

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, 2013*

School District of the Chathams

Chatham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Prepared by

Business Office

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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 8, 2013

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, 2013, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and the 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 the 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 students. The District completed the 2012/2013 fiscal year with an average daily enrollment of 4,110 students, which is an increase of 58 students from the previous year's average daily enrollment. The changes in average daily enrollment over the past five years are as follows:

<u>Year</u>	<u>Average Daily Enrollment</u> <u>Student Enrollment</u>	<u>Percent Change</u>
2012/2013	4,110	1.4%
2011/2012	4,052	1.9%
2010/2011	3,976	2.1%
2009/2010	3,895	5.2%
2008/2009	3,704	3.6%

2. ECONOMIC CONDITION AND OUTLOOK:

Both Chatham Borough and Chatham Township are situated approximately 35 minutes west of New York City by train, bus or car and are close to major airports and highways. Both communities are characterized by well-educated, well-resourced and highly supportive residents. The two communities reflect a blend of metropolitan, historic and bucolic elements that make the area highly attractive from a quality of life perspective.

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. Chatham Borough continues to maintain its high property values and at the same time, the 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 \$5,066,188,000 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

The School District of the Chathams offers a diverse and challenging curriculum that extends beyond the New Jersey Core Curriculum Contents standards and the Common Core standards. Students perform at a superior level on statewide standardized tests. For each of the past three years, over 97% of Chatham High School graduates have gone on to further their education, with over 90% of these graduates attending four-year colleges or universities. In 2013, *U.S. News and World Report* placed Chatham High School among the top 1% of public high schools in the United States for student achievement and for learning in Science, Technology, Engineering, and Mathematics (S.T.E.M.) education.

Enhancing the educational experience of students is a broad set of extracurricular offerings in the arts, athletics, service organizations, and special-interest activities. Our choral and music groups have performed in venues including Carnegie Hall and Lincoln Center, multiple athletic teams have won New Jersey state championships in recent years, and other extracurricular groups—such as the Applied Physics and Engineering Club, the Academic Team, and the Model Congress/United Nations Club—have garnered recognitions and awards.

Members of this school community recognize that academic achievement is important, but not supreme. The school district is committed to developing learners in a manner that emphasizes socio-emotional needs, character, and respectfulness. Each of the district's six schools seeks to foster school environments free from bullying and rich with experiences that nurture the whole child. Similarly, the district is committed to offering programming that is based on the individual needs of students, be they academic, behavioral, or developmental in nature.

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, 2013.

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, 2013, the District's outstanding debt issues are well 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. FINANCIAL STATUS:

The business administrator and the finance committee continue to guide the district with fiscal prudence while working within the limitations imposed by the state's 2% cap on the annual increase of the tax revenue collected from Chatham Borough and Chatham Township. The business office utilizes purchasing co-operatives, state contacts and bids to purchase the materials needed to operate the district at the lowest possible price. The district has utilized the capital reserve balance to fund both the Phase 1 and Phase 2 additions to the High School instead of incurring additional debt. The capital reserve balance is also used in conjunction with the funding from the School Development Authority (SDA) for capital projects to maintain our aging school buildings.

9. 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, 2012. This was the sixth 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 2012/2013 certificate.

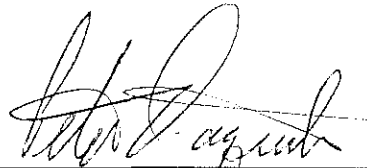
10. ACKNOWLEDGMENTS:

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. We also would like to thank the members of the Board of Education for their support of the school system, the countless hours they spend working to guide the district and their efforts to ensure that the district continues to improve and that it remains as one of the top school districts in the state.

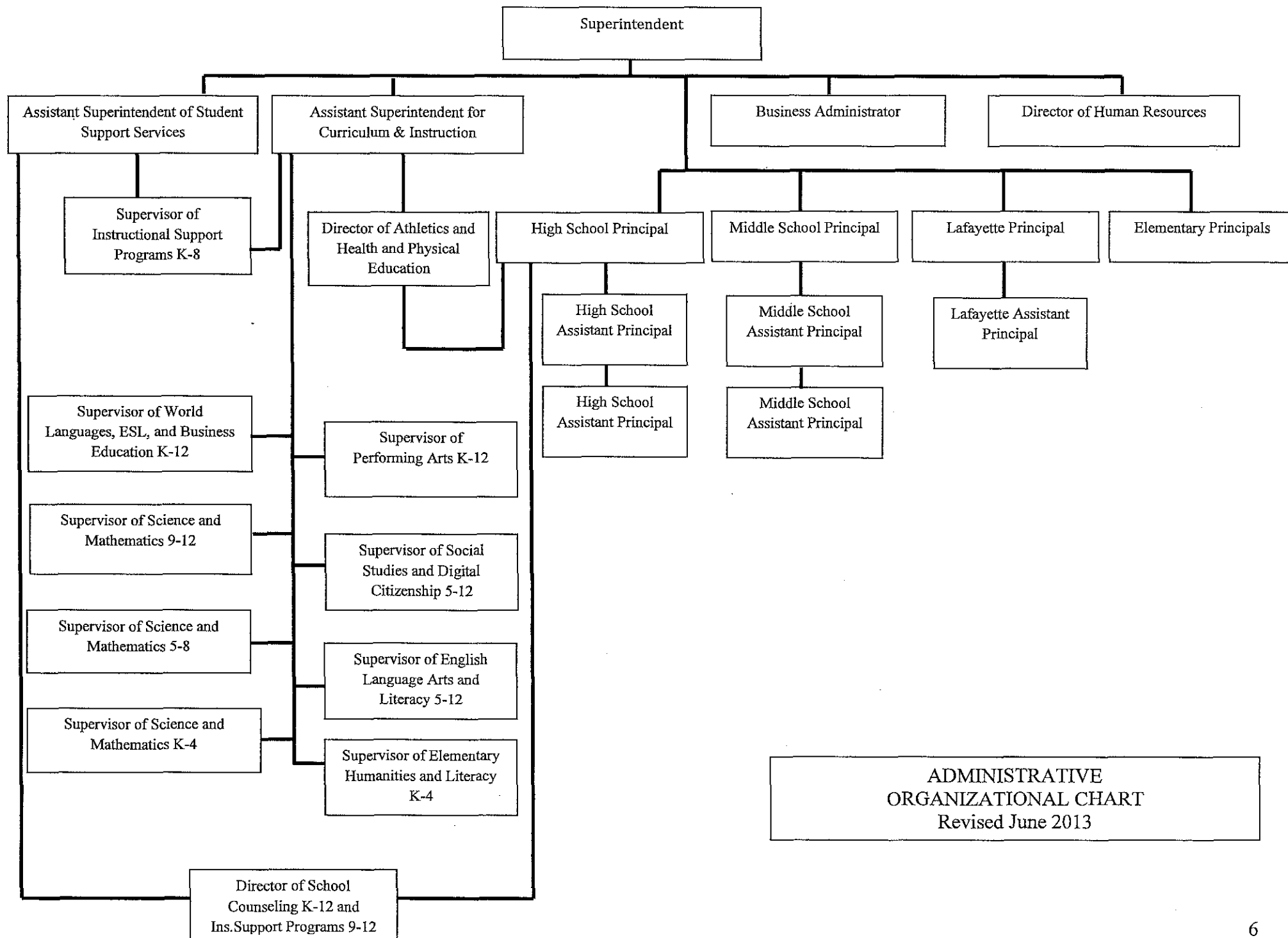
Respectfully submitted,



Dr. Michael LaSusa
Superintendent



Peter Daquila
Business Administrator/Board Secretary



ADMINISTRATIVE
ORGANIZATIONAL CHART
Revised June 2013

**School District of the Chathams
Chatham, New Jersey**

Roster of Officials

June 30, 2013

Members of the Board of Education

Expires

Thomas K. Belding, President	2015
Jill Critchley Weber, Vice President	2014
Al Burgunder	2015
Richard Connors	2014
Kim Cronin	2014
Philip Franz	2016
Matthew Gilfillan	2016
Lata Kenney	2015
John Nonnenmacher	2016

Other Officers

Dr. Michael LaSusa, Superintendent of Schools

Peter Daquila, RSBA, Business Administrator/Board Secretary

Patricia MacKenzie, Assistant to the Business Administrator/Assistant Board Secretary

Annette M. Wells, Treasurer of School Monies

**School District of the Chathams
Chatham, New Jersey**

Consultants, Independent Auditor and Advisors

June 30, 2013

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

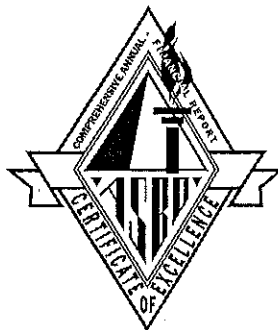


*The Certificate of Excellence in Financial Reporting Award
is presented to*

School District of the Chathams

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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



Ron McCulley, CPPB, RSBO
President

John D. Musso, CAE, RSBA
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information such as the introductory and statistical sections are

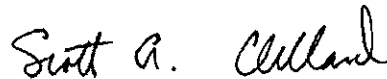
presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information identified above 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 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* in considering the District's internal control over financial reporting and compliance.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 8, 2013
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, 2013
(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, 2013. 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 supplementary information and other information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred inflows and outflows and liabilities of the District, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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 position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$42,687,451 at the close of fiscal 2013. The following table provides a summary of net position at June 30, 2013 and 2012 relating to the District's governmental and business-type activities:

Key financial Highlights for the 2012-2013 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2013.
- The State increased the approved state aid to the District for 2012-2013 by approximately \$430,000 from the final amount awarded to the District in the 2012 fiscal year.

	Government Activities		Business-Type Activities		Total School District	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Current and other assets	\$ 8,798,922	\$ 6,832,009	\$ 150,959	\$ 137,668	\$ 8,949,881	\$ 6,969,677
Capital Assets, net	68,803,639	69,395,459	235,334	257,164	69,038,973	69,652,623
Total Assets	77,602,561	76,227,468	386,293	394,832	77,988,854	76,622,300
Current and other liabilities	2,343,215	2,291,275	90,911	90,738	2,434,126	2,382,013
Long-term liabilities outstanding	32,867,277	34,335,403	-	34,796	32,867,277	34,370,199
Total Liabilities	35,210,492	36,626,678	90,911	125,534	35,301,403	36,752,212
Net Position:						
Net investment in capital assets	35,050,828	34,480,331	200,539	187,573	35,251,367	34,667,904
Restricted	6,828,242	4,364,029			6,828,242	4,364,029
Unrestricted	512,999	756,430	94,843	81,725	607,842	838,155
Total Net Position	\$ 42,392,069	\$ 39,600,790	\$ 295,382	\$ 269,298	\$42,687,451	\$39,870,088

The largest portion of the District's net position 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) 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 position represents resources that are subject to restrictions on how they may be used. The remaining balance represents unrestricted net position.

The total net position of the District increased \$2,817,363 during the current fiscal year.

Current and other assets increased due to positive operating results in the general fund that permitted the District to deposit funds into the capital reserve account. Part of the positive results was due to a settlement of a litigation matter in favor of the District.

Capital assets, net decreased from the prior year due to depreciation for capital assets having exceeded the amount of new additions associated with the District's capital projects.

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

Restricted net position increased mainly due to the net increase in the capital reserve account of \$2,856,356.

District Activities. The key elements of the District's changes in net position for the years ended June 30, 2013 and 2012 are as follows:

	Governmental Activities		Business-Type Activities		Total School District	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Revenues:						
Program Revenues:						
Charges for Services	\$ 291,587	\$ 142,368	\$ 891,004	\$ 948,046	\$ 1,182,591	\$ 1,090,414
Operating Grants and Contributions	1,451,083	1,276,311	91,155	93,540	1,542,238	1,369,851
Capital Grants and Contributions	2,997	276,089			2,997	276,089
General Revenue:						
Property Taxes	56,734,233	55,524,892			56,734,233	55,524,892
Federal and State Aid	7,687,106	6,091,571			7,687,106	6,091,571
Earnings on Investments	8,148	9,600			8,148	9,600
Miscellaneous	1,105,493	417,024			1,105,493	417,024
Total Revenue	67,280,647	63,737,855	982,159	1,041,586	68,262,806	64,779,441
Expenses:						
Instruction	38,849,778	36,397,419			38,849,778	36,397,419
Student and Instruction related services	8,869,645	8,324,801			8,869,645	8,324,801
Administration and Business	6,639,210	6,318,537			6,639,210	6,318,537
Maintenance and Operations	6,139,125	5,969,017			6,139,125	5,969,017
Transportation	2,238,383	2,417,836			2,238,383	2,417,836
Special Schools	172,554	150,240			172,554	150,240
Charter Schools	9,821	11,223			9,821	11,223
Interest on long-term liabilities	1,570,852	1,635,309			1,570,852	1,635,309
Business Type Activities			956,075	982,242	956,075	982,242
Total Expenses	64,489,368	61,224,382	956,075	982,242	65,445,443	62,206,624
Change in Net Position	2,791,279	2,513,473	26,084	59,344	2,817,363	2,572,817
Net position - beginning	39,600,790	37,087,317	269,298	209,954	39,870,088	37,297,271
Net position - ending	\$ 42,392,069	\$ 39,600,790	\$ 295,382	\$ 269,298	\$ 42,687,451	\$ 39,870,088

Revenue Sources. The District's total revenue for the 2012/13 school year was \$68,262,806. Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$56,734,233 of the total, or 83.11 percent. Another 11.26 percent came from federal and state aids not restricted for specific programs and operating and capital grants and contributions, 1.73 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 School District of the Chathams primarily conducts its operations from the revenue it receives from its local taxpayers. The decrease in capital grants is attributable to the completion of all Capital Projects in the prior year, therefore no revenue was recognized from the New Jersey Schools Development Authority. The increase in operating grants and contributions is the result of additional funds received in the current year related to local grants.

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 \$985,978, while the total fund balance was \$8,049,838. The net change in total fund balance for the General Fund was an increase of \$2,378,743, which was mainly attributable to positive operating results, settlement of a litigation matter in favor of the District, and the return of unexpended capital projects fund proceeds to their original sources for projects completed in the prior year.

Special Revenue Fund. The special revenue fund is used to track the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes, other than debt service or capital projects. Revenue and expenditures for the current fiscal year were comparable to the prior fiscal year, with an increase of \$177,769 attributable mostly to an increase in local grants received. IDEA continues to be the largest grant in the special revenue fund, with expenditures in the current fiscal year of \$856,768.

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). There were no expenditures in the current fiscal year as all capital projects maintained in this fund were completed as of the end of the prior fiscal year. Unexpended proceeds were returned to their original funding sources or to the debt service fund in the amount of \$474,525 at June 30, 2013.

Debt Service Fund. The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The fund balance in the debt service fund is \$77,646, which is primarily attributable to a return of \$76,388 of unexpended bond proceeds from the capital projects fund during the current fiscal year.

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, 2013, 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 2012</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$ 58,453,566	86.90%	\$ 2,152,679	3.82%
State Sources	7,833,455	11.65%	1,432,589	22.38%
Federal Sources	972,228	1.45%	(63,874)	-6.16%
	<u>\$ 67,259,249</u>	<u>100.00%</u>	<u>\$ 3,521,394</u>	<u>5.52%</u>

The increase in local sources is mainly attributable to an increase in the tax levy of approximately \$1.2 million. In addition, the District received a legal settlement of \$721,000 in April 2013.

The increase of approximately \$1.4 million or 22.38% of State sources in FY 2013 is mainly the result of an approximately \$1.3 million increase in the TPAF Pension benefits paid for by the State of New Jersey on behalf of the District.

The decrease of approximately \$63,000 or 6.16% of Federal sources in FY 2013 is mainly the result of the District receiving Education Jobs funds in the prior year and not in the current year. This was awarded only for the 2011-2012 year, so the District did not receive any such funding in the current year.

The following schedule presents a summary of Governmental Fund expenditures for the fiscal year ended June 30, 2013 and the increases and decreases in relation to the prior year.

	Amount	Percentage	Increase (Decrease) from 2012	Percent of Increase (Decrease)
Current Expenditures:				
Instruction	\$ 26,805,975	41.05%	\$ 1,805,384	7.22%
Undistributed	33,993,581	52.06%	1,516,291	4.67%
Special Schools	122,737	0.19%	14,835	13.75%
Charter Schools	9,821	0.02%	(937)	-8.71%
Capital Outlay	1,467,664	2.25%	(1,860,634)	-55.90%
Debt Service:				
Principal	1,367,152	2.08%	(130,685)	-8.72%
Interest	1,532,590	2.35%	(67,827)	-4.24%
	<u>\$ 65,299,520</u>	<u>100.00%</u>	<u>\$ 1,276,427</u>	1.99%

The increase in instruction expenditures is mainly due to an increase in Resource Room and Basic Skills salaries.

The increase in undistributed expenditures is attributable mainly to the increase in social security contributions and on-behalf pension contributions made by the State on behalf of the District.

The decrease in capital outlay expenditures of approximately \$1.86 million or 55.90% is the result of the fact that there were a lot of construction projects in progress in the prior year, with most of the work having been completed during 2012 and then completed during 2013.

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

Business-Type Activities

The net position from the District's business-type activity increased in the 2013 fiscal year by \$26,084. This increase is primarily the result of continued profitability in the food service program.

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 on the next page 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.

Expenditures

- The modified budget for regular programs – instruction decreased from the original budget by approximately \$355,000 or 2% as a result of changes to the accounts that salaries were ultimately charged to.
- The modified budget for resource room/resource center exceeded the original budget by approximately \$700,646 or 20% as a result of increases in salaries to provide the necessary education.
- The modified budget for undistributed expenditures – instruction – decreased from the original budget by approximately \$231,000 or 10% as a result of a decrease in District students who required services provided by private schools 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 \$147,000 or 18% 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 \$381,000 or 33% as a result of District savings realized from cooperative energy agreements with ACES and conservation efforts and mild winter temperatures.
- The modified budget for security equipment exceeded the original budget by \$200,000 or 35% due to the need to purchase security related equipment that was not in the original budget.
- The modified budget for facilities acquisition and construction services exceeded the original budget by approximately \$523,000 or 68% as a result of additional expenditures needed to complete ongoing projects.

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 tuition from individuals was in excess of the modified budgeted amount by approximately \$84,000 or 94% as a result of an increase in students paying tuition in the current year.
- Actual miscellaneous income was in excess of the modified budgeted amount by approximately \$824,000 or 317% as a result of a payment the District received related to a settlement of a legal dispute that was not budgeted for.

Expenditures

- The actual amounts expended for undistributed expenditures – support services – general administration were less than the final budget by approximately \$237,000 or 21% as a result of actual legal services and supplies being less than anticipated and the communications contract was renegotiated resulting in cost savings.
- The actual amounts expended for undistributed expenditures – operation and maintenance of plant services were less than the final budget by approximately \$535,000 or 12% as a result of the District's continued conservation of energy based on lower rates achieved during the prior year and less than anticipated demands.

Capital Assets

As of June 30, 2013, the District has capital assets, net of accumulated depreciation, of \$69,038,973, including land, construction in progress, building and building improvements and machinery, equipment, vehicles noted as follows:

	Government Activities		Business-Type Activities		Total School District	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Land	\$11,616,511	\$11,616,511			\$ 11,616,511	\$ 11,616,511
Construction in Progress	71,979	44,175			71,979	44,175
Buildings and Building Improvements	52,686,978	52,904,445	\$ 39,082	\$ 39,922	52,726,060	52,944,367
Land Improvements	3,223,252	3,479,752			3,223,252	3,479,752
Machinery and Equipment	1,204,919	1,350,576	196,252	217,242	1,401,171	1,567,818
Total Capital Assets						
Net of Depreciation	<u>\$68,803,639</u>	<u>\$69,395,459</u>	<u>\$ 235,334</u>	<u>\$ 257,164</u>	<u>\$ 69,038,973</u>	<u>\$ 69,652,623</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, 2013 and 2012 are as follows for the governmental activities:

	2012/13	2011/12
General Obligation Bonds, Net	\$ 33,752,811	\$ 34,915,128
Capital Leases	-	157,152
Compensated Absences	536,783	609,865
	<u>\$ 34,289,594</u>	<u>\$ 35,682,145</u>

Additionally, the District has business-type long-term liabilities relating to a purchase agreement payable for equipment of \$34,795 outstanding at June 30, 2013. 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 2013-2014 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 2013-2014 budget, the District continued to utilize banked cap, and plans to continue to utilize it in the school years of 2014-2015 and 2015-2016. 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 2013-2014 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 2014-2015 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 see 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 Position
June 30, 2013**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,809,857	\$ 131,214	\$ 1,941,071
Receivables	681,795	13,937	695,732
Inventory		5,808	5,808
Deferred Charges	275,499		275,499
Restricted assets:			
Capital reserve account - cash	6,031,771		6,031,771
Capital assets, non-depreciable	11,688,490		11,688,490
Capital assets, depreciable, net	57,115,149	235,334	57,350,483
Total Assets	<u>77,602,561</u>	<u>386,293</u>	<u>77,988,854</u>
LIABILITIES			
Accounts Payable	39,130		39,130
Accrued Interest Payable	677,563		677,563
Payable to state government	25,482		25,482
Unearned revenue	178,723	56,116	234,839
Noncurrent liabilities:			
Due within one year	1,422,317	34,795	1,457,112
Due beyond one year	32,867,277	-	32,867,277
Total liabilities	<u>35,210,492</u>	<u>90,911</u>	<u>35,301,403</u>
NET POSITION			
Net investment in capital assets	35,050,828	200,539	35,251,367
Restricted for:			
Capital Projects	152,604		152,604
Debt service	77,646		77,646
Other purposes	6,597,992		6,597,992
Unrestricted	512,999	94,843	607,842
Total Net Position	<u>\$ 42,392,069</u>	<u>\$ 295,382</u>	<u>\$ 42,687,451</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction:							
Regular	\$ 27,856,645	\$ 174,243	\$ 437,852	\$ 2,997	\$ (27,041,553)		\$ (27,041,553)
Special education	8,855,794		848,501		(7,807,293)		(7,807,293)
Other instruction	2,537,339				(2,537,339)		(2,537,339)
Support services:							
Student and instruction related services	8,889,645		164,730		(8,704,915)		(8,704,915)
School administration services	3,772,311				(3,772,311)		(3,772,311)
General and business administration services	2,868,899				(2,868,899)		(2,868,899)
Operation and maintenance of plant services	6,139,125				(6,139,125)		(6,139,125)
Pupil transportation	2,238,383	117,344			(2,121,039)		(2,121,039)
Special schools	172,554				(172,554)		(172,554)
Charter Schools	9,821				(9,821)		(9,821)
Interest and other costs on long-term debt	1,570,852	-	-	-	(1,570,852)		(1,570,852)
Total governmental activities	<u>64,488,368</u>	<u>291,587</u>	<u>1,451,083</u>	<u>2,997</u>	<u>(62,743,701)</u>		<u>(62,743,701)</u>
Business-type activities:							
Food Service	956,075	891,004	91,155	-	-	\$ 26,084	26,084
Total business-type activities	<u>956,075</u>	<u>891,004</u>	<u>91,155</u>	<u>-</u>	<u>-</u>	<u>26,084</u>	<u>26,084</u>
Total primary government	<u>\$ 65,445,443</u>	<u>\$ 1,182,591</u>	<u>\$ 1,542,238</u>	<u>\$ 2,997</u>	<u>(62,743,701)</u>	<u>26,084</u>	<u>(62,717,617)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					54,005,100		54,005,100
Property taxes, levied for debt service					2,729,133		2,729,133
State aid not restricted					7,687,106		7,687,106
Investment Earnings					8,148		8,148
Miscellaneous Income					1,105,493	-	1,105,493
Total general revenues					<u>65,534,980</u>	<u>-</u>	<u>65,534,980</u>
Change in Net Position					2,791,279	26,084	2,817,363
Net Position—beginning					39,600,790	268,298	39,870,088
Net Position—ending					<u>\$ 42,392,069</u>	<u>\$ 295,382</u>	<u>\$ 42,687,451</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,507,667		\$ 224,544	\$ 77,646	\$ 1,809,857
Intergovernmental Accounts Receivable					
State	500,379	\$ 1,826			502,205
Federal		176,114			176,114
Other	3,218	258			3,476
Interfunds receivable	79,065				79,065
Restricted cash and cash equivalents	6,031,771	-	-	-	6,031,771
Total Assets	\$ 8,122,100	\$ 178,198	\$ 224,544	\$ 77,646	\$ 8,602,488
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 39,130				\$ 39,130
Interfunds payable		\$ 79,065			79,065
Payable to state government		25,482			25,482
Unearned revenue	33,132	73,651	\$ 71,940		178,723
Total Liabilities	72,262	178,198	71,940		322,400
Fund Balances:					
Restricted for:					
Excess surplus - current year	276,750				276,750
Excess surplus - designated for subsequent year's expenditures	289,471				289,471
Capital reserve account	6,031,771				6,031,771
Capital projects			152,604		152,604
Debt service				\$ 77,646	77,646
Assigned to:					
Other Purposes	465,868				465,868
Unassigned Fund Balance Reported In:					
General fund	985,978	-	-	-	985,978
Total Fund Balances	8,049,838	-	152,604	77,646	8,280,088
Total Liabilities and Fund Balances	\$ 8,122,100	\$ 178,198	\$ 224,544	\$ 77,646	8,602,488

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$93,233,309 and the accumulated depreciation is \$24,429,670. 68,803,639

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). (34,289,594)

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. (677,563)

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 \$237,920. 275,499

Net position of governmental activities \$ 42,392,069

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	Major Funds				Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Governmental Funds
REVENUES					
Local sources:					
Local tax levy	\$ 54,005,100			\$ 2,729,133	\$ 56,734,233
Tuition charges	174,243				174,243
Transportation fees	117,344				117,344
Interest earned on investments	8,148				8,148
Miscellaneous	1,084,095	\$ 335,503		-	1,419,598
Total - Local Sources	55,388,930	335,503		2,729,133	58,453,566
State sources	7,687,106	146,349			7,833,455
Federal sources	-	972,228		-	972,228
Total Revenues	63,076,036	1,454,080		2,729,133	67,259,249
EXPENDITURES					
Current:					
Regular instruction	19,495,736	437,852			19,933,588
Special education instruction	4,151,728	848,501			5,000,229
Other instruction	1,872,158				1,872,158
Support services and undistributed costs:					
Tuition	1,922,832				1,922,832
Attendance/social work	58,734				58,734
Health services	626,641				626,641
Other support services	3,837,927	164,730			4,002,657
Improvement of instruction	689,774				689,774
School library	933,129				933,129
Instructional staff training	189,761				189,761
General administration services	873,500				873,500
School administration services	2,683,329				2,683,329
Central services	753,992				753,992
Administrative information technology	533,803				533,803
Required maintenance of school facility	977,535				977,535
Operations of plant services	3,830,926				3,830,926
Care and upkeep of grounds	222,293				222,293
Security	59,091				59,091
Pupil transportation services	2,228,574				2,228,574
Unallocated benefits	8,057,828				8,057,828
On-behalf TPAF social security and pension contributions	5,349,182				5,349,182
Debt service:					
Principal	157,152			1,210,000	1,367,152
Interest	13,978			1,518,612	1,532,590
Special schools	122,737				122,737
Contribution to charter school	9,821				9,821
Capital outlay	1,464,667	2,997		-	1,467,664
Total Expenditures	61,116,828	1,454,080		2,728,612	65,299,520
Excess of revenues over expenditures	1,959,208			521	1,959,729
OTHER FINANCING SOURCES AND (USES)					
Transfers in	398,137			76,388	474,525
Insurance Recovery Related to Other Costs of Super Storm Sandy	21,398				21,398
Transfers (out)	-		\$ (474,525)	-	(474,525)
Total Other Financing Sources and (Uses)	419,535		(474,525)	76,388	21,398
Net change in fund balances	2,378,743		(474,525)	76,909	1,981,127
Fund Balance—July 1	5,671,095	-	627,129	737	6,298,961
Fund Balance—June 30	\$ 8,049,838	\$ -	\$ 152,604	\$ 77,646	\$ 8,280,088

The reconciliation of the fund balances of governmental funds to the net position 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, 2013**

Total net change in fund balances - governmental funds (from B-2) **\$ 1,981,127**

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

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

Depreciation expense	\$ (1,955,611)	
Capital additions	<u>1,363,791</u>	(591,820)

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 position 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	\$ 1,210,000	
Payment of Capital Lease Principal	157,152	
Amortization of Deferred Refunding	(47,683)	
Amortization of Issuance Costs	<u>(26,202)</u>	1,293,267

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. (+) 35,623

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 (+). 73,082

Change in net position of governmental activities (A-2) **\$ 2,791,279**

PROPRIETARY FUND

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Enterprise Fund
Statement of Net Position
June 30, 2013

	<u>Major Enterprise Fund</u> <u>Food Service</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 131,214
Accounts receivable:	
State	598
Federal	3,988
Other	9,351
Inventories	5,808
Total Current Assets	<u>150,959</u>
Noncurrent assets:	
Furniture, machinery and equipment	413,400
Less accumulated depreciation	<u>(178,066)</u>
Total Noncurrent Assets	<u>235,334</u>
Total Assets	<u>386,293</u>
LIABILITIES	
Current Liabilities:	
Purchase agreement payable	34,795
Unearned revenue	<u>56,116</u>
Total Current Liabilities	<u>90,911</u>
NET POSITION	
Net investment in capital assets	200,539
Unrestricted	<u>94,843</u>
Total Net Position	<u>\$ 295,382</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Enterprise Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2013

	Major Enterprise Fund
	<u>Food Service</u>
Operating Revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 871,754
Daily sales - non-reimbursable programs	<u>19,250</u>
Total Operating Revenues	<u>891,004</u>
 Operating Expenses:	
Cost of sales	408,683
Salaries	314,790
Employee benefits	56,625
Other purchased services	51,249
Management Fee	36,022
General supplies	41,658
Miscellaneous	25,218
Depreciation	<u>21,830</u>
Total Operating Expenses	<u>956,075</u>
Operating (Loss)	<u>(65,071)</u>
 Nonoperating Revenues:	
State sources:	
State school lunch program	4,449
Federal sources:	
National school lunch program	51,261
Food donation program	<u>35,445</u>
Total Nonoperating Revenues	<u>91,155</u>
Change in Net Position	26,084
 Total Net Position—Beginning	<u>269,298</u>
Total Net Position—Ending	<u>\$ 295,382</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2013

	Major Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 893,280
Payments to employees	(314,790)
Payments for employee benefits	(56,625)
Payments to suppliers	<u>(573,136)</u>
Net cash (used for) operating activities	<u>(51,271)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	5,241
Federal sources	61,820
Food donation program	<u>33,342</u>
Net cash provided by non-capital financing activities	<u>100,403</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments of loan	<u>(34,796)</u>
Net cash (used for) capital and related financing activities	<u>(34,796)</u>
Net increase in cash and cash equivalents	14,336
Cash and cash equivalents, beginning of year	<u>116,878</u>
Cash and cash equivalents, end of year	<u>\$ 131,214</u>
Reconciliation of operating loss to net cash (used for) operating activities:	
Operating (loss)	\$ (65,071)
Adjustments to reconcile operating loss to net cash (used for) operating activities:	
Depreciation	21,830
Decrease in inventories	2,371
Increase in other accounts receivable	(2,396)
Increase in deferred revenue (non-commodities)	2,276
Decrease in interfund payable	<u>(10,281)</u>
Total adjustments	<u>13,800</u>
Net cash (used for) operating activities	<u>\$ (51,271)</u>

Noncash noncapital financing activities:

The District received \$33,342 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2013.

FIDUCIARY FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>	Agency <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 322,177	\$ 28,583	\$ 1,310,325
Total Assets	<u>322,177</u>	<u>28,583</u>	<u>\$ 1,310,325</u>
LIABILITIES			
Summer payroll payable			\$ 842,222
Payroll deductions and withholdings payable			96,121
Unemployment claims payable	6,047		
Due to student groups	<u>-</u>		<u>371,982</u>
Total Liabilities	<u>6,047</u>		<u>\$ 1,310,325</u>
NET POSITION			
Held in trust for unemployment claims	<u>\$ 316,130</u>		
Held in trust for scholarships		<u>\$ 28,583</u>	

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Employee	\$ 35,000	
Other	-	\$ 5,740
Total Contributions	<u>35,000</u>	<u>5,740</u>
Investment earnings:		
Interest	233	21
Total investment earnings	<u>233</u>	<u>21</u>
Total Additions	<u>35,233</u>	<u>5,761</u>
DEDUCTIONS		
Unemployment claims	62,318	
Scholarships awarded	-	5,000
Total Deductions	<u>62,318</u>	<u>5,000</u>
Change in Net Position	<u>(27,085)</u>	<u>761</u>
Net Position—beginning	343,215	27,822
Net Position—ending	<u>\$ 316,130</u>	<u>\$ 28,583</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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.

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

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.

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

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.

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

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.

Amounts reported as program revenues include 1) fees 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.

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

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for sales of food and tuition. Operating expenses for the enterprise fund 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 unearned revenue on its balance sheets and statement of net position. Unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. 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 unearned revenue is removed from the balance sheets and statement of net position 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."

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

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.

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

E. Interfund Receivables/Payables

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

F. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method and the District uses the consumption method for expensing inventory. At June 30, 2013, the District had inventories in the Food Service Enterprise Fund in the amount of \$5,808, of which, the portion of unused Food Donation Program commodities in the amount of \$2,490 is reported as unearned revenue.

G. Capital Assets

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years.

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

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

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

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

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

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.

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, 2013, a liability existed for compensated absences in the government-wide financial statements in the amount of \$536,783 and no liability existed for compensated absences in the proprietary fund.

I. Unearned Revenue

Unearned 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. Unearned revenue in the general fund represents cash received for 2013-14 tuition for the District's Inclusion Preschool.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, 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, 2013

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.

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$8,049,838 of fund balances in the General Fund, \$465,868 of encumbrances is assigned to other purposes, \$276,750 has been restricted for excess surplus-current year, \$289,471 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$6,031,771 has been restricted for the capital reserve, and \$985,978 is classified as unassigned.

L. Net Position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

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

M. 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, 2013

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. 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, 2013 was \$566,221. Of this amount, \$289,471 has been appropriated in the 2013/14 budget and the remaining \$276,750 will be appropriated in the 2014/15 budget.

P. Implementation of GASB 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District has not completed the process of evaluating the impact that will result from adopting GASB No.65.

Q. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2013 and November 8, 2013, 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.

2. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance -- total governmental funds and net position -- governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable and compensated absences payable are not due and payable

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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

in the current period and therefore are not reported in the funds. The details of this \$34,289,594 difference are as follows:

Bonds payable, net	\$ 33,752,811
Compensated absences payable	<u>536,783</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 34,289,594</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.

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

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, 2013, the carrying amount of the District's deposits was \$9,633,927 and the bank balance was \$11,158,961. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2013 was secured by federal depository insurance company. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the remaining bank balance of \$10,908,961.

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

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, 2013.

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, 2013.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2013, 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

4. Capital Reserve Account (continued)

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, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance, July 1, 2012	\$ 3,175,415
Deposits:	
Transfer from Capital Projects Fund for completed projects	201,913
Approved by Board Resolution at the June 24, 2013 meeting	2,777,006
Withdrawal:	
Approved by Board Resolution, net of amount not utilized and returned to capital reserve	<u>(122,563)</u>
Ending balance, June 30, 2013	<u>\$ 6,031,771</u>

\$3,000,000 of this amount was appropriated in the 2013-14 approved budget. 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, 2013 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, 2013

5. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2013:

	Beginning Balance	Increases	Reallocations/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,616,511			\$ 11,616,511
Construction in progress	44,175	\$ 71,979	\$(44,175)	71,979
Total capital assets, not being depreciated	11,660,686	71,979	(44,175)	11,688,490
Capital assets, being depreciated:				
Buildings and building improvements	70,775,820	1,133,850	44,175	71,953,845
Land improvements	6,437,024	53,159		6,490,183
Machinery, equipment and vehicles and intangible assets	2,995,988	104,803		3,100,791
Total capital assets being depreciated	80,208,832	1,291,812	44,175	81,544,819
Less accumulated depreciation for:				
Buildings and building improvements	(17,871,375)	(1,395,492)		(19,266,867)
Land improvements	(2,957,272)	(309,659)		(3,266,931)
Machinery, equipment and vehicles and intangible assets	(1,645,412)	(250,460)		(1,895,872)
Total accumulated depreciation	(22,474,059)	(1,955,611)	-	(24,429,670)
Total capital assets, being depreciated, net	57,734,773	(663,799)	-	57,115,149
Governmental activities capital assets, net	\$ 69,395,459	\$ (591,820)	\$ -	\$ 68,803,639

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

Instruction	
Regular	\$ 950,609
Special education	214,476
Other	80,303
Support services	
Student and instruction related services	278,836
School administration services	115,097
General and business administration services	92,705
Operation and maintenance of plant services	218,320
Special schools	5,265
Total depreciation expense – governmental activities	<u>\$ 1,955,611</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Capital Assets (continued)

The following schedule is a summarization of business-type activity changes in capital assets for the year ended June 30, 2013:

	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	(2,100)	\$ (840)	(2,940)
Machinery and equipment	(154,136)	(20,990)	(175,126)
Total accumulated depreciation	(156,236)	(21,830)	(178,066)
Total business-type activities capital assets, net	\$ 257,164	\$ (21,830)	\$ 235,334

6. Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable	\$ 35,535,000		\$ (1,210,000)	\$ 34,325,000	\$ 1,270,000
Less: Deferred amount on refunding	(619,872)	\$ 47,683		(572,189)	(47,683)
Net bonds payable	34,915,128		(1,210,000)	33,752,811	1,222,317
Compensated absences payable	609,865	52,010	(125,092)	536,783	200,000
Obligations under capital leases	157,152	-	(157,152)	-	-
Governmental activities long-term liabilities	\$ 35,682,145	\$ 99,693	\$ (1,492,244)	\$ 34,289,594	\$ 1,422,317
Business-Type activities:					
Purchase agreement payable	\$ 69,591	\$ -	\$ (34,796)	\$ 34,795	\$ 34,795
Business-Type activities long-term liabilities	\$ 69,591	\$ -	\$ (34,796)	\$ 34,795	\$ 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, 2013

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, 2013, the maximum amount of defeased bonds outstanding is \$15,170,000.

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

	Principal	Interest	Total
Year ending June 30:			
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	1,505,000	1,234,695	2,739,695
2019-2023	8,575,000	5,160,064	13,735,064
2024-2028	10,830,000	3,070,853	13,900,853
2029-2031	7,985,000	535,172	8,520,172
	<u>\$34,325,000</u>	<u>\$15,516,766</u>	<u>\$49,841,766</u>

Capital Leases

Governmental Funds

There were no new capital leases during the year ended June 30, 2013. The assets acquired through capital leases at June 30, 2013 amounted to \$225,690, net of \$2,027,502 of accumulated depreciation.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

7. Operating Leases

The District has commitments to lease copiers, mail equipment and other equipment under operating leases which expire in the 2019 fiscal year. Total operating lease payments made during the year ended June 30, 2013 were \$129,929. Future lease payments are as follows:

Fiscal Year	Amounts
Year ending June 30:	
2014	\$ 128,518
2015	77,833
2016	23,340
2017	12,300
2018	5,712
2019	894
Total lease payments	<u>\$ 248,597</u>

8. 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, 2013, amounted to \$26,202 and the total accumulated amortization, at June 30, 2013 is \$237,920, leaving a net cost to be amortized of \$275,499 as of June 30, 2013.

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

9. Pension Plans (continued)

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

9. Pension Plans (continued)

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. 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, 2013, the State of New Jersey contributed \$3,624,120 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 \$1,725,062 during the year ended June 30, 2013 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, 2013, 2012 and 2011 were \$554,543, \$598,757, and \$555,911 respectively, equal to the required contributions for each year.

10. 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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

10. Post-Retirement Benefits (continued)

statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy

P.L. 1987, chapter 384 and P.L. 1990, Chapter 6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

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, 2013, 2012 and 2011 were \$1,923,252, \$1,577,301, and \$1,660,781 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, 2013

11. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2013 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 79,065	
Special Revenue Fund		\$ 79,065
	<u>\$ 79,065</u>	<u>\$ 79,065</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.

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

12. Transfers

The following presents a reconciliation of transfers during the 2013 fiscal year:

	Transfers In	Transfers Out
General Fund	\$ 398,137	
Capital Projects Fund		\$ 474,525
Debt Service Fund	76,388	
	<u>\$ 474,525</u>	<u>\$ 474,525</u>

The transfer out of the capital projects fund to the debt service fund relates to unexpended bond proceeds from a completed project in the capital project fund.

The transfer out of the capital projects fund to the general fund was to return unexpended local proceeds for capital projects which are now completed. Of this amount, \$201,913 was transferred back into the capital reserve.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

13. 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.

14. 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, 2013 may be impaired. In addition, the District received 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 the final eligible costs requirements, refunds of any money received may be required.

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.

15. 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

15. Risk Management (continued)

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.

16. 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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

17. 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.

18. Commitments

The District has contractual commitments at June 30, 2013 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$465,868.

19. Legal Settlement

The District was awarded a favorable legal settlement during the current fiscal year in the amount of \$721,000. This amount was received in April 2013 and is recorded as Miscellaneous Revenue in the general fund.

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, 2013**

	<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	\$ 54,005,100		\$ 54,005,100	\$ 54,005,100	
Tuition	90,000		90,000	174,243	\$ 84,243
Transportation Fees	100,000		100,000	117,344	17,344
Interest Earned on Investments	8,000		8,000	8,148	148
Miscellaneous	260,000		260,000	1,084,095	824,095
Total - Local Sources	<u>54,463,100</u>		<u>54,463,100</u>	<u>55,388,930</u>	<u>925,830</u>
State Sources:					
Categorical Special Education Aid	1,664,838		1,664,838	1,664,838	
Transportation Aid	146,011		146,011	146,011	
Security Aid	61,092		61,092	61,092	
Non-Public Transportation Aid				41,817	41,817
Extraordinary Aid	400,000		400,000	374,474	(25,526)
TPAF Pension (On-Behalf - Non-Budgeted)				3,624,120	3,624,120
TPAF Social Security (Reimbursed - Non-Budgeted)				1,725,062	1,725,062
Schools Development Authority	-		-	93,718	93,718
Total State Sources	<u>2,271,941</u>		<u>2,271,941</u>	<u>7,731,132</u>	<u>5,459,191</u>
Total Revenues	<u>56,735,041</u>		<u>56,735,041</u>	<u>63,120,062</u>	<u>\$ 6,385,021</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Preschool/Kindergarten - Salaries of Teachers	538,223	\$ 5,663	543,886	543,718	168
Grades 1-5 - Salaries of Teachers	6,921,916	(43,312)	6,878,604	6,877,350	1,254
Grades 6-8 - Salaries of Teachers	4,552,619	8,224	4,560,843	4,560,464	379
Grades 9-12 - Salaries of Teachers	6,031,766	(200,458)	5,831,308	5,831,303	5
Regular Programs - Home Instruction					
Salaries of Teachers	48,000	(1,545)	46,455	46,455	
Purchased Professional-Educational Services	15,000	21,755	36,755	34,876	1,879
Other Purchased Services	500		500		500
General Supplies	500		500		500
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	153,021	67,275	220,296	219,251	1,045
Other Purchased Services	1,800	(975)	825	52	573
General Supplies	1,767,391	(213,777)	1,553,614	1,445,380	108,234
Textbooks	79,971	(91)	79,880	60,263	19,617
Other Objects	70,839	1,775	72,614	47,754	24,860
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>20,181,346</u>	<u>(355,466)</u>	<u>19,825,880</u>	<u>19,666,866</u>	<u>159,014</u>
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities					
General Supplies		51	51	51	
Total Learning and/or Language Disabilities		<u>51</u>	<u>51</u>	<u>51</u>	
Visual Impairments					
Other Salaries for Instruction	34,220	(34,220)			
Purchased Professional-Educational Services	16,000	-	16,000	1,700	14,300
Total Visual Impairments	<u>50,220</u>	<u>(34,220)</u>	<u>16,000</u>	<u>1,700</u>	<u>14,300</u>
Behavioral Disabilities					
Salaries of Teachers	58,000	350	58,350	58,350	
Other Salaries for Instruction	32,000	17,653	49,653	45,104	4,549
Total Behavioral Disabilities	<u>90,000</u>	<u>18,003</u>	<u>108,003</u>	<u>103,454</u>	<u>4,549</u>
Multiple Disabilities					
Salaries of Teachers	65,522	1,916	67,438	67,438	
Other Salaries for Instruction	69,555	70,242	139,797	135,948	3,849
General Supplies	646	8,000	8,646	570	8,076
Total Multiple Disabilities	<u>135,723</u>	<u>80,158</u>	<u>215,881</u>	<u>203,956</u>	<u>11,925</u>
Resource Room/Resource Center					
Salaries of Teachers	2,341,482	419,033	2,760,515	2,712,220	48,295
Other Salaries for Instruction	414,891	281,613	696,504	696,406	98
General Supplies	11,242	-	11,242	8,093	3,149
Total Resource Room/Resource Center	<u>2,767,615</u>	<u>700,646</u>	<u>3,468,261</u>	<u>3,416,719</u>	<u>51,542</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	232,315	2,925	235,240	235,061	179
Other Salaries for Instruction	70,046	8,795	78,841	78,838	3
General Supplies	1,933	(1)	1,932	1,275	657
Total Preschool Disabilities - Part-Time	<u>304,294</u>	<u>11,719</u>	<u>316,013</u>	<u>315,174</u>	<u>839</u>

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Preschool Disabilities - Full-Time					
Salaries of Teachers	\$ 58,985		\$ 58,985	\$ 58,985	
Other Salaries for Instruction	55,644	(4,751)	50,893	50,893	
General Supplies	945	-	945	796	\$ 149
Total Preschool Disabilities - Full-Time	115,574	(4,751)	110,823	110,674	149
TOTAL SPECIAL EDUCATION - INSTRUCTION	3,463,426	771,606	4,235,032	4,151,728	83,304
Basic Skills/Remedial - Instruction					
Salaries of Teachers	751,043	2,414	753,457	752,334	1,123
General Supplies	858	(108)	750	733	17
Total Basic Skills/Remedial - Instruction	751,901	2,306	754,207	753,067	1,140
Bilingual Education - Instruction					
Salaries of Teachers	155,866	2,250	158,116	157,911	205
General Supplies	1,882	(205)	1,477	551	926
Total Bilingual Education - Instruction	157,548	2,045	159,593	158,462	1,131
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	301,500		301,500	278,390	23,110
Rentals	1,500		1,500	1,218	282
Supplies and Materials	15,880	(775)	15,105	13,766	1,339
Other Objects	12,188	775	12,963	12,953	10
Total School-Spon. Cocurricular Actvts. - Inst.	331,068	-	331,068	306,327	24,741
School-Spon Athletics					
Salaries	404,779	45	404,824	398,636	6,188
Purchased Services	89,499	(1,263)	88,236	81,983	6,253
Supplies and Materials	75,568	(458)	75,110	69,062	6,048
Other Objects	104,340	4,932	109,272	104,621	4,651
Total School-Spon. Athletics	674,186	3,256	677,442	654,302	23,140
Total Instruction	25,559,475	423,747	25,983,222	25,690,752	292,470
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Special	132,871		132,871	81,940	50,931
Tuition to County Voc. School Dist. - Regular	39,140		39,140	6,975	32,165
Tuition to CSSD & Regional Day Schools	125,660		125,660	62,720	62,940
Tuition to Private Schools for the Disabled - Within State	2,145,380	(458,170)	1,687,210	1,533,838	153,372
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	40,685	226,589	267,274	237,359	29,915
Total Undistributed Expenditures - Instruction	2,483,736	(231,581)	2,252,155	1,922,832	329,323
Undistributed Expend. - Attend. & Social Work					
Salaries	62,667	(3,933)	58,734	58,734	
Total Undistributed Expend. - Attend. & Social Work	62,667	(3,933)	58,734	58,734	
Undist. Expend. - Health Services					
Salaries	550,241	21,596	571,837	570,684	1,153
Purchased Professional and Technical Services	35,700	8,535	44,235	41,695	2,540
Supplies and Materials	17,532	(3,199)	14,333	14,262	71
Total Undistributed Expenditures - Health Services	603,473	26,932	630,405	626,641	3,764
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	570,394	20,125	590,519	590,169	350
Purchased Professional - Educational Services	189,760	(64,519)	125,241	82,581	42,660
Supplies and Materials	4,966	-	4,966	4,756	210
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	765,120	(44,394)	720,726	677,506	43,220
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	204,789	(22,900)	181,889	138,087	43,802
Other Salaries for Instruction	637,915	(167,092)	470,823	469,773	1,050
Purchased Professional - Educational Services	79,624	47,305	126,929	106,781	20,148
Supplies and Materials	12,500	(1,168)	11,332	6,733	4,599
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	934,828	(143,855)	790,973	721,374	69,599

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	\$ 905,843	\$ 4,301	\$ 909,944	\$ 909,943	\$ 1
Salaries of Secretarial and Clerical Assistants	149,020	(6,000)	143,020	142,498	522
Other Purchased Prof. and Tech. Services	20,534	(7,482)	13,052	4,581	8,471
Supplies and Materials	30,149	(12,961)	17,188	15,835	1,353
Other Objects	18,255	-	18,255	14,314	3,941
Total Undist. Expend. - Guidance	1,123,601	(22,142)	1,101,459	1,087,171	14,288
Undist. Expend. - Child Study Team					
Salaries of Other Professional Staff	1,173,941	(16,500)	1,157,441	1,155,836	1,605
Salaries of Secretarial and Clerical Assistants	154,775		154,775	154,775	
Other Purchased Services		15,000	15,000	15,000	
Travel	2,800		2,800	1,068	1,732
Supplies and Materials	24,800	(2,743)	22,057	21,369	688
Other Objects	3,858	-	3,858	3,808	50
Total Undist. Expend. - Child Study Team	1,360,174	(4,243)	1,355,931	1,351,876	4,055
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisor of Instruction	641,379	4,218	645,597	644,257	1,340
Other Salaries	59,635	(4,218)	55,417	44,680	10,737
Supplies and Materials	1,000		1,000	536	464
Other Objects	1,000	-	1,000	301	699
Total Undist. Expend. - Improvement of Inst. Serv.	703,014	-	703,014	689,774	13,240
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	749,821	1,332	751,153	751,153	
Other Purchased Services	64,560	2,900	67,460	67,459	1
Supplies and Materials	92,058	(5,678)	86,380	85,804	576
Other Objects	30,888	(2,175)	28,713	28,713	-
Total Undist. Expend. - Edu. Media Serv./Sch. Library	937,327	(3,621)	933,706	933,129	577
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors of Instruction	40,458	420	40,878	40,729	149
Other Salaries	26,700	(20,420)	6,280	925	5,355
Purchased Professional - Educational Service	79,600	(1,298)	78,302	68,474	9,828
Travel	92,451	(9,881)	82,570	53,978	28,592
Supplies and Materials	5,500	(40)	5,460	5,411	49
Other Objects	29,261	190	29,451	20,244	9,207
Total Undist. Expend. - Instructional Staff Training Serv.	273,970	(31,029)	242,941	189,761	53,180
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	593,267	(11,668)	581,599	532,133	49,466
Legal Services	165,000	(21,774)	143,226	95,627	47,599
Other Purchased Professional Services	60,000		60,000	59,900	100
Purchased Technical Services	93,500		93,500	48,557	44,943
Communications/Telephone	112,702	(24,875)	87,827	43,400	44,427
Travel		12,500	12,500		12,500
Board of Education Other Purchased Services	5,000		5,000	3,176	1,824
Other Purchased Services	5,000	10,758	15,758	11,438	4,320
General Supplies	43,420	(10,758)	32,662	11,031	21,631
Miscellaneous Expenditures	33,592		33,592	24,222	9,370
Board of Education Dues and Fees	23,500	20,857	44,357	44,016	341
Total Undist. Expend. - Supp. Serv. - General Admin.	1,134,981	(24,960)	1,110,021	873,500	236,521
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	1,946,864	24,533	1,971,397	1,955,939	15,458
Salaries of Secretarial and Clerical Assistants	711,684	(21,840)	689,844	687,034	2,810
Supplies and Materials	9,808	19,527	29,335	26,080	3,275
Other Objects	16,252	-	16,252	14,296	1,956
Total Undist. Expend. - Support Serv. - School Admin.	2,684,608	22,220	2,706,828	2,683,329	23,499
Undist. Expend. - Central School Admin.					
Salaries	658,322	40,811	699,133	660,171	38,962
Other Purchased Professional Services	27,500	28,300	55,800	38,910	16,890
Supplies and Materials	27,350	5,500	32,850	25,880	6,970
Misc. Purch. Services	19,700	5,328	25,028	22,134	2,894
Miscellaneous Expenditures	6,200	1,000	7,200	6,897	303
Total Undist. Expend. - Central School Admin.	739,072	80,939	820,011	753,992	66,019

**BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2013**

	<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	\$ 466,673	\$ 7,668	\$ 474,341	\$ 471,009	\$ 3,332
Supplies and Materials	66,575	(4,336)	62,239	62,239	
Other Objects	600	-	600	555	45
Total Undist. Expend. - Technology Admin.	533,848	3,332	537,180	533,803	3,377
Undist. Expend. - Required Maint. for Sch. Facil.					
Salaries	450,321	3,967	454,288	452,301	1,987
Cleaning, Repair and Maintenance Services	299,960	104,057	404,017	360,301	43,716
General Supplies	233,500	(68,188)	165,312	164,333	979
Other Objects	8,253	(2,641)	5,612	600	5,012
Total Undist. Expend. - Required Maint. for Sch. Facil.	992,034	37,195	1,029,229	977,535	51,694
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	1,735,654	(2,520)	1,733,134	1,707,599	25,535
Cleaning, Repair and Maintenance Services	660,456	147,390	807,846	616,026	191,820
Rental of Land & Buildings other than Leases	50,000		50,000	50,000	
Other Purchased Property Services	93,016	7,163	100,179	98,691	1,488
Insurance	200,500	11,571	212,071	212,071	
General Supplies	359,946	(62,483)	297,463	293,444	4,019
Energy (Energy and Electricity)	1,546,824	(381,838)	1,164,986	853,095	311,891
Total Undist. Expend. - Other Oper. & Maint. Of Plant	4,646,396	(280,717)	4,365,679	3,830,926	534,753
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	90,001	1,120	91,121	90,091	1,030
Cleaning, Repair and Maintenance Services	94,950	552	95,502	95,493	9
General Supplies	43,010	(4,952)	38,058	36,709	1,349
Total Undist. Expend. - Care and Upkeep of Grounds	227,961	(3,280)	224,681	222,293	2,388
Undist. Expend. - Security					
Salaries	4,723	380	5,103	5,103	
Cleaning, Repair and Maintenance Services	82,825	513	83,338	33,373	49,965
General Supplies	13,050	9,000	22,050	20,615	1,435
Total Undist. Expend. - Security	100,598	9,893	110,491	59,091	51,400
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Between Home & School) - Regular	26,620		26,620	26,620	
Management Fees - ESC & CTSA Transportation Programs	12,100	(342)	11,758	11,758	
Other Purchased Professional and Technical Services	5,000	(513)	4,487	4,413	74
Contracted Services (Between Home and School) - Vendors	169,844	367	169,211	152,986	16,225
Contracted Services (Other than Between Home and School) - Vendors	654,356	58,081	712,437	712,437	
Contracted Services (Regular Students) - ESCs	309,182	32,402	341,584	323,143	18,441
Contracted Services (Special Education Students) - ESCs	137,636	(12,089)	125,547	123,921	1,626
Contracted Services - Aid in Lieu of Payments	1,052,673	(145,203)	907,470	873,296	34,174
Total Undist. Expend. - Student Transportation Serv.	2,366,411	(67,297)	2,299,114	2,228,574	70,540
Unallocated Benefits					
Social Security Contributions	665,534	349,509	1,015,043	1,010,049	4,994
Other Retirement Contributions - Regular	629,275	(6,134)	623,141	617,900	5,241
Workmen's Compensation	228,826	(3,906)	224,920	224,919	1
Health Benefits	6,084,937	(170,372)	5,914,565	5,914,564	1
Tuition Reimbursement	165,000	(10,659)	154,341	146,474	7,867
Other Employee Benefits	221,600	(58,982)	162,618	143,922	18,696
Total Unallocated Benefits	7,995,172	99,456	8,094,628	8,057,828	36,800
On-behalf TPAF Pension Contributions (non-budgeted)				3,624,120	(3,624,120)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,725,062	(1,725,062)
Total On-behalf Contributions				5,349,182	(5,349,182)
TOTAL UNDISTRIBUTED EXPENDITURES	30,668,991	(581,085)	30,087,906	33,828,851	(3,740,945)
TOTAL GENERAL CURRENT EXPENSE	56,228,466	(157,338)	56,071,128	59,519,603	(3,448,475)
CAPITAL OUTLAY					
Equipment					
Special Education - Instruction:					
Undistributed Expenditures - Instruction	22,450		22,450	16,947	5,503
Undistributed Expenditures - Non-Instructional	-	47,259	47,259	47,259	-
Total Equipment	22,450	47,259	69,709	64,206	5,503

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Central Office					
Central Services Equipment		\$ 78,139	\$ 78,139	\$ 70,979	\$ 7,160
Total Central Service Equipment		<u>78,139</u>	<u>78,139</u>	<u>70,979</u>	<u>7,160</u>
Maintenance for School Facility					
Equipment CHS		47,000	47,000	46,250	750
Non-Instructional		49,100	49,100	48,744	356
Total Maintenance for School Facility Equipment		<u>96,100</u>	<u>96,100</u>	<u>94,994</u>	<u>1,106</u>
Operating & Maintenance Plant Service					
Non-Instructional	\$ 12,992	37,223	50,215	29,680	20,535
Total Operating & Maintenance Plant Services	<u>12,992</u>	<u>37,223</u>	<u>50,215</u>	<u>29,680</u>	<u>20,535</u>
Security					
Equipment	370,000	200,000	570,000	479,895	90,105
Total Security Equipment	<u>370,000</u>	<u>200,000</u>	<u>570,000</u>	<u>479,895</u>	<u>90,105</u>
Facilities Acquisition and Construction Services					
Purchased Professional and Technical Services		1,000	1,000	1,000	
Construction Services	130,000	522,249	652,249	611,454	40,795
Other Objects - Debt Service Assessment	112,459	-	112,459	112,459	-
Total Facilities Acquisition and Construction Services	<u>242,459</u>	<u>523,249</u>	<u>765,708</u>	<u>724,913</u>	<u>40,795</u>
TOTAL CAPITAL OUTLAY	<u>647,901</u>	<u>981,970</u>	<u>1,629,871</u>	<u>1,464,667</u>	<u>165,204</u>
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of teachers	110,810	(5,310)	105,500	105,500	
General Supplies	900	(272)	628	628	
Total Instruction	<u>111,710</u>	<u>(5,582)</u>	<u>106,128</u>	<u>106,128</u>	
Total Summer School	<u>111,710</u>	<u>(5,582)</u>	<u>106,128</u>	<u>106,128</u>	
Other Special Schools - Instruction					
Salaries of Teachers	17,041	(1,634)	15,407	15,407	
General Supplies	1,200	227	1,427	1,202	225
Total Other Special Schools - Instruction	<u>18,241</u>	<u>(1,407)</u>	<u>16,834</u>	<u>16,609</u>	<u>225</u>
Total Other Special Schools	<u>18,241</u>	<u>(1,407)</u>	<u>16,834</u>	<u>16,609</u>	<u>225</u>
TOTAL SPECIAL SCHOOLS	<u>129,951</u>	<u>(6,989)</u>	<u>122,962</u>	<u>122,737</u>	<u>225</u>
Contribution to Charter Schools		<u>9,821</u>	<u>9,821</u>	<u>9,821</u>	
TOTAL EXPENDITURES	<u>57,006,318</u>	<u>827,464</u>	<u>57,833,782</u>	<u>61,116,828</u>	<u>(3,283,046)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(271,277)</u>	<u>(827,464)</u>	<u>(1,098,741)</u>	<u>2,003,234</u>	<u>3,101,975</u>
Other Financing Sources:					
Transfer In				196,224	196,224
Capital reserve transfers from Capital Projects Fund				201,913	201,913
Insurance Recovery Related to Other Costs of Super Storm Sandy				21,398	21,398
Total Other Financing Sources				<u>419,535</u>	<u>419,535</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Sources	<u>(271,277)</u>	<u>(827,464)</u>	<u>(1,098,741)</u>	<u>2,422,769</u>	<u>3,521,510</u>
Fund Balance, July 1	<u>5,798,261</u>	<u>-</u>	<u>5,798,261</u>	<u>5,798,261</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 5,526,984</u>	<u>\$ (827,464)</u>	<u>\$ 4,699,520</u>	<u>\$ 8,221,030</u>	<u>\$ 3,521,510</u>
Recapitulation of (Deficiency) Excess of Revenues and Other Financing Sources (uses) (Under) Over Expenditures:					
Adjustment for Prior Year Encumbrances		\$ (617,228)	\$ (617,228)	\$ (617,228)	
Budgeted Fund Balance	\$ (271,277)	(10,236)	(281,513)	183,641	\$ 465,164
Increase in Capital Reserve				3,056,356	3,056,356
Withdrawal from Capital Reserve		(200,000)	(200,000)	(200,000)	-
Total	<u>\$ (271,277)</u>	<u>\$ (827,464)</u>	<u>\$ (1,098,741)</u>	<u>\$ 2,422,769</u>	<u>\$ 3,521,510</u>

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2013

Recapitulation of Fund Balance:

Restricted Fund Balance:	
Excess Surplus Designated for Subsequent Year's Expenditures	\$ 289,471
Excess Surplus-current year	276,750
Capital Reserve	6,031,771
Assigned to:	
Year End Encumbrances	465,868
Unassigned Fund Balance	<u>1,157,170</u>
	<u>\$ 8,221,030</u>

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:

Fund Balance	\$ 8,221,030
Final State Aid Payments Not Realized on GAAP Basis	<u>(171,182)</u>
Fund balance per Government Funds (GAAP)	<u>\$ 8,049,838</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
Special Revenue Fund
Year Ended June 30, 2013

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES:					
State Sources	\$ 169,888	\$ 117	\$ 170,005	\$ 146,349	\$ (23,656)
Federal Sources	723,491	269,423	992,914	969,239	(23,675)
Local Sources	-	382,328	382,328	300,720	(81,608)
Total Revenues	<u>\$ 893,379</u>	<u>\$ 651,868</u>	<u>\$ 1,545,247</u>	<u>\$ 1,416,308</u>	<u>\$ (128,939)</u>
EXPENDITURES:					
Instruction					
Salaries		\$ 2,000	\$ 2,000	\$ 1,000	\$ 1,000
Salaries of Teachers	\$ 47,230	10,371	57,601	51,749	5,852
Purchased Professional and Technical Services		12,400	12,400	12,055	345
Purchased Professional and Educational Services	151,558	14,411	165,969	140,293	25,676
Tuition	600,000	182,438	782,438	782,438	
General Supplies	6,261	325,110	331,371	272,718	58,653
Textbooks	18,330	(523)	17,807	17,550	257
Total Instruction	<u>823,379</u>	<u>546,207</u>	<u>1,369,586</u>	<u>1,277,803</u>	<u>91,783</u>
Support Services					
Other Salaries		6,391	6,391	4,107	2,284
Personal Services - Employee Benefits		12,894	12,894	10,801	2,093
Purchased Professional and Educational Services	70,000	(66,640)	3,360	3,360	
Cleaning, Repairs and Maintenance Services		7,798	7,798	7,798	
Supplies and Materials		97,037	97,037	64,258	32,779
Other Objects	-	45,181	45,181	45,181	-
Total Support Services	<u>70,000</u>	<u>102,661</u>	<u>172,661</u>	<u>135,505</u>	<u>37,156</u>
Facilities Acquisition and Construction Services:					
Noninstructional Equipment	-	3,000	3,000	3,000	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Expenditures	<u>893,379</u>	<u>651,868</u>	<u>1,545,247</u>	<u>1,416,308</u>	<u>128,939</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, 2013

**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)	\$ 63,120,062	\$ 1,416,308
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that		
encumbrances are recognized as expenditures, and the related		
revenue is recognized		
Current Year		(17,705)
Prior Year		55,477
State aid payments from prior year recognized in prior year for		
budgetary purposes, and recognized for GAAP statements in		
the current fiscal year.	127,166	
State aid payments recognized in current year for budgetary purposes,		
not recognized for GAAP statements:	<u>(171,192)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures		
and changes in fund balances - governmental funds (B-2).	<u>\$ 63,076,036</u>	<u>\$ 1,454,080</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the		
budgetary comparison schedule (C-1, C-2)	\$ 61,116,828	\$ 1,416,308
Differences - budget to GAAP		
Encumbrances (net) for supplies and services ordered but		
not received are reported in the year the order is placed for		
budgetary purposes, but in the year the supplies are received		
for financial reporting purposes.	<u>-</u>	<u>37,772</u>
Total expenditures as reported on the statement of revenues,		
expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 61,116,828</u>	<u>\$ 1,454,080</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, 2013

	<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES				
State Sources	\$ 146,349	\$ 146,349		
Federal Sources	969,239		\$ 969,239	
Local Sources	300,720	-	-	\$ 300,720
Total Revenues	<u>\$ 1,416,308</u>	<u>\$ 146,349</u>	<u>\$ 969,239</u>	<u>\$ 300,720</u>
EXPENDITURES:				
Instruction:				
Salaries	\$ 1,000			\$ 1,000
Salaries of Teachers	51,749		\$ 51,749	
Purchased Professional / Technical Services	12,055		12,055	
Purchased Professional and Educational Services	140,293	\$ 128,799		11,494
Tuition	782,438		782,438	
General Supplies	272,718		58,933	213,785
Textbooks	17,550	17,550	-	-
	<u>1,277,803</u>	<u>146,349</u>	<u>905,175</u>	<u>226,279</u>
Total Instruction				
Support Services:				
Other Salaries	4,107		4,107	
Personal Services - Employee Benefits	10,801		10,801	
Purchased Professional and Educational Services	3,360		3,360	
Cleaning, Repairs and Maintenance Services	7,798			7,798
Supplies and Materials	64,258		615	63,643
Other Objects	45,181		45,181	-
Total Support Services	<u>135,505</u>		<u>64,064</u>	<u>71,441</u>
Facilities Acquisition and Const. Serv.:				
Non-Instructional Equipment	3,000			3,000
Total Facilities Acquisition and Const. Serv.	<u>3,000</u>			<u>3,000</u>
Total Expenditures	<u>1,416,308</u>	<u>146,349</u>	<u>969,239</u>	<u>300,720</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, 2013**

	<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 Technology Initiative</u>	<u>N.J. Nonpublic Nursing Services</u>
REVENUES						
State Sources	\$ 146,349	\$ 17,550	\$ 20,651	\$ 64,049	\$ 9,263	\$ 34,836
Total State Revenues	<u>\$ 146,349</u>	<u>\$ 17,550</u>	<u>\$ 20,651</u>	<u>\$ 64,049</u>	<u>\$ 9,263</u>	<u>\$ 34,836</u>
EXPENDITURES:						
Instruction:						
Purchased Professional and Educational Service	\$ 128,799		\$ 20,651	\$ 64,049	\$ 9,263	\$ 34,836
Textbooks	17,550	\$ 17,550	-	-	-	-
Total Instruction	<u>146,349</u>	<u>17,550</u>	<u>20,651</u>	<u>64,049</u>	<u>9,263</u>	<u>34,836</u>
Total Expenditures	<u>146,349</u>	<u>17,550</u>	<u>20,651</u>	<u>64,049</u>	<u>9,263</u>	<u>34,836</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<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, 2013**

	<u>N.C.L.B</u>			<u>I.D.E.I.A.</u>		
	<u>Total</u>	<u>Title II-A</u>	<u>Title III</u>	<u>Basic</u>	<u>Preschool</u>	<u>F.E.M.A.</u>
REVENUES						
Federal Sources	\$ 969,239	\$ 56,328	\$ 13,951	\$ 814,302	\$ 39,477	\$ 45,181
Total Federal Revenues	<u>\$ 969,239</u>	<u>\$ 56,328</u>	<u>\$ 13,951</u>	<u>\$ 814,302</u>	<u>\$ 39,477</u>	<u>\$ 45,181</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	\$ 51,749	\$ 45,668		\$ 6,081		
Purchased Professional and Technical Services	12,055			12,055		
Tuition	782,438			782,438		
General Supplies	58,933	44	\$ 13,951	5,461	\$ 39,477	
Total Instruction	<u>905,175</u>	<u>45,712</u>	<u>13,951</u>	<u>806,035</u>	<u>39,477</u>	
Support Services:						
Support Services - Salaries	4,107			4,107		
Employee Benefits	10,801	10,001		800		
Purchased Professional and Educational Services	3,360			3,360		
Supplies and Materials	615	615				
Other Objects	45,181	-		-		\$ 45,181
Total Support Services	<u>64,064</u>	<u>10,616</u>		<u>8,267</u>		<u>45,181</u>
Total Expenditures	<u>969,239</u>	<u>56,328</u>	<u>13,951</u>	<u>814,302</u>	<u>39,477</u>	<u>45,181</u>
Excess (Deficiency) of Revenues Over (Under)						
Expenditures	<u>\$ -</u>	<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, 2013**

REVENUES AND OTHER FINANCING SOURCES

State Sources	
SDA Grants	\$ (93,718)
Total Revenues and Other Financing Sources	<u>(93,718)</u>

EXPENDITURES AND OTHER FINANCING USES

Transfer to debt service fund	(76,388)
Transfer to capital reserve	(201,913)
Transfer to capital outlay	<u>(196,224)</u>
Total Expenditures and Other Financing Uses	<u>(474,525)</u>

(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses (568,243)

Fund Balance - July 1	<u>792,787</u>
Fund Balance - June 30	<u>\$ 224,544</u>

Reconciliation to Governmental Funds Statements (GAAP):

SDA Unexpended Proceeds Not Recognizable on a GAAP Basis	\$ (71,940)	
		<u>\$ (71,940)</u>

Fund Balance per Governmental Funds (GAAP)	<u>\$ 152,604</u>
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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, 2013

	<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	4,461,908
Other Objects	63,916		63,916	63,916
Transfer to debt service fund	-	\$ 76,388	76,388	76,388
Total Expenditures and Other Financing Uses	<u>4,945,682</u>	<u>76,388</u>	<u>5,022,070</u>	<u>5,242,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 296,753</u>	<u>\$ (76,388)</u>	<u>\$ 220,365</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, 2013

	<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	280,525		280,525	280,525
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	426,794		426,794	428,337
Transfer To Capital Outlay	-	\$ 6,525	6,525	6,525
Total Expenditures and Other Financing Uses	<u>456,667</u>	<u>6,525</u>	<u>463,192</u>	<u>467,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,875</u>	<u>\$ (6,525)</u>	<u>\$ 4,350</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, 2013

	<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	849,052
Transfer To Capital Outlay	-	\$ 189,699	189,699	189,699
Total Expenditures and Other Financing Uses	<u>974,052</u>	<u>189,699</u>	<u>1,163,751</u>	<u>1,163,751</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 189,699	\$ (189,699)	\$ -	
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, 2013

	<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	\$ 34,128	\$ (9,423)	\$ 24,705	\$ 24,705
Transfer From Capital Reserve	68,700	-	68,700	68,700
Total Revenues	<u>102,828</u>	<u>(9,423)</u>	<u>93,405</u>	<u>93,405</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	5,095		5,095	16,997
Construction Services	69,340		69,340	57,438
Transfer To Capital Reserve	-	18,970	18,970	18,970
Total Expenditures and Other Financing Uses	<u>74,435</u>	<u>18,970</u>	<u>93,405</u>	<u>93,405</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>28,393</u>	\$ <u>(28,393)</u>	\$ <u>-</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	(21,095)			
Revised Authorized Cost	\$ 93,405			
Percentage (Decrease) over Original Authorized Cost	-18%			
Percentage Completed	100%			
Original Target Completion Date	December 2011			
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 Middle School Conversion of Workshop to a Science Lab and Classrooms
Year Ended June 30, 2013

	<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	\$ 141,178	\$ (46,314)	\$ 94,864	\$ 94,864
Transfer From Capital Reserve	354,000	-	354,000	354,000
Total Revenues	<u>495,178</u>	<u>(46,314)</u>	<u>448,864</u>	<u>448,864</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	16,725		16,725	68,686
Construction Services	316,008		316,008	264,047
Transfer To Capital Reserve	-	116,131	116,131	116,131
Total Expenditures and Other Financing Uses	<u>332,733</u>	<u>116,131</u>	<u>448,864</u>	<u>448,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 162,445</u>	<u>\$ (162,445)</u>	<u>\$ -</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	(141,136)			
Revised Authorized Cost	\$ 448,864			
Percentage (Decrease) over Original Authorized Cost	-24%			
Percentage Completed	100%			
Original Target Completion Date	December 2011			
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
Lafayette Elementary School Partial Roof Replacement
Year Ended June 30, 2013

	<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	\$ 224,852	\$ (37,981)	\$ 186,871	\$ 186,871
Transfer From Capital Reserve	395,550	-	395,550	395,550
Total Revenues	<u>620,402</u>	<u>(37,981)</u>	<u>582,421</u>	<u>582,421</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	6,831		6,831	93,869
Construction Services	508,778		508,778	421,740
Transfer To Capital Reserve	-	66,812	66,812	66,812
Total Expenditures and Other Financing Uses	<u>515,609</u>	<u>66,812</u>	<u>582,421</u>	<u>582,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 104,793</u>	<u>\$ (104,793)</u>	<u>\$ -</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	(76,829)			
Revised Authorized Cost	\$ 582,421			
Percentage (Decrease) over Original Authorized Cost	-12%			
Percentage Completed	100%			
Original Target Completion Date	December 2011			
Revised Target Completion Date	Complete			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Capital Projects Fund

Summary Schedule of Project Expenditures
Year Ended June 30, 2013

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Transfers	Unexpended Appropriations 6/30/2013
			Prior Years			
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	(6,525)	4,350	
Lafayette Elementary School	7/12/2005	5,242,435	4,945,682	(76,388)	220,365	
Washington Avenue School Partial Roof Replacement	6/29/2011	93,405	74,435	(18,970)	-	
Middle School Conversion of Workshop	6/29/2011	448,864	332,733	(116,131)	-	
Lafayette School Partial Replacement	6/29/2011	582,421	515,609	(66,812)	-	
	Totals	<u>\$ 7,998,418</u>	<u>\$ 7,299,178</u>	<u>\$ (474,525)</u>	<u>\$ 224,715</u>	
Bond proceeds - 2005 Referendum		\$ 4,048,215		Bonds authorized		
State Grant (SDA)		2,071,257		but not issued	171	
Transfer From Capital Outlay		1,060,525		Balance per F-1	<u>\$ 224,544</u>	
Transfer From Capital Reserve		818,250				
Bonds Authorized But Not Issued		171				
Total		<u>\$ 7,998,418</u>				

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, 2013

<u>Schools</u>	<u>Balance July 1, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
Elementary Schools:				
Southern Boulevard	\$ 12,847	\$ 5,307	\$ 14,488	\$ 3,666
Milton Avenue	4,622	2,763	2,239	5,146
Lafayette Avenue	42,157	54,380	69,233	27,304
Washington Avenue	867	-	576	291
Middle School:				
Activity	86,051	200,112	200,111	86,052
High School:				
Activity	222,120	457,180	433,548	245,752
Athletic	<u>10,921</u>	<u>14,404</u>	<u>21,554</u>	<u>3,771</u>
	<u>\$ 379,585</u>	<u>\$ 734,146</u>	<u>\$ 741,749</u>	<u>\$ 371,982</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Payroll Agency Fund
Schedule of Cash Receipts and Cash Disbursements
Year Ended June 30, 2013

	<u>Balance July 1, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 901,222	\$ 59,890,594	\$ 59,853,473	\$ 938,343
Total Assets	<u>\$ 901,222</u>	<u>\$ 59,890,594</u>	<u>\$ 59,853,473</u>	<u>\$ 938,343</u>
LIABILITIES:				
Summer Payroll Payable	\$ 797,420	\$ 842,222	\$ 797,420	\$ 842,222
Interfund Payable		726	726	
Salaries and Wages Payable		41,658,112	41,658,112	
Payroll Deductions and Withholdings Payable	103,802	17,389,534	17,397,215	96,121
Total Liabilities	<u>\$ 901,222</u>	<u>\$ 59,890,594</u>	<u>\$ 59,853,473</u>	<u>\$ 938,343</u>

LONG-TERM DEBT

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Long - Term Debt
Schedule of Serial Bonds Payable
Year Ended June 30, 2013**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2013</u>		<u>Interest Rate</u>	<u>Balance July 1, 2012</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2013</u>
			<u>Date</u>	<u>Amount</u>				
School Improvements	2/1/1995	\$ 4,993,000	8/1/2013	\$ 310,000	4.600%	\$ 1,170,000	\$ 315,000	\$ 855,000
			8/1/2014	305,000	4.600%			
			8/1/2015	240,000	4.600%			
Refunding Bonds - Series 2001	6/1/2005	16,950,000	1/15/2014	630,000	5.000%	15,755,000	585,000	15,170,000
			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	7/15/2013	330,000	4.250%	18,610,000	310,000	18,300,000
			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%			
						-	-	-
						\$ 35,535,000	\$ 1,210,000	\$ 34,325,000

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Long - Term Debt
Schedule of Obligations Under Capital Leases
Year Ended June 30, 2013

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Original Issue</u>	<u>Balance July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2013</u>
Computers	8.89%	\$ 472,599	\$ 157,152	\$ -	\$ 157,152	\$ -
			<u>\$ 157,152</u>	<u>\$ -</u>	<u>\$ 157,152</u>	<u>\$ -</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
Debt Service Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,729,133		\$ 2,729,133	\$ 2,729,133	
Total Revenues	<u>2,729,133</u>		<u>2,729,133</u>	<u>2,729,133</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	1,519,135	\$ -	1,519,135	1,518,612	\$ 523
Redemption of Principal	1,210,000	-	1,210,000	1,210,000	-
Total Regular Debt Service	<u>2,729,135</u>	<u>-</u>	<u>2,729,135</u>	<u>2,728,612</u>	<u>523</u>
Total Expenditures	<u>2,729,135</u>	<u>-</u>	<u>2,729,135</u>	<u>2,728,612</u>	<u>523</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	(2)	-	(2)	521	737
Other Financing Sources:					
Operating Transfers In:					
Transfer from CPF - Return of unexpended bond proceeds	-	-	-	76,388	76,388
(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures	(2)		(2)	76,909	77,125
Fund Balance, July 1	<u>737</u>	<u>-</u>	<u>737</u>	<u>737</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 735</u>	<u>\$ -</u>	<u>\$ 735</u>	<u>\$ 77,646</u>	<u>\$ 77,125</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 Chathams
Net Position by Component
Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
						(as restated)		(as restated)		
Governmental activities										
Net investment in capital assets	\$ 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	\$ 35,050,826
Restricted	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	6,828,242
Unrestricted (deficit)	(930,153)	(921,882)	(1,779,022)	(1,808,803)	(1,883,651)	(1,649,525)	430,767	411,914	756,430	512,999
Total governmental activities net position	\$ 20,517,066	\$ 25,261,450	\$ 24,756,184	\$ 30,854,856	\$ 30,978,769	\$ 32,179,490	\$ 34,796,568	\$ 37,087,317	\$ 39,600,790	\$ 42,392,069
Business-type activities										
Net investment in capital assets	\$ 31,010	\$ 129,094	\$ 113,646	\$ 98,229	\$ 71,218	\$ 87,525	\$ 161,450	\$ 174,608	\$ 187,573	\$ 200,539
Unrestricted	1,244	64,482	51,664	99,426	113,137	130,381	42,218	35,346	81,725	94,843
Total business-type activities net position	\$ 32,254	\$ 193,576	\$ 165,310	\$ 197,655	\$ 184,355	\$ 217,906	\$ 203,668	\$ 209,954	\$ 269,298	\$ 295,382
Government-wide										
Net investment in capital assets	\$ 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	\$ 35,251,367
Restricted	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	6,828,242
Unrestricted (deficit)	(928,909)	(857,400)	(1,727,358)	(1,709,377)	(1,770,514)	(1,519,144)	472,985	447,260	838,155	607,842
Total district net position	\$ 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	\$ 42,687,451

Source: CAFR Schedule A-1 and District records.

Note: GASB 63 was implemented during the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

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

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009 (as restated)	2010	2011 (as restated)	2012	2013
Expenses										
Governmental activities										
Instruction	\$ 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	\$ 38,849,778
Support services:										
Student & instruction related services	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	8,869,645
School administration services	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	3,772,311
General and Business administration services	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	2,866,899
Operation and Maintenance of Plant Services	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	6,139,125
Student transportation services	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	2,238,383
Business and other support services and benefits	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	172,554
Charter Schools									11,223	9,821
Interest and other costs on long term debt	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	1,570,852
Unallocated depreciation	685,603	853,809								
Total governmental activities	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	64,489,368
Business-type activities:										
Food service	550,164	554,555	662,931	656,450	699,032	819,534	906,257	930,380	982,242	956,075
Cougar Cubs							29,918	68,299		
Total business-type activities expense	550,164	554,555	662,931	656,450	699,032	819,534	936,175	998,679	982,242	956,075
Total government-wide expenses	\$ 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	\$ 65,445,443
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	\$ 174,243
Pupil transportation		50,605	51,302	45,770	63,811	77,660	95,654	102,737	98,468	117,344
Operating grants and contributions	5,511,285	5,789,773	1,006,150	1,091,368	1,472,537	1,173,823	1,706,209	1,596,703	1,276,311	1,451,083
Capital grants and contributions		178,601	585,446	4,855,825	639,500	61,571	327,043	63,241	276,089	2,997
Total governmental activities program revenues	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	1,745,667
Business-type activities:										
Charges for services										
Food service	483,153	546,421	582,335	632,928	696,027	767,061	835,552	895,670	948,046	891,004
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	91,155
Total business type activities program revenues	483,153	546,421	626,628	682,123	736,640	851,847	921,937	1,004,965	1,041,586	982,159
Total government-wide program revenues	\$ 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	\$ 2,727,826
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (62,743,701)
Business-type activities	(67,011)	(8,134)	(36,303)	25,673	37,608	32,313	(14,238)	6,286	59,344	26,084
Total government-wide net (expense)/revenue	\$ (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)	\$ (62,717,617)

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

(accrual basis of accounting)
Unaudited

	2004	2005	2006	2007	2008	Year Ended June 30, 2009 (as restated)	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 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	\$ 54,005,100
Taxes levied for debt service	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	2,729,133
Unrestricted grants and contributions	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	7,687,106
Investment earnings			730,142	826,333	148,834	14,644	17,334	14,064	9,600	8,148
Loss on disposal of capital assets				(73,907)						
Miscellaneous income	95,800	225,414	174,347	123,447	139,476	244,540	294,945	296,104	417,024	1,105,493
Total governmental activities	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	65,534,980
Business-type activities:										
Grants and contributions	51,444	51,595								
Investment earnings	1,036	3,816	8,037	6,672	8,769	1,238				
Total business-type activities	52,480	55,411	8,037	6,672	8,769	1,238				
Total district-wide	\$ 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	\$ 65,534,980
Change in Net Position										
Governmental activities	\$ 483,357	\$ 67,519	\$ 494,733	\$ 4,510,434	\$ 123,923	\$ 1,200,721	\$ 2,617,078	\$ 2,290,749	\$ 2,513,473	\$ 2,791,279
Business-type activities	(14,531)	47,277	(28,266)	32,345	46,377	33,551	(14,238)	6,286	59,344	26,084
Total district	\$ 468,826	\$ 114,796	\$ 466,467	\$ 4,542,779	\$ 170,300	\$ 1,234,272	\$ 2,602,840	\$ 2,297,035	\$ 2,572,817	\$ 2,817,363

Source: CAFR Schedule A-2 and District records.

Note: GASB 63 was implemented during the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

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

(modified accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 169,761	\$ 324,278	\$ 864,926	\$ 518,205	\$ 1,129,118	\$ 2,022,567	\$ 2,966,886			
Unreserved	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	\$ 6,597,992
Assigned to								533,174	884,234	465,868
Unassigned								1,345,112	1,050,698	985,978
Total general fund	<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>	<u>\$ 8,049,838</u>
All Other Governmental Funds										
Reserved	\$ 376,642	\$ 2,963,068	\$ 11,502,294	\$ 2,719,255	\$ 100,000	\$ 932,255	\$ 96,798			
Unreserved, reported in:										
Special revenue fund (deficit)										
Capital projects fund (deficit)	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	\$ 230,250
Total all other governmental funds	<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>	<u>\$ 230,250</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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Local sources:										
Local tax levy	\$ 35,322,152	\$ 37,967,064	\$ 40,462,161	\$ 43,605,298	\$ 46,625,391	\$ 49,793,222	\$ 50,753,021	\$ 54,289,371	\$ 55,524,892	\$ 56,734,233
Transportation	43,953	50,605	51,302	45,770	63,811	77,660	95,654	102,737	96,498	117,344
Tuition charges	28,881	35,795	39,189	21,754	12,347	15,301	5,000	60,500	43,900	174,243
Interest income			730,142	826,333	146,834	14,644	17,334	14,054	8,600	8,148
Miscellaneous	106,456	245,657	269,293	242,024	336,579	412,971	417,752	503,968	524,027	1,419,596
Total local sources	36,501,442	38,320,142	41,552,087	44,741,179	47,187,082	50,314,796	51,268,761	54,970,560	56,300,557	58,453,568
State sources	5,356,174	5,769,939	5,632,850	12,603,499	9,068,821	6,774,499	7,229,306	5,004,679	6,400,866	7,833,455
Federal sources	619,379	680,856	718,237	757,417	773,644	771,600	1,375,843	1,230,170	1,035,102	972,226
Total revenue	41,476,995	44,770,937	48,903,184	58,102,095	57,029,527	57,860,897	59,864,912	61,205,509	63,737,555	67,259,249
Expenditures										
Current										
Instruction	17,649,795	18,919,665	20,417,646	21,623,960	21,765,799	22,401,522	24,178,669	25,044,512	25,000,591	26,805,975
Undistributed - current										
Tuition	1,288,038	1,526,935	1,864,882	1,960,712	2,245,509	2,297,823	2,210,229	2,338,936	2,368,967	1,922,832
Attendance/social work			51,375	56,867	60,304	62,715	65,223	56,165	56,165	56,734
Health services			536,096	537,452	504,508	535,086	535,086	535,086	535,086	526,641
Other support services	422,612		2,559,688	2,829,548	2,924,228	3,233,644	3,133,076	3,526,735	3,892,517	4,002,657
Student & inst. related services	5,262,605	5,411,497								
Improvement of instruction			862,637	915,507	937,253	865,341	697,162	822,673	647,573	689,774
Education media library			836,546	815,456	858,013	844,372	776,079	825,710	592,541	833,129
Other support instructional staff			137,777	210,960	220,741	133,312	109,834	103,611	130,269	189,761
General administration services	797,230	809,635	755,485	988,279	1,685,817	1,076,374	947,810	921,756	835,785	873,500
School administration services	1,588,985	2,015,422	2,161,161	2,324,601	2,421,735	2,458,224	2,514,209	2,824,611	2,676,125	2,683,329
Central services		563,490	695,617	594,909	672,910	744,412	632,285	675,431	682,780	753,992
Administrative information technology services		78,709	76,342	66,427	85,379	87,768	482,876	413,660	445,972	533,803
Required maintenance of plant services	3,785,264	4,105,099	803,416	867,331	893,832	874,506	967,041	1,490,447	986,919	877,535
Operation and maintenance of plant services			3,536,310	3,624,148	4,229,567	4,446,882	3,921,013	3,942,246	3,709,037	3,830,926
Care and upkeep of grounds							138,864	177,534	201,217	222,283
Security							60,419	64,636	75,953	59,091
Student transportation	1,302,282	1,593,367	1,767,328	1,960,504	1,937,315	2,036,321	2,109,563	2,331,566	2,309,451	2,228,574
Unallocated benefits and On-behalf TPAF Contributions	6,567,926	7,542,707	6,280,280	10,376,675	10,500,614	9,285,759	9,718,513	10,581,466	11,851,211	13,407,010
Special schools				41,145	58,210	67,440	74,264	89,747	107,902	122,737
Charter Schools						9,555	452		10,758	8,821
Capital outlay	794,933	1,147,646	2,728,675	22,518,852	4,987,275	1,813,118	1,680,999	1,246,377	3,328,296	1,467,564
Debt Service:										
Principal	606,000	565,000	950,000	960,000	1,682,283	1,538,891	1,941,898	1,482,608	1,497,837	1,367,152
Interest	1,126,033	1,092,239	702,027	2,256,025	1,818,207	1,764,609	1,706,302	1,630,480	1,600,417	1,632,590
Total expenditures	41,204,703	45,371,651	49,745,278	75,627,113	60,471,060	56,849,084	60,597,358	60,744,783	64,023,093	65,299,520
Excess (Deficiency) of revenues over (under) expenditures	272,292	(600,714)	(842,094)	(17,525,016)	(3,441,533)	1,011,813	1,297,554	460,726	(285,238)	1,959,729
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			89,731	1,280,581	331,067	761,632	564,226	472,589		
Transfers in				559,612	260,000	783,049	56	818,250		474,525
Transfers out				(559,612)	(250,000)	(783,049)	(56)	(818,250)		(474,525)
Insurance Recovery Related to Other Costs of Super Storm Sandy										21,398
Total other financing sources (uses)	-	-	20,614,731	1,280,581	331,067	761,632	564,226	472,589	-	21,398
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	272,292	(600,714)	19,772,637	(16,244,037)	(3,110,466)	1,773,445	1,861,780	933,325	(285,238)	1,981,127
Fund balance July 1	1,925,937	2,198,229	1,597,515	21,370,152	5,126,115	2,019,649	3,788,094	5,650,674	6,584,199	6,288,981
Fund balance June 30	\$ 2,198,229	\$ 1,597,515	\$ 21,370,152	\$ 5,126,115	\$ 2,015,648	\$ 3,789,094	\$ 5,650,674	\$ 6,584,199	\$ 6,298,991	\$ 6,280,088
Debt service as a percentage of noncapital expenditures	4.29%	3.75%	3.51%	6.03%	6.31%	6.56%	6.41%	5.20%	5.10%	4.54%

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	Legal Settlement	Transportation Fees	Annual Totals
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
2013	174,243	8,148	63,439	63,899	235,757	\$ 721,000	117,344	1,383,830

Source: District records

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

Unaudited

Year Ended December 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													
2004	\$ 5,784,875	\$ 653,607,300	None	\$ 100,000	\$ 106,101,500	\$ 7,942,200	\$ 15,819,300	\$ 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	41,358,800	1,829,935	2,031,417,235	148,490,100	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	145,872,700	1,890,798,866	2,229,300,135	0.930
2008	13,630,700	1,759,974,500	None	200,000	217,232,100	21,490,500	39,373,700	1,617,515	2,053,519,415	145,267,600	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	1,600,528	2,056,159,426	145,267,600	1,911,891,826	2,357,398,831	1.030
2010	12,661,900	1,772,106,500	None	200,000	216,835,000	21,593,300	39,373,700	1,682,076	2,064,672,576	145,267,600	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	2,059,932,057	145,267,600	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
2013	9,896,600	1,779,581,700	None	200,000	204,939,400	21,593,300	39,173,700	1,158,473	2,056,543,173	142,081,700	1,914,461,473	2,293,457,313	1.181
Township of Chatham													
2004	\$ 19,955,200	\$ 1,150,615,105	\$ 3,841,400	\$ 181,310	\$ 70,611,200	\$ 6,156,900	\$ 29,539,900	\$ 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	10,788,600	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	2,394,795,655	0.811
2006	60,972,700	2,488,567,600	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	3,069,647,830	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	3,165,247,248	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	3,213,107,447	1.090
2013	-	-	-	-	-	-	-	-	-	-	-	-	-

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

^{*} 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						
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
2013	1.12	0.06	1.18	0.40	0.29	1.87
Township of Chatham						
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
2013	*	*	*	*	*	*

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

* Information not available

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

Unaudited

2013			2004		
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Chatham Borough			Chatham Borough		
Normandy Chatham, LLC	\$ 12,742,100	0.62%	Michael Klebanoff	\$ 5,617,700	0.71%
S/K Chatham Associates	11,794,800	0.57%	One Main Street Associates	5,200,000	0.66%
One Main Street Associates	9,000,000	0.44%	Morehouse Estates LLC	4,960,000	0.63%
Chatham Project, LLC	7,310,000	0.36%	J. Apgar	4,450,000	0.56%
Levin Properties, LP	6,884,600	0.33%	Foursome Associates	4,000,000	0.51%
J. Apgar	6,880,100	0.33%	Town Square Partners	3,866,900	0.49%
Foresome Group	6,610,600	0.32%	Levin Properties, LP	2,942,000	0.37%
Town Square Partners	5,734,000	0.28%	Kaplan Elbert & Associates	2,486,800	0.31%
Silverman Group	4,530,500	0.22%	Public Service	2,481,900	0.31%
Jackson house Apartments	3,800,000	0.18%	Transcontinental Gas	2,439,300	0.31%
Total	<u>\$ 75,286,700</u>	<u>3.66%</u>	Total	<u>\$ 38,444,600</u>	<u>4.86%</u>
Township of Chatham**			Township of Chatham		
Home Poperties Chatham Hill, LLC	\$ 41,000,000	1.37%	Home Poperties Chatham Hill, LLC	\$ 44,660,000	3.46%
Hickory Square Associates LP	22,360,000	0.75%	Hickory Square Associates LP	26,420,700	2.05%
Fairmount Country Club	18,012,500	0.60%	Fairmount Country Club	18,390,100	1.42%
Texas Eastern Transmission Corp.	15,127,200	0.51%	Chatham Hills, Inc.	15,600,000	1.21%
Giralda Farms	11,881,800	0.40%	Texas Eastern Transmission Corp.	15,127,200	1.17%
Transcontinental Gas Pipeline Corp.	10,198,800	0.34%	Rockson Operating Partnership LP	12,660,500	0.98%
Chatham Hills, Inc.	10,000,000	0.34%	Transcontinental Gas Pipeline Corp	10,976,300	0.85%
Juniper Assisted Living Residence	9,666,000	0.32%	Juniper Assisted Living Residence	9,666,000	0.75%
Hanks and Condon, LLC	7,466,000	0.25%	Hanks and Condon, LLC	7,466,000	0.58%
Chatham Mall Assoc LLC	7,116,200	0.24%	Chatham Mall Assoc LLC	7,116,200	0.55%
Total	<u>\$ 152,828,500</u>	<u>5.12%</u>	Total	<u>\$ 168,083,000</u>	<u>13.01%</u>

Source: District CAFR & Municipal Tax Assessor.

** This is the latest information available from the Township of Chatham.

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	
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%	-
2013	56,734,233	56,734,233	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	
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
2012	37,522,368	37,081,025	98.82%	441,343

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	
2003	\$ 31,534,398	\$ 31,152,113	98.79%	\$ 382,285
2004	33,702,076	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
2012	50,526,518	49,738,810	98.44%	787,708

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

<u>Governmental Activities</u>					
Year Ended June 30,	General Obligation Bonds	Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita Income ^a
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	0.19%	71,730
2012	35,535,000	157,152	35,692,152	*	*
2013	34,325,000	-	34,325,000	*	*

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

General Bonded Debt Outstanding					
Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
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%	71,730
2012	35,535,000		35,535,000	1.86%	**
2013	34,325,000		34,325,000	1.79%	**

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, 2013

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>\$ 34,325,000</u>
Total direct and overlapping debt			<u><u>\$ 34,325,000</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 2013

	Chatham Borough	Chatham Township	Equalized valuation basis Total
2012	\$ 2,695,097,439	\$ 3,213,107,447	\$ 5,908,204,886
2011	2,329,736,842	3,185,247,249	5,514,984,091
2010	2,271,795,925	3,193,385,085	5,465,181,010
	<u>\$ 7,296,630,206</u>	<u>\$ 9,591,739,781</u>	<u>\$ 16,888,369,987</u>
Average equalized valuation of taxable property			\$ 5,629,456,662
Debt limit (4% of average equalization value)			\$ 225,178,266 a
Total Net Debt Applicable to Limit			<u>34,325,000</u>
Legal debt margin			<u>\$ 190,853,266</u>

Year ended June 30,

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 117,473,901	\$ 153,842,452	\$ 164,165,089	\$ 180,769,779	\$ 196,913,546	\$ 215,725,830	\$ 220,343,929	\$ 225,178,266	\$ 220,894,986	\$ 225,178,266
Total net debt applicable to limit	<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>	<u>34,325,000</u>
Legal debt margin	<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>\$ 188,478,266</u>	<u>\$ 185,359,986</u>	<u>\$ 190,853,266</u>
Total net debt applicable to the limit as a percentage of debt limit	18.64%	14.62%	25.63%	22.74%	20.29%	18.02%	17.16%	16.30%	16.09%	16.30%

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				
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	8,198	554,164,344	67,614	5.20%
2010	8,970	626,204,670	69,811	5.20%
2011	9,012	646,430,760	71,730	5.10%
2012	9,072	**	**	5.30%
Township of Chatham				
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	10,508	753,738,840	71,730	2.90%
2012	10,626	**	**	3.00%

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 County (Morris) estimated based upon the regional economic information system,

US Bureau of Economic Analysis, November 2012.

^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>2013</u>		<u>2004</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	114	*	117	*

* 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Instruction										
Regular	244.10	241.49	250.70	253.47	259.92	243.70	247.58	271.50	280.00	286.00
Special Education	31.00	32.30	34.30	56.00	48.80	69.30	73.00	84.20	89.30	95.30
Support Services										
Student & instruction related services	59.82	61.74	61.00	61.49	60.61	60.50	50.63	30.80	34.10	36.60
General administrative services	3.00	3.00	4.00	2.00	2.00	2.50	2.50	10.40	9.40	10.40
School administrative services	23.60	26.60	25.20	25.31	27.75	25.50	23.00	28.50	28.50	28.50
Business administrative services	8.00	8.80	8.50	9.50	9.00	9.00	7.00	7.00	8.00	8.00
Plant operation & maintenance	36.50	37.50	49.00	46.50	46.00	51.00	42.00	42.90	42.90	42.90
Pupil transportation	0.50	0.50	0.60	0.60	0.50	1.00	1.00	1.00	1.00	1.00
Total	406.52	411.93	433.30	454.87	454.58	462.50	446.71	476.30	493.20	508.70

Source: District Personnel Records
and 2013 budget support document.

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				
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%
2013	4,116	60,932,114	14,804	4.63%	342.30	12.9:1	11.5:1	11.3:1	4,110	3,947	1.43%	96.03%

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
District Building										
<u>Elementary</u>										
Milton Avenue School (1948)										
Square Feet	34,728	34,728	34,728	34,728	34,728	42,050	42,050	42,050	42,050	42,050
Capacity (students)	278	278	278	278	278	336	336	336	336	336
Enrollment	280	309	323	329	329	342	366	373	371	389
Southern Boulevard School (1928)										
Square Feet	51,983	51,983	51,983	51,983	51,983	76,890	76,890	76,890	76,890	76,890
Capacity (students)	416	416	416	416	416	615	615	615	615	615
Enrollment	535	547	527	526	484	490	502	493	491	463
Washington Avenue School (1952)										
Square Feet	40,293	40,293	40,293	40,293	40,293	62,100	62,100	62,100	62,100	62,100
Capacity (students)	322	322	322	322	322	497	497	497	497	497
Enrollment	325	320	332	327	387	401	446	455	448	444
Lafayette Avenue School (1954)										
Square Feet	68,294	68,294	68,294	68,294	68,294	72,690	72,690	72,690	72,690	72,690
Capacity (students)	546	546	546	546	546	582	582	582	582	582
Enrollment	541	524	561	556	597	636	637	598	635	695
<u>Middle School</u>										
Chatham Middle School (1957)										
Square Feet	144,445	144,445	144,445	144,445	144,445	144,445	144,445	191,720	191,720	191,720
Capacity (students)	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,431	1,431	1,431
Enrollment	704	783	795	793	831	849	891	958	962	961
<u>High School</u>										
Chatham High School (1962)										
Square Feet	168,977	168,977	168,977	168,977	168,977	220,065	220,065	220,065	237,730	237,730
Capacity (students)	1,574	1,119	1,119	1,119	1,119	1,457	1,457	1,457	1,574	1,574
Enrollment	873	880	920	909	954	999	1,054	1,056	1,146	1,157

Number of Schools at June 30, 2013

 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
2004	\$ 370,439	\$ 207,431	\$ 143,741	\$ 111,087	\$ 75,734	\$ 124,155	\$ 1,032,587
2005	446,098	253,031	131,187	77,638	108,703	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	89,648	987,331
2008	334,919	225,782	114,500	66,680	94,210	57,741	893,832
2009	350,000	211,889	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	98,322	1,490,447
2012	369,719	249,311	126,453	73,649	104,006	63,781	986,919
2013	329,357	278,974	105,772	61,187	111,883	90,362	977,535
Grand Total School Facilities	\$ 3,834,536	\$ 2,423,897	\$ 1,270,908	\$ 769,633	\$ 1,015,061	\$ 915,044	\$ 10,229,079

* 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, 2013

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - Glatfelter		
Property - Blanket, building and contents	\$ 106,349,439	\$ 5,000
Commercial General Liability	2,000,000 (aggregate)	
Employee Benefits Liability	1,000,000 (aggregate)	
Electronic Data Processing	3,000,000	5,000
Blanket Bond/Crime Coverage	100,000	1,000
Leased / Contractor Equipment - Glatfelter	400,000	1,000
Commercial Automotive Liability - Glatfelter	1,000,000	1,000
Workers Compensation - NJASBAIG	2,000,000	
Systems Breakdown - Boiler & Machinery - Glatfelter	60,000,000	1,000
Environmental - Glatfelter	2,000,000 (aggregate)	5,000
Umbrella Excess Liability - Glatfelter	50,000,000	10,000
Crime - Glatfelter		
Employee Theft	500,000	5,000
Forgery / Fraud	50,000	1,000
Computer Fraud	50,000	1,000
School District and Educators Legal Liability - Glatfelter	1,000,000	10,000
Volunteer Accident - Maskin		
Maximum Amount Per Injury	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

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

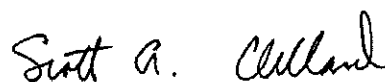
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 8, 2013
Iselin, New Jersey

Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the School District of the Chathams, in the County of Morris, State of New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant 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, 2013. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on an audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; *OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations*; 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to previously that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

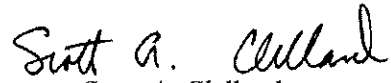
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 8, 2013
Iselin, New Jersey

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS

Schedule of Expenditures of Federal Awards, Schedule A
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2012	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2013		
									Accounts Receivable	Unearned 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	<u>\$ (9,693)</u>	<u>\$ 9,693</u>						
Total General Funds				<u>(9,693)</u>	<u>9,693</u>						
Enterprise Fund:											
U.S. Department of Agriculture Passed - Through State Department of Education:											
Food Donation Program (NC)	10.555	7/1/12-6/30/13	33,342		33,342	\$ 30,852				\$ 2,490	
Food Donation Program (NC)	10.555	7/1/11-6/30/12	38,304	4,593		4,593					
National School Lunch Program	10.555	7/1/12-6/30/13	51,261		47,273	51,261			\$ (3,988)		
National School Lunch Program	10.555	7/1/11-6/30/12	54,007	(14,547)	14,547	-			-	-	
Total U.S. Department of Agriculture Passed - Through State Department of Education				<u>(9,954)</u>	<u>95,162</u>	<u>86,706</u>			<u>(3,988)</u>	<u>2,490</u>	
Special Revenue Fund:											
U.S. Department of Education Passed - Through State Department of Education:											
N.C.L.B. Title II A	84.367A	9/1/12-8/31/13	56,328		37,808	56,328			(18,520)		
N.C.L.B. Title II A - Carryover	84.367A	9/1/11-8/31/12	59,037	(14,209)	14,209						
N.C.L.B. Title III	84.365	9/1/12-8/31/13	14,103		11,506	13,951			(2,445)		
N.C.L.B. Title III - Carryover	84.365	9/1/11-8/31/12	12,119	(1,994)	1,994						
I.D.E.I.A. Part B, Basic	84.027A	9/1/12-8/31/13	816,556		673,502	805,443			(131,941)		
I.D.E.I.A. Part B, Basic - Carryover	84.027A	9/1/11-8/31/12	861,612	(154,051)	162,910	8,859					
I.D.E.I.A. Part B, Preschool	84.173A	9/1/12-8/31/13	24,428		669	18,154			(17,485)		
I.D.E.I.A. Part B, Preschool - Carryover	84.173A	9/1/11-8/31/12	24,412		21,323	21,323					
U.S. Department of Homeland Security Passed - Through State Department of Education:											
Federal Emergency Management Assistance	97.036	7/1/12-6/30/13	45,181	-	39,458	45,181			(5,723)		
Total Special Revenue Funds				<u>(170,254)</u>	<u>963,379</u>	<u>969,239</u>			<u>(176,114)</u>		
Total Federal Financial Assistance				<u>\$ (189,901)</u>	<u>\$ 1,068,234</u>	<u>\$ 1,055,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (180,102)</u>	<u>\$ 2,490</u>	<u>\$ -</u>

NC - Non-cash expenditures

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

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

**Schedule of Expenditures of State Financial Assistance, Schedule B
Year Ended June 30, 2013**

Balance June 30, 2013												MEMO	
State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2012	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Accounts Receivable	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Categorical Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	\$ 1,664,838			\$ 1,512,586	\$ 1,664,838					\$ (152,252)	\$ 1,664,838
Categorical Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	1,442,731	\$ (127,166)		127,166							
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	146,011			132,658	146,011					(13,353)	146,011
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	61,092			55,505	61,092					(5,587)	61,092
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	374,474				374,474		\$ (374,474)				374,474
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	434,692	(434,692)		434,692							
Non-Public Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	41,817				41,817		(41,817)				41,817
Non-Public Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	43,033	(43,033)		43,033							
Reimbursed TPAF Social Security Contribution	13-495-034-5095-002	7/1/12-6/30/13	1,725,062			1,640,974	1,725,062		(84,088)				1,725,062
Reimbursed TPAF Social Security Contribution	12-495-034-5095-002	7/1/11-6/30/12	1,798,166	(89,085)		89,085							
N.J. Schools Development Authority	0785-070-10-1002	6/29/11 - Completion	9,423			9,423	9,423						9,423
N.J. Schools Development Authority	0785-030-10-1003	6/29/11 - Completion	46,314			46,314	46,314						46,314
N.J. Schools Development Authority	0785-050-10-1001	6/29/11 - Completion	37,981	-		37,981	37,981		-			-	37,981
Total General Funds				(693,976)		4,129,417	4,107,012		(500,379)			(171,192)	4,107,012
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Textbook Aid	13-100-034-5120-064	7/1/12-6/30/13	17,807			17,807	17,550				\$ 257		17,550
Auxiliary Services:													
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	20,902			20,902	18,143				2,759		18,143
Compensatory Education	12-100-034-5120-067	7/1/11-6/30/12	19,443	5,326				\$ 5,326					
English as a Second Language	13-100-034-5120-067	7/1/12-6/30/13	682			682	682						682
English as a Second Language	12-100-034-5120-067	7/1/11-6/30/12	862	604				604					
Home Instruction	13-100-034-5120-067	7/1/12-6/30/13	1,826				1,826		(1,826)				1,826
Home Instruction	12-100-034-5120-067	7/1/11-6/30/12	2,037	(2,037)		2,037							
Handicapped Services:													
Examination and Classification	13-100-034-5120-066	7/1/12-6/30/13	33,758			33,758	25,960				7,798		25,960
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	37,992	11,587				11,587					
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	31,248			31,248	19,842				11,406		19,842
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	30,014	7,900				7,900					
Supplementary Instruction	13-100-034-5120-066	7/1/12-6/30/13	21,509			21,509	18,247				3,262		18,247
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	27,359	11,084				11,084					
Technology Initiative	13-100-034-5120-373	7/1/12-6/30/13	9,263			9,263	9,263						9,263
Nursing Services	13-100-034-5120-070	7/1/12-6/30/13	34,836	-		34,836	34,836	-	-		-		34,836
Total Special Revenue Funds				34,464		172,042	146,349	36,501	(1,826)		25,482		146,349
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			1,126,459
N.J. Schools Development Authority	0785-010-09-1001	6/12/09 - Completion	383,751										383,751
N.J. Schools Development Authority	0785-070-10-1002	6/29/11 - Completion	24,705	(24,705)		24,705							24,705
N.J. Schools Development Authority	0785-030-10-1003	6/29/11 - Completion	94,864	(94,864)		94,864							94,864
N.J. Schools Development Authority	0785-050-10-1001	6/29/11 - Completion	224,852	(186,871)		186,871				-			186,871
Total Capital Project Funds				(234,500)		306,440				71,940			1,999,317
Enterprise Fund:													
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	4,449			3,851	4,449		(598)				4,449
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	5,145	(1,390)		1,390			-				-
Total Enterprise Fund				(1,390)		5,241	4,449		(598)				4,449
Total All Funds				\$ (895,402)	\$ -	\$ 4,613,140	\$ 4,257,810	\$ 36,501	\$ (502,803)	\$ 71,940	\$ 25,482	\$ (171,192)	\$ 6,257,127

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

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

Year ended June 30, 2013

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, 2013

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 (\$44,026) for the general fund and \$37,772 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 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		\$ 7,687,106	\$ 7,687,106
Special Revenue Fund	\$ 972,228	146,349	1,118,577
Enterprise Fund	86,706	4,449	91,155
Total financial award revenues	<u>\$ 1,058,934</u>	<u>\$ 7,837,904</u>	<u>\$ 8,896,838</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, 2013, \$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, 2013

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, 2013.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2013 amounted to \$3,624,120. 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, 2013

Part I - Summary of Auditors' Results

Financial Statement Section

Type of auditor's report issued:		Unmodified	
<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 auditor's report issued on compliance for major programs:		Unmodified	
<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	IDEIA Part B Basic and Preschool Cluster

School District of the Chathams

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2013

Part I - Summary of Auditors' 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 auditor's report on compliance for major programs:

Unmodified

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:

GMIS/Program Number

Name of State Program or Cluster

13-495-034-5120-089

Categorical Special Education Aid

13-495-034-5120-084

Security Aid

School District of the Chathams
Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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, 2013

**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, 2013

Not applicable.