for the current calendar year.

School District of the Chathams
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Unaudited

<u>General Bonded Debt Outstanding</u>					
<u>Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value ^a of Property</u>	<u>Per Capita ^b</u>
2003	\$ 22,501,000		\$ 22,501,000	3.12%	\$ 56,804
2004	21,893,000		21,893,000	3.01%	60,780
2005	22,495,000		22,495,000 C	1.19%	62,930
2006	42,070,000		42,070,000	2.23%	67,918
2007	41,110,000		41,110,000	2.17%	71,191
2008	39,945,000		39,945,000	2.09%	74,025
2009	38,870,000		38,870,000	2.03%	67,614
2010	37,810,000		37,810,000	1.97%	69,811
2011	36,700,000		36,700,000	1.92%	**
2012	35,535,000		35,535,000	1.86%	**

Source:

a See J-6 for property tax data.

b Population data can be found in J-14.

Notes: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
Prior years information is not available for this District.

** This information is not available for this District.

C Reassessment year

School District of the Chathams
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Chatham Township		Not Available	
Chatham Borough		Not Available	
Morris County General Obligation Debt		Not Available	
Subtotal, overlapping debt			Not Available
School District the Chathams			<u>\$ 35,535,000</u>
Total direct and overlapping debt			<u><u>\$ 35,535,000</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation.
Debt outstanding data provided by each governmental unit.

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

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

School District of the Chathams
Legal Debt Margin Information
Last Ten Fiscal Years

Unaudited

Legal Debt Margin Calculation for Fiscal Year 2012

	Chatham Borough	Chatham Township	Equalized valuation basis Total
2011	\$ 2,329,763,842	\$ 3,185,247,249	\$ 5,515,011,091
2010	2,271,649,336	3,193,385,085	5,465,034,421
2009	2,357,398,831	3,229,679,613	5,587,078,444
	<u>\$ 6,958,812,009</u>	<u>\$ 9,608,311,947</u>	<u>\$ 16,567,123,956</u>
Average equalized valuation of taxable property			\$ 5,522,374,652
Debt limit (4% of average equalization value)			\$ 220,894,986 ^a
Total Net Debt Applicable to Limit			<u>35,535,000</u>
Legal debt margin			<u>\$ 185,359,986</u>

Year ended June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 102,252,027	\$ 117,473,901	\$ 153,842,452	\$ 164,165,089	\$ 180,769,779	\$ 196,913,546	\$ 215,725,830	\$ 220,343,929	\$ 222,382,119	\$ 220,894,986
Total net debt applicable to limit	<u>22,501,000</u>	<u>21,893,000</u>	<u>22,495,000</u>	<u>42,070,000</u>	<u>41,110,000</u>	<u>39,945,000</u>	<u>38,870,000</u>	<u>37,810,000</u>	<u>36,700,000</u>	<u>35,535,000</u>
Legal debt margin	<u>\$ 79,751,027</u>	<u>\$ 95,580,901</u>	<u>\$ 131,347,452</u>	<u>\$ 122,095,089</u>	<u>\$ 139,659,779</u>	<u>\$ 156,968,546</u>	<u>\$ 176,855,830</u>	<u>\$ 182,533,929</u>	<u>\$ 185,682,119</u>	<u>\$ 185,359,986</u>
Total net debt applicable to the limit as a percentage of debt limit	23.30%	18.64%	14.62%	25.63%	22.74%	20.29%	18.02%	17.16%	16.50%	16.09%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

School District of the Chathams
Demographic and Economic Statistics
Last Ten Years

Unaudited

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
Borough of Chatham				
2002	8,364	\$ 471,913,608	\$ 56,422	2.80%
2003	8,337	473,574,948	56,804	2.80%
2004	8,316	505,446,480	60,780	2.20%
2005	8,305	522,633,650	62,930	0.00%
2006	8,201	556,995,518	67,918	2.50%
2007	8,171	581,701,661	71,191	2.30%
2008	8,171	604,858,275	74,025	2.99%
2009	8,196	554,164,344	67,614	5.20%
2010	8,970	626,204,670	69,811	5.20%
2011	**	**	**	5.10%
Township of Chatham				
2002	10,020	\$ 565,348,440	\$ 56,422	3.50%
2003	10,001	568,096,804	56,804	3.50%
2004	10,054	611,082,120	60,780	2.80%
2005	10,069	633,642,170	62,930	0.00%
2006	10,075	684,273,850	67,918	1.40%
2007	10,059	716,110,269	71,191	1.30%
2008	10,107	748,170,675	74,025	1.65%
2009	10,175	687,972,450	67,614	2.90%
2010	10,460	730,223,060	69,811	3.00%
2011	**	**	**	2.90%

Source:

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

^b Personal income has been estimated based upon the municipal population and per capita personal income presented.

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

** This information is not available from State.

School District of the Chathams
Principal Employers
Current Year and Nine Years Ago

Unaudited

	<u>2012</u>		<u>2003</u>	
		Percentage of Total Municipal Employment		Percentage of Total Municipal Employment
<u>Employer</u>	<u>Employees</u>		<u>Employees</u>	
TOWNSHIP OF CHATHAM	*	*	*	*
BOROUGH OF CHATHAM	*	*	*	*

* This information not available for the District.

School District of the Chathams
Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Unaudited									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Regular	239.59	244.10	241.49	250.70	253.47	259.92	243.70	247.58	271.50	280.00
Special Education	32.00	31.00	32.30	34.30	56.00	48.80	69.30	73.00	84.20	89.30
Support Services										
Student & instruction related services	59.75	59.82	61.74	61.00	61.49	60.61	60.50	50.63	30.80	34.10
General administrative services	3.00	3.00	3.00	4.00	2.00	2.00	2.50	2.50	10.40	9.40
School administrative services	23.60	23.60	26.60	25.20	25.31	27.75	25.50	23.00	28.50	28.50
Business administrative services	6.00	8.00	8.80	8.50	9.50	9.00	9.00	7.00	7.00	8.00
Plant operation & maintenance	35.00	36.50	37.50	49.00	46.50	46.00	51.00	42.00	42.90	42.90
Pupil transportation	0.50	0.50	0.50	0.60	0.60	0.50	1.00	1.00	1.00	1.00
Total	399.44	406.52	411.93	433.30	454.87	454.58	462.50	446.71	476.30	493.20

Source: District Personnel Records

School District of the Chathams
Operating Statistics
Last Ten Fiscal Years

Unaudited

Year Ended June 30,	Pupil/Teacher Ratio								Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	4 Elementary Schools	1 Middle School	1 High School				
2003	3,138	\$ 35,761,944	\$ 11,396	2.97%	269.10	13.2:1	11.1:1	11.7:1	3,028	2,899	3.06%	95.74%
2004	3,258	38,901,065	11,940	4.77%	271.70	14.1:1	11.9:1	12.6:1	3,135	3,018	3.53%	96.27%
2005	3,363	42,818,329	12,732	6.63%	281.70	12.8:1	11.10:1	12.39:1	3,266	3,143	4.18%	96.23%
2006	3,458	41,699,837	12,059	-5.29%	288.28	13.3:1	11.2:1	11.9:1	3,376	3,307	3.37%	97.96%
2007	3,492	50,092,236	14,345	18.96%	294.50	12.6:1	10.4:1	11.4:1	3,450	3,392	2.19%	98.32%
2008	3,582	51,912,969	14,493	1.03%	308.72	13.7:1	10.7:1	11.5:1	3,574	3,432	3.59%	96.03%
2009	3,718	52,245,296	14,052	-3.04%	313.00	13.7:1	10.7:1	11.5:1	3,704	3,555	3.62%	95.98%
2010	3,897	53,268,159	13,669	-2.73%	320.58	13.7:1	10.7:1	11.5:1	3,895	3,749	5.17%	96.25%
2011	3,976	56,405,318	14,186	3.79%	326.50	12.9:1	12.1:1	11.2:1	3,976	3,818	2.08%	96.03%
2012	4,071	57,596,541	14,148	-0.27%	332.60	12.9:1	11.8:1	11.5:1	4,052	3,903	1.91%	96.32%

Sources: District records and ASSA

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

* Information not available

** This information is not yet available

School District of the Chathams
School Building Information
Last Ten Fiscal Years

Unaudited

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
District Building										
<u>Elementary</u>										
Milton Avenue School (1948)										
Square Feet	34,728	34,728	34,728	34,728	34,728	34,728	34,728	34,728	37,964	37,964
Capacity (students)	252	252	252	252	252	252	252	252	263	263
Enrollment	262	280	309	323	329	329	342	366	373	381
Southern Boulevard School (1928)										
Square Feet	51,983	51,983	51,983	51,983	51,983	51,983	51,983	51,983	61,907	61,907
Capacity (students)	377	377	377	377	377	377	377	377	396	396
Enrollment	516	535	547	527	526	484	490	502	493	499
Washington Avenue School (1952)										
Square Feet	40,293	40,293	40,293	40,293	40,293	40,293	40,293	40,293	43,838	43,838
Capacity (students)	292	292	292	292	292	292	292	292	304	304
Enrollment	287	325	320	332	327	387	401	446	455	453
Lafayette Avenue School (1954)										
Square Feet	68,294	68,294	68,294	68,294	68,294	68,294	68,294	68,294	75,268	75,268
Capacity (students)	495	495	495	495	495	495	495	495	516	516
Enrollment	525	541	524	561	556	597	636	637	598	635
<u>Middle School</u>										
Chatham Middle School (1957)										
Square Feet	144,445	144,445	144,445	144,445	144,445	144,445	144,445	144,445	148,396	148,396
Capacity (students)	989	989	989	989	989	989	989	989	1,049	1,049
Enrollment	706	704	783	795	793	831	849	891	958	956
<u>High School</u>										
Chatham High School (1962)										
Square Feet	168,977	168,977	168,977	168,977	168,977	168,977	220,065	220,065	220,065	220,065
Capacity (students)	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,090	1,090
Enrollment	842	873	880	920	909	954	999	1,054	1,056	1,147

Number of Schools at June 30, 2012

 Elementary = 4

 Middle School = 1

 Senior High School = 1

Source: District Facilities Office

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

School District of the Chathams
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years

Unaudited

Undistributed Expenditures - Required Maintenance for School Facilities
Account # 11-000-261-xxx

Year ended June 30	Chatham HS	Chatham MS	Lafayette Avenue School	Washington Avenue School	Southern Blvd School	Milton Avenue School	Total
2003	\$ 183,907	\$ 89,572	\$ 70,589	\$ 68,930	\$ 33,754	\$ 92,500	\$ 539,252
2004	370,439	207,431	143,741	111,087	75,734	124,155	1,032,587
2005	446,098	253,031	131,167	77,638	106,703	192,310	1,206,947
2006	310,006	168,723	112,791	74,405	61,980	104,027	831,932
2007	403,377	207,976	114,145	59,007	113,178	69,648	967,331
2008	334,919	225,782	114,500	66,680	94,210	57,741	893,832
2009	350,000	211,869	107,462	62,589	88,386	54,202	874,508
2010	362,272	244,290	123,907	72,165	101,911	62,496	967,041
2011	558,349	376,510	190,970	111,226	157,070	96,322	1,490,447
2012	369,719	249,311	126,453	73,649	104,006	63,781	986,919
Grand Total School Facilities	<u>\$ 3,689,086</u>	<u>\$ 2,234,495</u>	<u>\$ 1,235,725</u>	<u>\$ 777,376</u>	<u>\$ 936,932</u>	<u>\$ 917,182</u>	<u>\$ 9,790,796</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records of required maintenance.

School District of the Chathams
Insurance Schedule
Year ended June 30, 2012

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - Zurich		
Property - Blanket, building and contents	\$ 93,542,951	\$ 5,000
Commercial General Liability	2,000,000 (aggregate)	
Employee Benefits Liability	1,000,000 (aggregate)	
Electronis Data Processing	3,000,000	5,000
Blanket Bond/Crime Coverage	100,000	1,000
Leased / Contractor Equipment	400,000	1,000
Commercial Automotive Liability - Zurich	1,000,000	1,000
Workers Compensation	2,000,000	
Systems Breakdown - Boiler & Machinery	60,000,000	1,000
Environmental	2,000,000 (aggregate)	5,000
Umbrella Liability - Zurich & Fireman's Fund	50,000,000	10,000
Crime		
Employee Theft	500,000	5,000
Forgery / Fraud	50,000	1,000
Computer Fraud	50,000	1,000
School District and Educators Legal Liability		
Zurich	1,000,000	10,000
Volunteer Accident - Maksin		
Maximum Amount	250,000	
Public Officials Bonds		
Treasurer of School Monies - Selective Insurance	325,000	
Business Administrator - Selective Insurance	300,000	
Assistant Business Administrator - Selective Insurance	150,000	

Source: District Records and Insurance Company.

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Honorable President and Members
of the Board of Education
School District of the Chathams
Chatham, New Jersey
County of Morris

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the School District of the Chathams, in the County of Morris, New Jersey (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

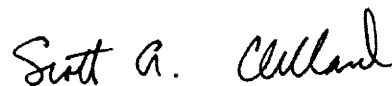
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the District in a separate *Auditors' Management Report on Administrative Findings* dated November 27, 2012.

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 27, 2012
Iselin, New Jersey

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

Honorable President and Members
of the Board of Education
School District of the Chathams
Chatham, New Jersey
County of Morris

Compliance

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

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

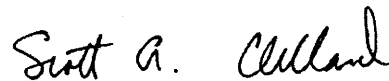
Internal Control Over Compliance

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

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

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

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 27, 2012
Iselin, New Jersey

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS

Schedule of Expenditures of Federal Awards, Schedule A
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2011	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2012		
									Accounts Receivable	Deferred Revenue	Due to Grantor
General Fund:											
US Department of Education - Passed- Through State Department of Education Education Jobs Fund	84.410	7/1/11-6/30/12	\$ 102,218		\$ 92,525	\$ 102,218			\$ (9,693)		
Total General Funds					92,525	102,218			(9,693)		
Enterprise Fund:											
U.S. Department of Agriculture Passed - Through State Department of Education: Food Donation Program (NC)	10.555	7/1/11-6/30/12	38,304		38,304	33,711				\$ 4,593	
Food Donation Program (NC)	10.555	7/1/10-6/30/11	18,102	\$ 677		677					
National School Lunch Program	10.555	7/1/11-6/30/12	54,007		39,460	54,007			(14,547)		
National School Lunch Program	10.555	7/1/10-6/30/11	45,989	(8,629)	8,629	-			-	-	
Total U.S. Department of Agriculture				(7,952)	86,393	88,395			(14,547)	4,593	
Special Revenue Fund:											
U.S. Department of Education Passed - Through State Department of Education: N.C.L.B. Title II A	84.367A	9/1/11-8/31/12	59,037		44,828	59,037			(14,209)		
N.C.L.B. Title II A - Carryover	84.367A	9/1/10-8/31/11	64,355	(2,528)	2,528						
N.C.L.B. Title III	84.365	9/1/11-8/31/12	12,119		10,125	12,119			(1,994)		
N.C.L.B. Title III - Carryover	84.365	9/1/10-8/31/11	10,736	(2,261)	2,261						
ARRA - I.D.E.I.A. Part B, Basic	84.391	9/1/09-8/31/11	849,420	(238,666)	238,666						
I.D.E.A. Part B	84.027A	9/1/11-8/31/12	861,612		698,702	852,753			(154,051)		
I.D.E.A. Part B - Carryover	84.027A	9/1/10-8/31/11	824,092	(75,336)	75,336						
I.D.E.A. Part B - Carryover	84.027A	9/1/09-8/31/10	737,798	(46,905)	46,905						
ARRA - I.D.E.A. Part B, Preschool	84.392	9/1/09-8/31/11	30,744	(11,366)	11,366						
I.D.E.A. Part B, Preschool	84.173A	9/1/11-8/31/12	24,412	-	3,089	3,089			-	-	
Total Special Revenue Funds				(377,062)	1,133,806	926,998	-	-	(170,254)	-	-
Total Federal Financial Assistance				\$ (385,014)	\$ 1,312,724	\$ 1,117,611	\$ -	\$ -	\$ (194,494)	\$ 4,593	\$ -

NC - Non-cash expenditures

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS**

**Schedule of Expenditures of State Financial Assistance, Schedule B
Year Ended June 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance 07/01/2011	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2012			MEMO	
									Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Categorical Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 1,442,731			\$ 1,315,565	\$ 1,442,731					\$ (127,166)	\$ 1,442,731
Categorical Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	408,719	\$ (20,848)		20,848							
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	434,692				434,692		\$ (434,692)				434,692
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	467,660	(467,660)		467,660							
Non-Public Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	43,033				43,033		(43,033)				43,033
Non-Public Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	38,396	(38,396)		38,396							
Anti-Bullying Bill of Rights Act	Not available	7/1/11-6/30/12	15,123			15,123	15,123						15,123
Reimbursed TPAF Social Security Contribution	12-495-034-5095-002	7/1/11-6/30/12	1,798,166			1,709,081	1,798,166		(89,085)				1,798,166
Reimbursed TPAF Social Security Contribution	11-495-034-5095-002	7/1/10-6/30/11	1,857,072	(91,677)		91,677	-		-			-	-
Total General Funds				(618,581)		3,658,350	3,733,745		(566,810)			(127,166)	3,733,745
Special Revenue Fund:													
New Jersey Nonpublic Aid:													18,330
Textbook Aid	12-100-034-5120-064	7/1/11-6/30/12	18,330			18,330	18,330						
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	30,751	7,943				\$ 7,943					
Auxiliary Services:											\$ 5,326		14,117
Compensatory Education	12-100-034-5120-067	7/1/11-6/30/12	19,443			19,443	14,117						
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	19,258	335				335					258
English as a Second Language	12-100-034-5120-067	7/1/11-6/30/12	862			862	258				604		
English as a Second Language	11-100-034-5120-067	7/1/10-6/30/11	1,708	1,708				1,708					
Home Instruction	12-100-034-5120-067	7/1/11-6/30/12	2,037				2,037		(2,037)				2,037
Handicapped Services:													
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	37,992			37,992	26,405				11,587		26,405
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	37,798	4,630				4,630					
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	30,014			30,014	22,114				7,900		22,114
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	34,422	6,494				6,494					
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	27,359			27,359	16,275				11,084		16,275
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	28,488	9,103				9,103					
Nursing Services	12-100-034-5120-070	7/1/11-6/30/12	35,888	-		35,888	35,888	-	-		-		35,888
Total Special Revenue Funds				30,213		169,888	135,424	30,213	(2,037)		36,501		135,424
Capital Projects Fund:													
N.J. Economic Development Authority													
Educational Facilities Construction & Financing Act:													
N.J. Schools Development Authority	0785-010-04-2000	10/1/04 - Completion	187,017	4,350						\$ 4,350			182,667
N.J. Schools Development Authority	0785-050-05-0ANZ	7/12/05 - Completion	1,194,049	67,590						67,590			1,261,639
N.J. Schools Development Authority	0785-070-10-1002	6/29/11 - Completion	34,128	(3,512)			21,193		(24,705)				24,705
N.J. Schools Development Authority	0785-030-10-1003	6/29/11 - Completion	141,178	(20,794)			74,070		(94,864)				94,864
N.J. Schools Development Authority	0785-050-10-1001	6/29/11 - Completion	224,852	(6,045)			180,826		(186,871)		-		186,871
Total Capital Project Funds				41,589			276,089		(306,440)		71,940		1,615,566
Enterprise Fund:													
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	5,145			3,755	5,145		(1,390)				5,145
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	4,973	(1,206)		1,206	-		-				-
Total Enterprise Fund				(1,206)		4,961	5,145		(1,390)				5,145
Total All Funds				\$ (547,985)	\$ -	\$ 3,833,199	\$ 4,150,403	\$ 30,213	\$ (876,677)	\$ 71,940	\$ 36,501	\$ (127,166)	\$ 5,489,880

School District of the Chathams
Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2012

1. General

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

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

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

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

School District of the Chathams
Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2012

3. Relationship to Basic Financial Statements (continued)

The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$106,318) for the general fund and (\$38,046) for the special revenue fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general fund, special revenue fund, capital projects fund and enterprise fund. Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 102,218	\$ 5,989,353	\$ 6,091,571
Special Revenue Fund	933,884	135,424	1,069,308
Capital Projects Fund		276,089	276,089
Enterprise Fund	88,395	5,145	93,540
Total financial award revenues	<u>\$ 1,124,497</u>	<u>\$ 6,406,011</u>	<u>\$ 7,530,508</u>

4. Relationship to Federal and State Financial Reports

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

5. New Jersey Schools Development Authority (NJSDA) Grant

The District has been awarded grants in the amount of \$2,164,975 from the NJSDA in connection with a capital referendum project for school improvements, the conversion of a workshop and replacement of roofs. At June 30, 2012, \$1,999,317 of the grant funds have been expended. In the Capital Projects Fund, the District realized the full amount of the grant revenue on the budgetary basis (F-Schedules) in the year awarded and realizes the grant revenue on a GAAP basis (B-2) as it is expended. The funds expended for the NJSDA projects are presented on the schedule of expenditures of state financial assistance as required by New Jersey Department of Education guidance.

School District of the Chathams
Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2012

6. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amounts reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2012 amounted to \$2,361,926. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey's OMB Circular 04-04 and are not reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

School District of the Chathams
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Part I - Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 / 84.173	IDEA Part B and Preschool Cluster

Township of Bernards Board of Education
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

Part I - Summary of Auditor's Results (continued)

State Awards Section

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

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

Type of auditors' report on compliance for major programs:

Unqualified

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X No

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?

 Yes X No

Identification of major programs:

<u>GMIS/Program Number</u>	<u>Name of State Program or Cluster</u>
100-034-5120-473	Extraordinary Aid
495-034-5095-002	Reimbursed TPAF Social Security Contributions

School District of the Chathams
Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II - Schedule of Financial Statement Findings

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

School District of the Chathams
Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III - Schedule of Federal and State Award Findings
and Questioned Costs**

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

School District of the Chathams
Summary Schedule of Prior Year
Audit Findings
Year ended June 30, 2012

Not applicable.