

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, 2014*

School District of the Chathams

Chatham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

Prepared by

Business Office

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INTRODUCTORY SECTION



School District of the Chathams

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

Peter Daquila
Business Administrator/
Board Secretary

September 30, 2014

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, 2014, 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 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 2013/2014 fiscal year with an average daily enrollment of 4,121 students, which is an increase of 11 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 Student Enrollment</u>	<u>Percent Change</u>
2013/2014	4,121	0.3%
2012/2013	4,110	1.4%
2011/2012	4,052	1.9%
2010/2011	3,976	2.1%
2009/2010	3,895	5.2%

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 \$5,514,213,000 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 Content Standards and the Common Core State 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. This past summer, *New Jersey Monthly* ranked Chatham High School as the # 1 school in the state.

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 assigned fund balance at June 30, 2014.

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, 2014, 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 Schools Development Authority (SDA) for capital projects to maintain our aging school buildings.

9. OTHER INFORMATION:


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.

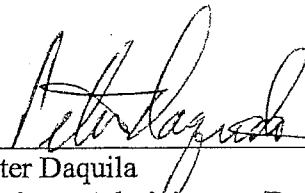
10. ACKNOWLEDGMENTS:

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.

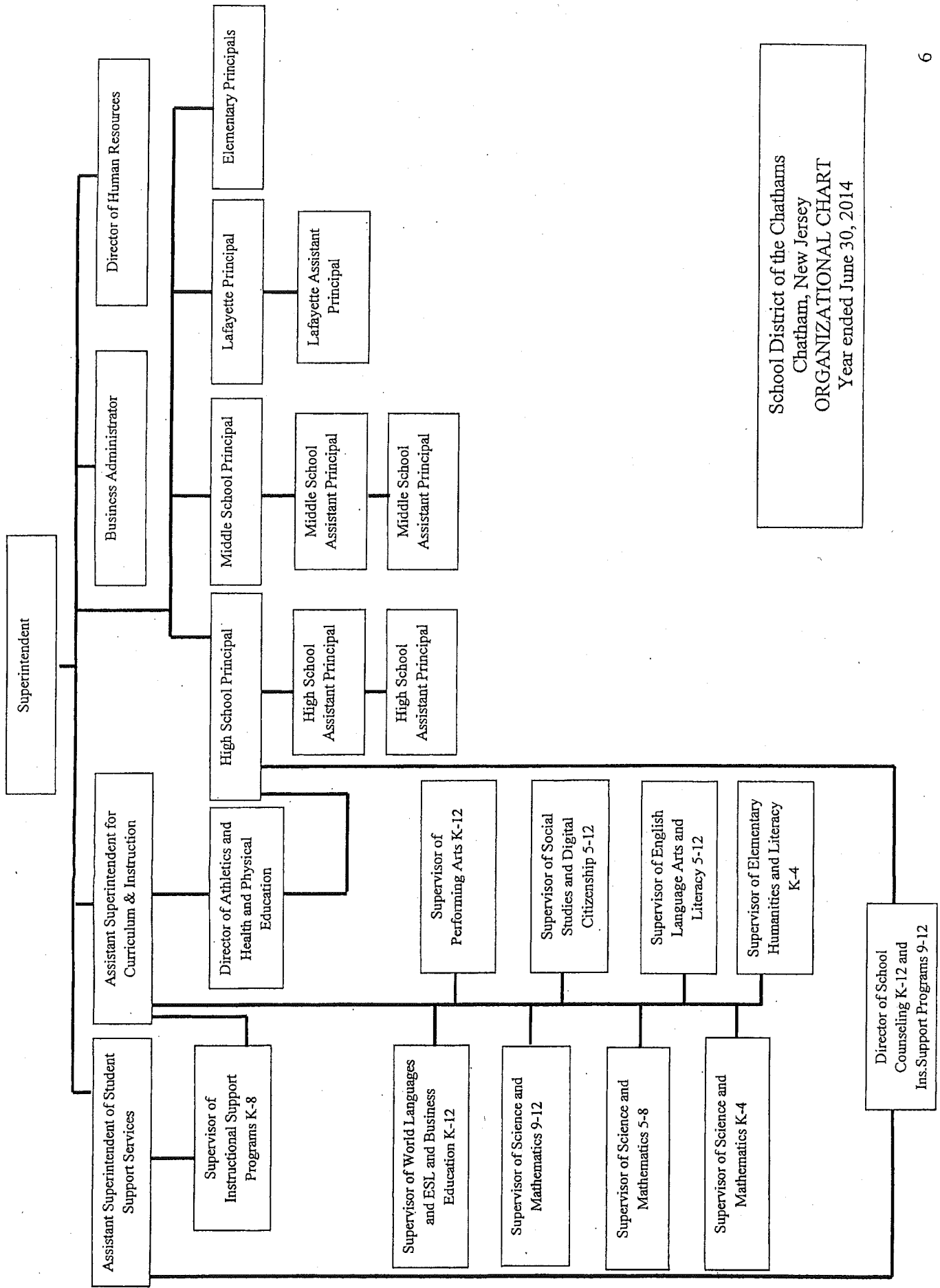
Respectfully submitted,



Dr. Michael LaSusa
Superintendent



Peter Daquila
Business Administrator/Board Secretary



School District of the Chathams
Chatham, New Jersey
ORGANIZATIONAL CHART
Year ended June 30, 2014

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

Roster of Officials

June 30, 2014

Members of the Board of Education

Expires

Jill Critchley Weber, President	2017
Matthew Gilfillan, Vice President	2016
Thomas K. Belding	2015
Michelle Clark	2015
Richard Connors	2017
Kim Cronin	2017
Philip Franz	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, 2014

Architects

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

Official Depositories

PNC Bank
82 Floral Avenue
New Providence, NJ 07974

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, County of Morris, State of New Jersey (the "District"), as of and for the year ended June 30, 2014, 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.

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, 2014, 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.

Emphasis of Matter

As discussed in Note 1.R. to the financial statements, during the fiscal year ended June 30, 2014, the District adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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

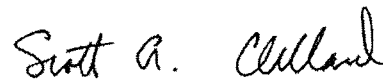
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, 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 September 30, 2014 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

September 30, 2014
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, 2014
(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, 2014. 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 21 - 22 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 23-25 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 26-28 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 29-30 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 31-55 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 56-75 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 and deferred outflows of resources exceeded liabilities by \$43,173,338 at the close of fiscal 2014. The following table provides a summary of net position at June 30, 2014 and 2013 relating to the District's governmental and business-type activities:

Key financial Highlights for the 2013-2014 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2014.
- The State did not change the approved state aid to the District for 2013-2014 from the final amount awarded to the District in the 2013 fiscal year.

	Government Activities		Business-Type Activities		Total School District	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Current and other assets	\$ 8,599,917	\$ 8,798,922	\$ 192,621	\$ 150,959	\$ 8,792,538	\$ 8,949,881
Capital Assets, net	68,336,275	68,803,639	213,504	235,334	68,549,779	69,038,973
Total Assets	76,936,192	77,602,561	406,125	386,293	77,342,317	77,988,854
Deferred outflow of resources	524,506	572,189			524,506	572,189
Current and other liabilities	2,585,553	2,343,215	61,320	90,911	2,646,873	2,434,126
Long-term liabilities outstanding	32,046,612	33,439,466	-	-	32,046,612	33,439,466
Total Liabilities	34,632,165	35,782,681	61,320	90,911	34,693,485	35,873,592
Net Position:						
Net investment in capital assets	35,805,781	35,050,828	213,504	200,539	36,019,285	35,251,367
Restricted	3,633,817	6,750,596			3,633,817	6,750,596
Unrestricted	3,388,935	590,645	131,301	94,843	3,520,236	685,488
Total Net Position	\$ 42,828,533	\$ 42,392,069	\$ 344,805	\$ 295,382	\$43,173,338	\$42,687,451

The largest portion of the District's net position is its net 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 \$485,887 during the current fiscal year.

Capital assets, net decreased from the prior year due to depreciation of 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 decreased mainly due to the net decrease in the capital reserve account of \$3,101,000.

Unrestricted net position increased mainly due to the timing of work to be performed on the Chatham High School expansion project, which resulted in a significant increase in year-end encumbrances. General Fund encumbrances at June 30, 2014 totaled \$3,281,687, as compared with \$465,868 at June 30, 2013.

District Activities. The key elements of the District's changes in net position for the years ended June 30, 2014 and 2013 are as follows:

	Governmental Activities		Business-Type Activities		Total School District	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Revenues:						
Program Revenues:						
Charges for Services	\$ 366,153	\$ 291,587	\$ 1,018,241	\$ 891,004	\$ 1,384,394	\$ 1,182,591
Operating Grants and Contributions	1,230,651	1,451,083	91,459	91,155	1,322,110	1,542,238
Capital Grants and Contributions	76,981	2,997			76,981	2,997
General Revenue:						
Property Taxes	58,611,994	56,734,233			58,611,994	56,734,233
State Aid	7,322,537	7,687,106			7,322,537	7,687,106
Earnings on Investments	6,137	8,148			6,137	8,148
Miscellaneous	366,796	1,105,493			366,796	1,105,493
Total Revenue	67,981,249	67,280,647	1,109,700	982,159	69,090,949	68,262,806
Expenses:						
Instruction	40,241,403	38,849,778			40,241,403	38,849,778
Student and Instruction related services	9,598,789	8,869,645			9,598,789	8,869,645
Administration and Business	6,783,558	6,639,210			6,783,558	6,639,210
Maintenance and Operations	6,434,186	6,139,125			6,434,186	6,139,125
Transportation	2,462,453	2,238,383			2,462,453	2,238,383
Special Schools	240,248	172,554			240,248	172,554
Charter Schools	20,005	9,821			20,005	9,821
Interest on long-term liabilities	1,764,143	1,570,852			1,764,143	1,570,852
Business Type Activities			1,060,277	956,075	1,060,277	956,075
Total Expenses	67,544,785	64,489,368	1,060,277	956,075	68,605,062	65,445,443
Change in Net Position	436,464	2,791,279	49,423	26,084	485,887	2,817,363
Net position - beginning	42,392,069	39,600,790	295,382	269,298	42,687,451	39,870,088
Net position - ending	\$ 42,828,533	\$ 42,392,069	\$ 344,805	\$ 295,382	\$ 43,173,338	\$ 42,687,451

Revenue Sources. The District's total revenue for the 2013/14 school year was \$69,090,949. Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$58,611,994 of the total, or 84.83 percent. Another 10.60 percent came from federal and state aids not restricted for specific programs and operating and capital grants and contributions, 2.00 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 operating grants and contributions is the result of less funds received in the current year related to local grants. The decrease in miscellaneous revenue is primarily attributable to the legal settlement received in April 2013 of approximately \$721,000; no such settlement was received in the current fiscal year.

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

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unrestricted fund balance is divided between assigned to and unassigned balances. The District has assigned portions of the unrestricted fund balance to earmark resources for the payment of certain government-wide liabilities that are not recognized in the governmental funds.

General Fund. The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$1,120,590, while the total fund balance was \$7,892,288. The net change in total fund balance for the General Fund was a decrease of \$157,550, which was mainly attributable to an increase in pupil transportation costs of \$223,717.

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 a decrease of \$218,388 attributable mostly to a decrease in local grants received. IDEA continues to be the largest grant in the special revenue fund, with expenditures in the current fiscal year of \$807,167.

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.

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 \$154,034, 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, 2014, 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 2013</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$ 59,561,754	87.61%	\$ 1,108,188	1.90%
State Sources	7,529,811	11.08%	(303,644)	-3.88%
Federal Sources	889,684	1.31%	(82,544)	-8.49%
	<u>\$ 67,981,249</u>	<u>100.00%</u>	<u>\$ 722,000</u>	<u>1.07%</u>

The increase in local sources is mainly attributable to an increase in the tax levy of \$1,877,761, offset by the \$721,000 legal settlement which was received in the prior fiscal year.

The decrease of \$303,644 or 3.88% of State sources in FY 2014 is mainly the result of a \$653,205 decrease in the TPAF Pension benefits paid for by the State of New Jersey on behalf of the District. This decrease was offset by increases in Extraordinary Aid of \$100,592 and TPAF Social Security benefits paid for by the State of New Jersey on behalf of the District of \$237,305.

The decrease of \$82,544 or 8.49% of Federal sources in FY 2014 is mainly the result of the District receiving \$45,181 from Federal Emergency Management Assistance in the prior year, and nothing in the current year. In addition, IDEA revenue decreased by \$48,844 in the current year as a result of lower expenditures as compared with the prior year.

The following schedule presents a summary of Governmental Fund expenditures for the fiscal year ended June 30, 2014 and the increases and decreases in relation to the prior year.

	<u>Amount</u>	<u>Percentage</u>	<u>Increase (Decrease) from 2013</u>	<u>Percent of Increase (Decrease)</u>
Current Expenditures:				
Instruction	\$ 27,779,550	40.80%	\$ 973,575	3.63%
Undistributed	35,734,501	52.50%	1,740,920	5.12%
Special Schools	172,110	0.25%	49,373	40.23%
Charter Schools	20,005	0.03%	10,184	103.70%
Capital Outlay	1,627,283	2.39%	159,619	10.88%
Debt Service:				
Principal	1,270,000	1.87%	(97,152)	-7.11%
Interest	1,467,760	2.16%	(64,830)	-4.23%
	<u>\$ 68,071,209</u>	<u>100.00%</u>	<u>\$ 2,771,689</u>	<u>4.24%</u>

The increase in instruction expenditures is mainly due to an increase in Resource Room and Grades 6-8 and 9-12 Salaries of Teachers.

The increase in undistributed expenditures is attributable to a variety of factors, including: an increase in tuition of approximately \$470,000; an increase in Instructional Staff Training Services of approximately \$400,000; an increase in Security of approximately \$260,000; an increase in Student Transportation Services of approximately \$220,000; and an increase in Unallocated Benefits of approximately \$540,000.

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 2014 fiscal year by \$49,423. 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 resource room/resource center exceeded the original budget by approximately \$271,000 or 7% as a result of increases in salaries to provide the necessary education.
- The modified budget for undistributed expenditures – instructional staff training services – increased from the original budget by approximately \$427,000 or 184% as a result of a change in the classification where supervisor salaries were ultimately charged to.
- The modified budget for facilities acquisition and construction services exceeded the original budget by approximately \$1,248,000 or 39% as a result of additional expenditures needed to complete ongoing projects related to the high school classroom expansion. This included a capital reserve withdrawal made in October of 2013 in the amount of \$1,276,000.
- The modified budget for unallocated benefits decreased from the original budget by approximately \$445,000 or 5% as a result of the increase in health benefit costs being less than anticipated.

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 \$77,000 or 47% as a result of an increase in students paying tuition in the current year for attending the School District of the Chathams from other school districts.
- Actual miscellaneous income was in excess of the modified budgeted amount by approximately \$132,000 or 56% as a result of a refund of prior year expenditures of approximately \$50,000 as well as additional unbudgeted rental fee income of approximately \$48,000.

Expenditures

- The actual amounts expended for undistributed expenditures – operation and maintenance of plant services were less than the final budget by approximately \$301,000 or 7% as a result of the District's continued conservation of energy based on rates negotiated with vendors and less than anticipated demands.
- The actual amounts expended for facilities acquisition and construction services were less than the final budget by approximately \$2,926,000 or 66% as a result of the timing of when expenditures were incurred to complete ongoing projects, including the Chatham High School expansion project. The majority of these funds were encumbered at June 30, 2014.

Capital Assets

As of June 30, 2014, the District has capital assets, net of accumulated depreciation, of \$68,549,779 including land, construction in progress, building and building improvements and machinery, equipment, vehicles noted as follows:

	Government Activities		Business-Type Activities		Total School District	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Land	\$11,616,511	\$11,616,511			\$ 11,616,511	\$ 11,616,511
Construction in Progress	1,218,948	71,979			1,218,948	71,979
Buildings and Building Improvements	51,401,372	52,686,978	\$ 38,242	\$ 39,082	51,439,614	52,726,060
Land Improvements	2,964,448	3,223,252			2,964,448	3,223,252
Machinery and Equipment	1,134,996	1,204,919	175,262	196,252	1,310,258	1,401,171
Total Capital Assets						
Net of Depreciation	<u>\$68,336,275</u>	<u>\$68,803,639</u>	<u>\$ 213,504</u>	<u>\$ 235,334</u>	<u>\$ 68,549,779</u>	<u>\$ 69,038,973</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, 2014 and 2013 are as follows for the governmental activities:

	<u>2013/14</u>	<u>2012/13</u>
General Obligation Bonds	\$ 33,055,000	\$ 34,325,000
Compensated Absences	<u>516,612</u>	<u>536,783</u>
	<u>\$ 33,571,612</u>	<u>\$ 34,861,783</u>

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 2014-2015 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 2014-2015 budget, the District continued to utilize banked cap, and plans to continue to utilize it in the school years of 2015-2016 and 2016-2017. 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 2014-2015 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 2015-2016 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, 2014**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,687,551	\$ 170,631	\$ 4,858,182
Receivables	981,595	15,242	996,837
Inventory		6,748	6,748
Restricted assets:			
Capital reserve account - cash	2,930,771		2,930,771
Capital assets, non-depreciable	12,835,459		12,835,459
Capital assets, depreciable, net	<u>55,500,816</u>	<u>213,504</u>	<u>55,714,320</u>
Total Assets	<u>76,936,192</u>	<u>406,125</u>	<u>77,342,317</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred loss on defeasance of debt	<u>524,506</u>		<u>524,506</u>
LIABILITIES			
Accounts payable	233,608		233,608
Accrued interest payable	650,764		650,764
Payable to state government	8,190		8,190
Unearned revenue	167,991	61,320	229,311
Noncurrent liabilities:			
Due within one year	1,525,000		1,525,000
Due beyond one year	<u>32,046,612</u>	<u>-</u>	<u>32,046,612</u>
Total liabilities	<u>34,632,165</u>	<u>61,320</u>	<u>34,693,485</u>
NET POSITION			
Net investment in capital assets	35,805,781	213,504	36,019,285
Restricted for:			
Capital Projects	143,806		143,806
Other purposes	3,490,011		3,490,011
Unrestricted	<u>3,388,935</u>	<u>131,301</u>	<u>3,520,236</u>
Total Net Position	<u>\$ 42,828,533</u>	<u>\$ 344,805</u>	<u>\$ 43,173,338</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Activities
Year Ended June 30, 2014

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	\$ 27,954,807	\$ 238,138	\$ 384,014	\$ 76,981	\$ (27,255,674)		\$ (27,255,674)
Special education	9,783,241		802,733		(8,980,508)		(8,980,508)
Other instruction	2,503,355				(2,503,355)		(2,503,355)
Support services:							
Student and instruction related services	9,598,789		43,904		(9,554,885)		(9,554,885)
School administration services	3,862,549				(3,862,549)		(3,862,549)
General and business administration services	2,921,009				(2,921,009)		(2,921,009)
Operation and maintenance of plant services	6,434,186				(6,434,186)		(6,434,186)
Pupil transportation	2,462,453	128,015			(2,334,438)		(2,334,438)
Special schools	240,248				(240,248)		(240,248)
Charter Schools	20,005				(20,005)		(20,005)
Interest and other costs on long-term debt	1,764,143	-	-	-	(1,764,143)		(1,764,143)
Total governmental activities	<u>67,544,785</u>	<u>366,153</u>	<u>1,230,651</u>	<u>76,981</u>	<u>(65,871,000)</u>		<u>(65,871,000)</u>
Business-type activities:							
Food Service	1,080,277	1,018,241	91,459	-	-	\$ 49,423	49,423
Total business-type activities	<u>1,080,277</u>	<u>1,018,241</u>	<u>91,459</u>	<u>-</u>	<u>-</u>	<u>49,423</u>	<u>49,423</u>
Total primary government	<u>\$ 68,605,062</u>	<u>\$ 1,384,394</u>	<u>\$ 1,322,110</u>	<u>\$ 76,981</u>	<u>(65,871,000)</u>	<u>49,423</u>	<u>(65,821,577)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes							
					55,874,234		55,874,234
Property taxes, levied for debt service							
					2,737,760		2,737,760
State aid not restricted							
					7,322,537		7,322,537
Investment Earnings							
					6,137		6,137
Miscellaneous Income							
					366,796	-	366,796
Total general revenues					<u>66,307,464</u>	<u>-</u>	<u>66,307,464</u>
Change in Net Position					436,464	49,423	485,887
Net Position—beginning					42,392,069	295,382	42,687,451
Net Position—ending					<u>\$ 42,828,533</u>	<u>\$ 344,805</u>	<u>\$ 43,173,338</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,389,711		\$ 143,806	\$ 154,034	\$ 4,687,551
Intergovernmental Accounts Receivable					
State	722,449				722,449
Federal		\$ 239,862			239,862
Other	19,284				19,284
Interfunds receivable	98,806				98,806
Restricted cash and cash equivalents	2,930,771	-	-	-	2,930,771
Total Assets	\$ 8,161,021	\$ 239,862	\$ 143,806	\$ 154,034	\$ 8,698,723
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 233,533	\$ 75			\$ 233,608
Interfunds payable		98,806			98,806
Payable to state government		8,190			8,190
Unearned revenue	35,200	132,791			167,991
Total Liabilities	268,733	239,862			508,595
Fund Balances:					
Restricted for:					
Excess surplus - current year	282,490				282,490
Excess surplus - designated for subsequent year's expenditures	276,750				276,750
Capital reserve account	2,930,771				2,930,771
Capital projects			\$ 143,806		143,806
Debt service				\$ 154,034	154,034
Assigned to:					
Other Purposes	3,281,687				3,281,687
Unassigned Fund Balance Reported In:					
General fund	1,120,590	-	-	-	1,120,590
Total Fund Balances	7,892,288	-	143,806	154,034	8,190,128
Total Liabilities and Fund Balances	\$ 8,161,021	\$ 239,862	\$ 143,806	\$ 154,034	\$ 8,698,723

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 \$94,601,014 and the accumulated depreciation is \$26,264,739 (See Note 5). 68,336,275

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (33,571,612)

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. (650,764)

Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds.

524,506

Net position of governmental activities \$ 42,828,533

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	Major Funds				Total
	General	Special	Capital	Debt	Governmental
	Fund	Revenue	Projects	Service	Funds
		Fund	Fund	Fund	
REVENUES					
Local sources:					
Local tax levy	\$ 55,874,234			\$ 2,737,760	\$ 58,611,994
Tuition charges	238,138				238,138
Transportation fees	128,015				128,015
Interest earned on investments	6,137				6,137
Miscellaneous	366,796	\$ 210,674		-	577,470
Total - Local Sources	56,613,320	210,674		2,737,760	59,561,754
State sources	7,322,537	135,334	\$ 71,940		7,529,811
Federal sources	-	889,684	-	-	889,684
Total Revenues	63,935,857	1,235,692	71,940	2,737,760	67,981,249
EXPENDITURES					
Current:					
Regular instruction	20,036,382	384,014			20,420,396
Special education instruction	4,691,599	802,733			5,494,332
Other instruction	1,864,822				1,864,822
Support services and undistributed costs:					
Tuition	2,393,463				2,393,463
Attendance/social work	59,499				59,499
Health services	643,896				643,896
Other support services	4,077,969	43,904			4,121,873
Improvement of instruction	684,763				684,763
School library	952,837				952,837
Instructional staff training	589,223				589,223
General administration services	940,291				940,291
School administration services	2,775,092				2,775,092
Central services	764,217				764,217
Administrative information technology	515,039				515,039
Required maintenance of school facility	1,083,734				1,083,734
Operations of plant services	3,711,271				3,711,271
Care and upkeep of grounds	198,345				198,345
Security	318,926				318,926
Pupil transportation services	2,452,291				2,452,291
Unallocated benefits	8,596,459				8,596,459
On-behalf TPAF social security and pension contributions	4,933,282				4,933,282
Debt service:					
Principal				1,270,000	1,270,000
Interest				1,467,760	1,467,760
Special schools	172,110				172,110
Contribution to charter school	20,005				20,005
Capital outlay	1,622,242	5,041		-	1,627,283
Total Expenditures	64,097,757	1,235,692		2,737,760	68,071,209
(Deficiency) excess of revenues					
(under) over expenditures	(161,900)		71,940	-	(89,960)
OTHER FINANCING SOURCES AND (USES)					
Transfers in	4,350			76,388	80,738
Transfers (out)	-		(80,738)	-	(80,738)
Total Other Financing Sources and (Uses)	4,350		(80,738)	76,388	-
Net change in fund balances	(157,550)		(8,798)	76,388	(89,960)
Fund Balance—July 1	8,049,838	-	152,604	77,646	8,280,088
Fund Balance—June 30	\$ 7,892,288	\$ -	\$ 143,806	\$ 154,034	\$ 8,190,128

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, 2014

Total net change in fund balances - governmental funds (from B-2) **\$ (89,960)**

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 and the loss on retirement of assets exceeded capital asset (capital outlay) additions in the period.

Depreciation expense	\$	(1,982,536)	
Retirement of capital assets		(10,296)	
Capital additions		<u>1,525,468</u>	
			(467,364)

Repayment of bond 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. 1,270,000

Governmental funds report the effect on premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred loss of refunding. (47,683)

Prior to the implementation of GASB 65, governmental funds reported the effect on issuance costs when the debt was first issued, whereas the amounts were deferred and amortized in the statement of activities. Now, with the implementation of GASB 65, the remaining issuance costs are amortized in full. (275,499)

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. (+) 26,799

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 (+). 20,171

Change in net position of governmental activities (A-2) **\$ 436,464**

PROPRIETARY FUND

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Enterprise Fund
Statement of Net Position
June 30, 2014

	<u>Major Enterprise Fund</u> <u>Food Service</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 170,631
Accounts receivable:	
State	647
Federal	4,321
Other	10,274
Inventories	6,748
Total Current Assets	<u>192,621</u>
Noncurrent assets:	
Furniture, machinery and equipment	413,400
Less accumulated depreciation	<u>(199,896)</u>
Total Noncurrent Assets	<u>213,504</u>
Total Assets	<u>406,125</u>
LIABILITIES	
Current Liabilities:	
Unearned revenue	<u>61,320</u>
Total Current Liabilities	<u>61,320</u>
NET POSITION	
Net investment in capital assets	213,504
Unrestricted	<u>131,301</u>
Total Net Position	<u>\$ 344,805</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, 2014

	Major Enterprise Fund
	<u>Food Service</u>
Operating Revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 1,002,669
Daily sales - non-reimbursable programs	<u>15,572</u>
Total Operating Revenues	<u>1,018,241</u>
 Operating Expenses:	
Cost of sales	474,744
Salaries	320,148
Employee benefits	56,873
Other purchased services	52,198
Management Fee	40,508
General supplies	73,285
Miscellaneous	20,691
Depreciation	<u>21,830</u>
Total Operating Expenses	<u>1,060,277</u>
Operating (Loss)	<u>(42,036)</u>
 Nonoperating Revenues:	
State sources:	
State school lunch program	5,018
Federal sources:	
National school lunch program	54,727
Food donation program	<u>31,714</u>
Total Nonoperating Revenues	<u>91,459</u>
Change in Net Position	49,423
 Total Net Position—Beginning	<u>295,382</u>
Total Net Position—Ending	<u>\$ 344,805</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2014

Major Enterprise Fund
Food Service

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,023,602
Payments to employees	(320,148)
Payments for employee benefits	(56,873)
Payments to suppliers	<u>(663,289)</u>
Net cash (used for) operating activities	<u>(16,708)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State sources	4,969
Federal sources	54,394
Food donation program	<u>31,557</u>
Net cash provided by non-capital financing activities	<u>90,920</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Payments of loan	<u>(34,795)</u>
Net cash (used for) capital and related financing activities	<u>(34,795)</u>

Net increase in cash and cash equivalents	39,417
Cash and cash equivalents, beginning of year	<u>131,214</u>
Cash and cash equivalents, end of year	<u>\$ 170,631</u>

Reconciliation of operating loss to net cash

(used for) operating activities:

Operating (loss)	\$ (42,036)
Adjustments to reconcile operating loss to net cash (used for) operating activities:	
Depreciation	21,830
Decrease in inventories	(940)
Increase in other accounts receivable	(923)
Increase in unearned revenue (non-commodities)	<u>5,361</u>
Total adjustments	<u>25,328</u>
Net cash (used for) operating activities	<u>\$ (16,708)</u>

Noncash noncapital financing activities:

The District received \$31,557 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2014.

FIDUCIARY FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>	Agency <u>Fund</u>
ASSETS			
Cash and cash equivalents	\$ 295,357	\$ 27,349	\$ 465,758
Total Assets	<u>295,357</u>	<u>27,349</u>	<u>\$ 465,758</u>
LIABILITIES			
Payroll deductions and withholdings payable			\$ 55,610
Unemployment claims payable	6,201		
Due to student groups	-		410,148
Total Liabilities	<u>6,201</u>		<u>\$ 465,758</u>
NET POSITION			
Held in trust for unemployment claims	<u>\$ 289,156</u>		
Held in trust for scholarships		<u>\$ 27,349</u>	

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Employee	\$ 62,495	
Other	-	\$ 2,000
Total Contributions	<u>62,495</u>	<u>2,000</u>
Investment earnings:		
Interest	143	16
Total investment earnings	<u>143</u>	<u>16</u>
Total Additions	<u>62,638</u>	<u>2,016</u>
DEDUCTIONS		
Unemployment claims	89,612	
Scholarships awarded	-	3,250
Total Deductions	<u>89,612</u>	<u>3,250</u>
Change in Net Position	<u>(26,974)</u>	<u>(1,234)</u>
Net Position—beginning	<u>316,130</u>	<u>28,583</u>
Net Position—ending	<u>\$ 289,156</u>	<u>\$ 27,349</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

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 activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which 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, 2014

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, 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, 2014

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, 2014

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 statements 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 statements 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, 2014

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, properly approved and in compliance with State requirements.

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 two 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, 2014

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, 2014, the District had inventories in the Food Service Enterprise Fund in the amount of \$6,748, of which, the portion of unused Food Donation Program commodities in the amount of \$2,333 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, 2014

1. Summary of Significant Accounting Policies (continued)

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

I. 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, 2014, a liability existed for compensated absences in the government-wide financial statements in the amount of \$516,612 and no liability existed for compensated absences in the proprietary fund.

J. Deferred Loss on Refunding of Debt

Deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. The amortization expense for the year ended June 30, 2014 amounted to \$47,683. As of June 30, 2014, the District has an unamortized balance of \$524,506 recorded as a deferred outflow of resources. This amount had previously been recorded as a reduction of bonds payable.

K. Unearned Revenue

Unearned revenue in the special revenue fund represents cash received from federal, state and local grants, which has been received but not yet earned. Unearned revenue in the general fund represents cash received for 2014-15 tuition for the District's Inclusion Preschool.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Fund Balances

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

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$7,892,288 of fund balances in the General Fund, \$3,281,687 of encumbrances is assigned to other purposes, \$282,490 has been restricted for excess surplus-current year, \$276,750 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$2,930,771 has been restricted for the capital reserve, and \$1,120,590 is classified as unassigned. The District also has \$143,806 of fund balance in the Capital Projects Fund, which is restricted for capital projects and \$154,034 in the Debt Service Fund, which is restricted for debt service.

N. 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 in the 2013 fiscal year 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" was 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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

1. Summary of Significant Accounting Policies (continued)

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.

O. 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.

P. 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.

Q. Calculation of Excess Surplus

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve 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, 2014 was \$559,240. Of this amount, \$276,750 has been appropriated in the 2014/15 budget and the remaining \$282,490 will be appropriated in the 2015/16 budget.

R. GASB Pronouncements

Adopted in 2014

In March, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This statement established 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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

2. Summary of Significant Accounting Policies (continued)

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 implemented this Statement during the 2014 fiscal year and the adoption materially affected the classification of balances on the statement of net position.

GASB to be Implemented in the 2015 Fiscal Year

In June, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB No. 68”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The requirements of this Statement are effective for financial statements for periods ending on or after June 30, 2015. The District has not completed the process of evaluating the impact that will result from adopting GASB No. 68.

S. Reclassification

In connection with the adoption of GASB 65, the unamortized deferred issuance costs were reclassified from a reduction of bonds payable to deferred outflow of resources. The reclassification has no impact on overall net position.

T. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2014 and September 30, 2014, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

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 in the current period and therefore are not reported in the funds. The details of this \$33,571,612 difference are as follows:

Bonds payable	\$ 33,055,000
Compensated absences payable	<u>516,612</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 33,571,612</u>

3. Deposits and Investments

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

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

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

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

3. Deposits and Investments (continued)

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

Deposits

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

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

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

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

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

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2014, the carrying amount of the District's deposits was \$8,577,417 and the bank balance was \$9,927,510. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2014 was secured by federal depository insurance company. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$8,746,988. \$930,521 held in the District agency accounts are not covered by GUDPA.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

3. Deposits and Investments (continued)

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

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

Investments

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

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

Custodial Credit Risk: Pursuant to GASB 40, the District did not have any investments that were exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District did not have any investments at June 30, 2014.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

3. Deposits and Investments (continued)

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, 2014.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2014, the District had no investments.

4. Capital Reserve Account

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

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

The activity of the capital reserve for the July 1, 2013 to June 30, 2014 fiscal year is as follows:

Beginning balance, July 1, 2013	\$ 6,031,771
Deposits:	
Approved by Board Resolution at the June 23, 2014 meeting	1,175,000
Withdrawal:	
Budgeted withdrawal	(3,000,000)
Approved by Board Resolution at the October 23, 2013 meeting	<u>(1,276,000)</u>
Ending balance, June 30, 2014	<u>\$ 2,930,771</u>

\$1,570,000 of this amount was appropriated in the 2014-15 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, 2014 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, 2014

5. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2014:

	Beginning Balance	Increases	Retirements	Reallocations/ Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,616,511				\$ 11,616,511
Construction in progress	71,979	\$ 1,217,948		\$ (70,979)	1,218,948
Total capital assets, not being depreciated	11,688,490	1,217,948		(70,979)	12,835,459
Capital assets, being depreciated:					
Buildings and building improvements	71,953,845	144,641			72,098,486
Land improvements	6,490,183	53,484			6,543,667
Machinery, equipment and vehicles and intangible assets	3,100,791	109,395	\$ (157,763)	70,979	3,123,402
Total capital assets being depreciated	81,844,819	307,520	(157,763)	70,979	81,765,555
Less accumulated depreciation for:					
Buildings and building improvements	(19,266,867)	(1,430,247)			(20,697,114)
Land improvements	(3,266,931)	(312,288)			(3,579,219)
Machinery, equipment and vehicles and intangible assets	(1,895,872)	(240,001)	147,467	-	(1,988,406)
Total accumulated depreciation	(22,429,670)	(1,982,536)	147,467	-	(26,264,739)
Total capital assets, being depreciated, net	57,115,149	(1,675,016)	(10,296)	-	55,500,816
Governmental activities capital assets, net	\$ 68,803,639	\$ (457,068)	\$ (10,296)	\$ -	\$ 68,336,275

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

Instruction	
Regular	\$ 893,479
Special education	240,401
Other	81,594
Support services	
Student and instruction related services	308,559
School administration services	121,422
General and business administration services	97,115
Operation and maintenance of plant services	232,435
Special schools	7,531
Total depreciation expense – governmental activities	<u>\$ 1,982,536</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

5. Capital Assets (continued)

The following schedule is a summarization of business-type activity changes in capital assets for the year ended June 30, 2014:

	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	(2,940)	\$ (840)	(3,780)
Machinery and equipment	(175,126)	(20,990)	(196,116)
Total accumulated depreciation	(178,066)	(21,830)	(199,896)
Total business-type activities capital assets, net	\$ 235,334	\$ (21,830)	\$ 213,504

6. Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable	\$ 34,325,000		\$ (1,270,000)	\$ 33,055,000	\$ 1,325,000
Compensated absences payable	536,783	\$ 33,390	(53,561)	516,612	200,000
Governmental activities long-term liabilities	\$ 34,861,783	\$ 33,390	\$ (1,323,561)	\$ 33,571,612	\$ 1,525,000
Business-Type activities:					
Purchase agreement payable	\$ 34,795	\$ -	\$ (34,795)	\$ -	\$ -
Business-Type activities long-term liabilities	\$ 34,795	\$ -	\$ (34,795)	\$ -	\$ -

The compensated absences are expected to be paid from general fund appropriations. Bonds payable are expected to be paid from debt service fund appropriations.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

6. Long-Term Liabilities (continued)

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.

Bonds payable at June 30, 2014 are comprised of the following issues:

\$4,993,000, 1995 school improvement bonds, due in annual installments ranging from \$240,000 to \$305,000 through August 1, 2015 at an interest rate of 4.60%.

\$16,950,000, 2005 refunding bonds, due in annual installments ranging from \$680,000 to \$1,570,000 through January 15, 2026 at interest rates ranging from 4.00% to 5.00%.

\$20,525,000, 2005 school improvement bonds, due in annual installments ranging from \$340,000 to \$2,790,000 through July 15, 2030 at interest rates ranging from 4.25% to 4.375%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
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	1,570,000	1,173,201	2,743,201
2020-2024	8,955,000	4,793,006	13,748,006
2025-2029	11,415,000	2,558,600	13,973,600
2030-2031	5,450,000	241,281	5,691,281
	<u>\$33,055,000</u>	<u>\$14,049,006</u>	<u>\$47,104,006</u>

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, 2014, the amount of defeased bonds outstanding is \$14,540,000.

At June 30, 2014, the District had bonds and not authorized but not issued in the amount of \$171.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

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, 2014 were \$130,904. Future lease payments are as follows:

Fiscal Year	Amounts
Year ending June 30:	
2015	\$ 86,161
2016	31,668
2017	20,628
2018	14,040
2019	7,140
Total lease payments	<u>\$ 159,638</u>

8. Pension Plans

Plan Descriptions

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

Teachers' Pension and Annuity Fund

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

8. Pension Plans (continued)

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

8. Pension Plans (continued)

years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2014, the State of New Jersey contributed \$2,970,915 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 \$1,962,367 during the year ended June 30, 2014 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, 2014, 2013 and 2012 were \$526,549, \$554,543, and \$598,757 respectively, equal to the required contributions for each year.

9. Post-Retirement Benefits

Plan Description

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

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

9. Post-Retirement Benefits (continued)

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, 2013, there were 100,134 retirees receiving post-retirement medical benefits and the

State contributed \$1.07 billion on their behalf. 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in fiscal year 2013.

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, 2014, 2013 and 2012 were \$1,845,408, \$1,923,252, and \$1,577,301 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.

10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2014 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 98,806	
Special Revenue Fund		\$ 98,806
	<u>\$ 98,806</u>	<u>\$ 98,806</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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

10. Interfund Receivables and Payables (continued)

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.

11. Transfers

The following presents a reconciliation of transfers during the 2014 fiscal year:

	Transfers In	Transfers Out
General Fund	\$ 4,350	
Capital Projects Fund		\$ 80,738
Debt Service Fund	76,388	
	<u>\$ 80,738</u>	<u>\$ 80,738</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.

12. 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.

13. 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, 2014 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

13. Contingent Liabilities (continued)

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.

14. Risk Management

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

Property, Liability and Health Benefits

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

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the

New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

15. 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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2014

15. Deferred Compensation Plans (continued)

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

16. 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.

17. Commitments

The District has contractual commitments at June 30, 2014 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$3,281,687.

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, 2014**

	<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	\$ 55,874,234		\$ 55,874,234	\$ 55,874,234	
Tuition	161,500		161,500	238,138	\$ 76,638
Transportation Fees	100,000		100,000	128,015	28,015
Interest Earned on Investments	7,000		7,000	6,137	(863)
Miscellaneous	235,000		235,000	366,796	131,796
Total - Local Sources	<u>56,377,734</u>		<u>56,377,734</u>	<u>56,613,320</u>	<u>235,586</u>
State Sources:					
Categorical Special Education Aid	1,657,762		1,657,762	1,657,762	
Transportation Aid	151,760		151,760	151,760	
Security Aid	62,418		62,418	62,418	
Non-Public Transportation Aid				54,205	54,205
Anti-Bullying Bill of Rights Act				8,823	8,823
Extraordinary Aid	400,000		400,000	475,066	75,066
TPAF Pension (On-Behalf - Non-Budgeted)				2,970,915	2,970,915
TPAF Social Security (Reimbursed - Non-Budgeted)	-		-	1,962,367	1,962,367
Total State Sources	<u>2,271,940</u>		<u>2,271,940</u>	<u>7,343,316</u>	<u>5,071,376</u>
Total Revenues	<u>58,649,674</u>		<u>58,649,674</u>	<u>63,956,636</u>	<u>\$ 5,306,962</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	500,533	\$ 101,593	602,126	602,123	3
Grades 1-5 - Salaries of Teachers	6,739,954	(185,391)	6,554,563	6,541,913	12,650
Grades 6-8 - Salaries of Teachers	4,525,877	322,163	4,848,040	4,848,039	1
Grades 9-12 - Salaries of Teachers	6,354,903	(336,539)	6,018,364	6,014,165	4,199
Regular Programs - Home Instruction					
Salaries of Teachers	48,000	13,505	61,505	61,275	230
Purchased Professional-Educational Services	15,000	28,196	43,196	43,184	12
Other Purchased Services	500	(500)			
General Supplies	500	(250)	250		250
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	216,125	43,702	259,827	259,149	678
Purchased Professional-Educational Services	733	1,892	2,625	2,192	433
Other Purchased Services	230,672	(21,202)	209,470	178,337	31,133
General Supplies	1,673,030	(94,024)	1,579,006	1,385,204	193,802
Textbooks	60,485	4,018	64,503	61,464	3,039
Other Objects	60,064	(7,335)	52,729	39,337	13,392
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>20,426,376</u>	<u>(130,172)</u>	<u>20,296,204</u>	<u>20,036,382</u>	<u>259,822</u>
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities					
General Supplies	643	256	899	832	67
Total Learning and/or Language Disabilities	<u>643</u>	<u>256</u>	<u>899</u>	<u>832</u>	<u>67</u>
Visual Impairments					
Purchased Professional-Educational Services	14,000	(10,865)	3,135	-	3,135
Total Visual Impairments	<u>14,000</u>	<u>(10,865)</u>	<u>3,135</u>	<u>-</u>	<u>3,135</u>
Behavioral Disabilities					
Salaries of Teachers	59,522		59,522	59,435	87
Other Salaries for Instruction	56,760	(40,250)	16,510	16,510	-
Total Behavioral Disabilities	<u>116,282</u>	<u>(40,250)</u>	<u>76,032</u>	<u>75,945</u>	<u>87</u>
Multiple Disabilities					
Salaries of Teachers	68,791	824	69,615	69,615	
Other Salaries for Instruction	135,352	89,023	224,375	223,824	551
General Supplies	622	-	622	418	204
Total Multiple Disabilities	<u>204,765</u>	<u>89,847</u>	<u>294,612</u>	<u>293,857</u>	<u>755</u>
Resource Room/Resource Center					
Salaries of Teachers	2,863,154	120,136	2,983,290	2,982,861	429
Other Salaries for Instruction	743,321	150,859	894,180	894,103	77
General Supplies	13,148	3	13,151	12,424	727
Total Resource Room/Resource Center	<u>3,619,623</u>	<u>270,998</u>	<u>3,890,621</u>	<u>3,889,388</u>	<u>1,233</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	236,931	26,724	263,655	263,651	4
Other Salaries for Instruction	75,765	(14,099)	61,666	61,371	295
General Supplies	5,552	-	5,552	5,011	541
Total Preschool Disabilities - Part-Time	<u>318,248</u>	<u>12,625</u>	<u>330,873</u>	<u>330,033</u>	<u>840</u>

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Preschool Disabilities - Full-Time					
Salaries of Teachers	\$ 60,170	\$ 60	\$ 60,230	\$ 60,230	
Other Salaries for Instruction	42,570	(1,439)	41,131	40,911	\$ 220
General Supplies	516	-	516	403	113
Total Preschool Disabilities - Full-Time	<u>103,256</u>	<u>(1,379)</u>	<u>101,877</u>	<u>101,544</u>	<u>333</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>4,376,817</u>	<u>321,232</u>	<u>4,698,049</u>	<u>4,691,599</u>	<u>6,450</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	769,450	(98,180)	671,270	668,700	2,570
General Supplies	700	499	1,199	1,140	59
Total Basic Skills/Remedial - Instruction	<u>770,150</u>	<u>(97,681)</u>	<u>672,469</u>	<u>669,840</u>	<u>2,629</u>
Bilingual Education - Instruction					
Salaries of Teachers	161,081	4,223	165,304	165,304	
General Supplies	1,682	-	1,682	-	1,682
Total Bilingual Education - Instruction	<u>162,763</u>	<u>4,223</u>	<u>166,986</u>	<u>165,304</u>	<u>1,682</u>
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	307,550	29,696	337,246	291,465	45,781
Purchased Services	1,500		1,500	700	800
Supplies and Materials	20,880		20,880	19,783	1,097
Other Objects	16,813	850	17,663	14,554	3,109
Total School-Spon. Cocurricular Actvts. - Inst.	<u>346,743</u>	<u>30,546</u>	<u>377,289</u>	<u>326,502</u>	<u>50,787</u>
School-Spon Athletics					
Salaries	504,856	(60,303)	444,553	439,701	4,852
Purchased Services	121,224	(19,931)	101,293	91,465	9,828
Supplies and Materials	61,663	3,657	65,320	54,679	10,641
Other Objects	86,677	34,623	121,500	117,331	4,169
Total School-Spon. Athletics	<u>774,620</u>	<u>(41,954)</u>	<u>732,666</u>	<u>703,176</u>	<u>29,490</u>
Total Instruction	<u>26,857,469</u>	<u>66,194</u>	<u>26,943,663</u>	<u>26,592,803</u>	<u>350,860</u>
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Special	87,658	(20,890)	66,768	66,768	
Tuition to County Voc. School Dist. - Regular	19,140	(11,551)	7,589	7,589	
Tuition to CSSD & Regional Day Schools	64,602	(628)	63,974	63,974	
Tuition to Private Schools for the Disabled - Within State	1,918,716	90,450	2,009,166	1,965,634	43,532
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	202,704	101,020	303,724	289,498	14,226
Total Undistributed Expenditures - Instruction	<u>2,292,820</u>	<u>158,401</u>	<u>2,451,221</u>	<u>2,393,463</u>	<u>57,758</u>
Undistributed Expend. - Attend. & Social Work					
Salaries	59,210	289	59,499	59,499	
Total Undistributed Expend. - Attend. & Social Work	<u>59,210</u>	<u>289</u>	<u>59,499</u>	<u>59,499</u>	
Undist. Expend. - Health Services					
Salaries	575,515	8,010	583,525	583,502	23
Purchased Professional and Technical Services	40,200	11,740	51,940	42,255	9,685
Other Purchased Services	825	55	880	433	447
Supplies and Materials	21,546	-	21,546	17,706	3,840
Total Undistributed Expenditures - Health Services	<u>638,086</u>	<u>19,805</u>	<u>657,891</u>	<u>643,896</u>	<u>13,995</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	632,986	(81,593)	551,393	551,391	2
Purchased Professional - Educational Services	164,971	18,439	183,410	164,042	19,368
Supplies and Materials	7,046	-	7,046	7,023	23
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	<u>805,003</u>	<u>(63,154)</u>	<u>741,849</u>	<u>722,456</u>	<u>19,393</u>
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	149,792	(8,708)	141,084	140,996	88
Other Salaries for Instruction	475,486	(12,547)	462,939	460,861	2,078
Purchased Professional - Educational Services	116,936	(52,274)	64,662	62,098	2,564
Supplies and Materials	12,500	(9,293)	3,207	2,821	386
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	<u>754,714</u>	<u>(82,822)</u>	<u>671,892</u>	<u>666,776</u>	<u>5,116</u>

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	\$ 1,103,945	\$ 31,886	\$ 1,135,831	\$ 1,135,830	\$ 1
Salaries of Secretarial and Clerical Assistants	149,335	(2,668)	146,667	146,666	1
Purchased Professional - Educational Services		20,000	20,000	20,000	
Other Purchased Prof. and Tech. Services	19,250	(7,450)	11,800	10,678	1,122
Other Purchased Services		450	450	411	39
Supplies and Materials	27,098	(3,339)	23,759	16,102	7,657
Other Objects	20,653	(600)	20,053	17,284	2,769
Total Undist. Expend. - Guidance	1,320,281	38,279	1,358,560	1,346,971	11,589
Undist. Expend. - Child Study Team					
Salaries of Other Professional Staff	1,167,638	(48,267)	1,119,371	1,118,423	948
Salaries of Secretarial and Clerical Assistants	157,881	495	158,376	157,782	594
Purchased Prof. - Educational Services		41,228	41,228	34,433	6,795
Other Purchased Services	8,500		8,500	4,684	3,816
Miscellaneous Purchased Services	2,800		2,800	971	1,829
Supplies and Materials	25,144	(1,700)	23,444	21,997	1,447
Other Objects	3,958	-	3,958	3,476	482
Total Undist. Expend. - Child Study Team	1,365,921	(8,244)	1,357,677	1,341,766	15,911
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisor of Instruction	650,832	11,356	662,188	656,228	5,960
Other Salaries	59,635	(30,000)	29,635	28,495	1,140
Supplies and Materials	1,000		1,000	40	960
Other Objects	1,000	-	1,000	-	1,000
Total Undist. Expend. - Improvement of Inst. Serv.	712,467	(18,644)	693,823	684,763	9,060
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	766,137	(695)	765,442	765,440	2
Other Purchased Services	68,640	2,058	70,698	70,697	1
Supplies and Materials	98,529	519	99,048	90,582	8,466
Other Objects	30,654	(516)	30,138	26,118	4,020
Total Undist. Expend. - Edu. Media Serv./Sch. Library	963,960	1,366	965,326	952,837	12,489
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors of Instruction	45,487	435,111	480,598	480,594	4
Other Salaries	26,700	(2,461)	24,239	4,150	20,089
Purchased Professional - Educational Service	48,650	(19,529)	29,121	23,681	5,440
Other Purchased Services	73,070	7,046	80,116	62,373	17,743
Supplies and Materials	13,000	7,223	20,223	7,357	12,866
Other Objects	24,779	(205)	24,574	11,068	13,506
Total Undist. Expend. - Instructional Staff Training Serv.	231,686	427,185	658,871	589,223	69,648
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	558,014	12,321	570,335	559,182	11,153
Legal Services	150,000	(6,912)	143,088	130,345	12,743
Other Purchased Professional Services	60,000		60,000	59,900	100
Purchased Technical Services	77,000	34,800	111,800	63,806	47,994
Insurance	2,155		2,155		2,155
Communications/Telephone	135,093	5,880	140,973	55,669	85,304
Travel	12,120	(197)	11,923	5,435	6,488
Board of Education Other Purchased Services	5,000		5,000	880	4,120
Miscellaneous Purchased Services	5,000		5,000	1,175	3,825
General Supplies	30,300		30,300	6,872	23,428
Miscellaneous Expenditures	30,252		30,252	12,879	17,373
Board of Education Dues and Fees	29,082	15,066	44,148	44,148	-
Total Undist. Expend. - Supp. Serv. - General Admin.	1,094,016	60,958	1,154,974	940,291	214,683
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	1,978,354	(21,717)	1,956,637	1,956,635	2
Salaries of Other Professional Staff	39,775		39,775	39,757	18
Salaries of Secretarial and Clerical Assistants	678,405	40,057	718,462	718,461	1
Purchased Professional - Educational Services		1,000	1,000	1,000	
Other Purchased Services	6,500	10,020	16,520	16,520	
Travel		2,567	2,567	2,564	3
Supplies and Materials	19,338	2,547	21,885	15,552	6,333
Other Objects	24,483	1,596	26,079	24,603	1,476
Total Undist. Expend. - Support Serv. - School Admin.	2,707,080	75,845	2,782,925	2,775,092	7,833
Undist. Expend. - Central Services					
Salaries	675,369	(15,434)	659,935	658,800	1,135
Purchased Professional Services	37,500	13,468	50,968	38,257	12,711
Supplies and Materials	27,350	1,000	28,350	15,694	12,656
Misc. Purch. Services	66,732	(1,244)	65,488	42,415	23,073
Miscellaneous Expenditures	6,560	2,948	9,508	9,051	457
Total Undist. Expend. - Central Services	813,511	738	814,249	764,217	50,032

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2014

	<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	\$ 479,851	\$ 566	\$ 480,417	\$ 480,417	
Other Purchased Services	41,180	(10,500)	30,680	14,187	\$ 16,493
Supplies and Materials	74,175		74,175	19,910	54,265
Other Objects	600	-	600	525	75
Total Undist. Expend. - Technology Admin.	595,806	(9,934)	585,872	515,039	70,833
Undist. Expend. - Required Maint. for Sch. Facil.					
Salaries	481,815	50,872	532,687	532,660	27
Cleaning, Repair and Maintenance Services	315,500	54,256	369,756	322,379	47,377
Other Purch Services - Rentals		634	634	491	143
General Supplies	208,500	39,700	248,200	220,869	27,331
Other Objects	14,753	(3,825)	10,928	7,335	3,593
Total Undist. Expend. - Required Maint. for Sch. Facil.	1,020,568	141,637	1,162,205	1,083,734	78,471
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	1,700,675	(33,527)	1,667,148	1,661,975	5,173
Salaries of Non-Instructional Aides	85,884	2,876	88,760	85,967	2,793
Cleaning, Repair and Maintenance Services	297,200	162,054	459,254	431,177	28,077
Rental of Land & Buildings other than Leases	50,000		50,000	50,000	
Other Purchased Property Services	95,147	(2,117)	93,030	89,977	3,053
Insurance	224,019	20,730	244,749	244,749	
General Supplies	209,396	1,200	210,596	185,291	25,305
Energy (Energy and Electricity)	1,438,519	(240,163)	1,198,356	962,135	236,221
Total Undist. Expend. - Other Oper. & Maint. Of Plant	4,100,840	(88,947)	4,011,893	3,711,271	300,622
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	95,127	-	95,127	92,048	3,079
Cleaning, Repair and Maintenance Services	86,950	(1,350)	85,600	66,547	19,053
General Supplies	45,010	(3,300)	41,710	39,750	1,960
Total Undist. Expend. - Care and Upkeep of Grounds	227,087	(4,650)	222,437	198,345	24,092
Undist. Expend. - Security					
Salaries	225,198	(4,000)	221,198	213,013	8,185
Cleaning, Repair and Maintenance Services	82,825	9,533	92,358	78,502	13,856
General Supplies	18,050	14,965	33,015	27,411	5,604
Total Undist. Expend. - Security	326,073	20,498	346,571	318,926	27,645
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Between Home & School) - Regular	27,153	1,406	28,559	28,558	1
Management Fees - ESC & CTSA Transportation Programs	12,100	(17)	12,083	12,083	
Other Purchased Professional and Technical Services	5,000		5,000	4,546	454
Contracted Services (Between Home and School) - Vendors	720,232	5,165	725,397	725,395	2
Contracted Services (Other than Between Home and School) - Vendors	349,185	(19,593)	329,592	297,753	31,839
Contracted Services (Regular Students) - ESCs	127,500		127,500	125,964	1,536
Contracted Services (Special Education Students) - ESCs	1,073,097	20,327	1,093,424	1,093,421	3
Contracted Services - Aid in Lieu of Payments	176,800	(6,554)	170,246	164,551	5,695
Total Undist. Expend. - Student Transportation Serv.	2,491,067	734	2,491,801	2,452,291	39,510
Unallocated Benefits					
Social Security Contributions	832,408	28,292	860,700	860,700	
Other Retirement Contributions - Regular	667,268	(5,421)	661,847	591,085	70,762
Workmen's Compensation	236,467	(596)	235,871	234,825	1,046
Health Benefits	7,078,334	(394,938)	6,683,396	6,665,945	17,451
Tuition Reimbursement	165,000	(18,300)	146,700	146,651	49
Other Employee Benefits	200,000	(54,500)	145,500	97,253	48,247
Total Unallocated Benefits	9,179,477	(445,463)	8,734,014	8,596,459	137,555
On-behalf TPAF Pension Contributions (non-budgeted)				2,970,915	(2,970,915)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,962,367	(1,962,367)
Total On-behalf Contributions				4,933,282	(4,933,282)
TOTAL UNDISTRIBUTED EXPENDITURES	31,699,673	223,877	31,923,550	35,690,597	(3,767,047)
TOTAL GENERAL CURRENT EXPENSE	58,557,142	310,071	58,867,213	62,283,400	(3,416,187)
CAPITAL OUTLAY					
Equipment					
Special Education - Instruction:					
Undistributed Expenditures - Instruction	23,750	3,603	27,353	23,745	3,608
Undistributed Expenditures - Non-Instructional	5,336	-	5,336	5,336	-
Total Equipment	29,086	3,603	32,689	29,081	3,608

BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Central Office					
Central Services Equipment	\$ 7,160	\$ 7,160	\$ 7,156	\$ 4	
Total Central Service Equipment	<u>7,160</u>	<u>7,160</u>	<u>7,156</u>	<u>4</u>	
Maintenance for School Facility					
Non-Instructional	108,844	108,844	42,151	66,693	
Total Maintenance for School Facility Equipment	<u>108,844</u>	<u>108,844</u>	<u>42,151</u>	<u>66,693</u>	
Operating & Maintenance Plant Service					
Non-Instructional	8,520	8,520	8,517	3	
Total Operating & Maintenance Plant Services	<u>8,520</u>	<u>8,520</u>	<u>8,517</u>	<u>3</u>	
Security					
Equipment	34,293	34,293	34,293		
Total Security Equipment	<u>34,293</u>	<u>34,293</u>	<u>34,293</u>		
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	\$ 25,000	450,500	475,500	460,413	15,087
Construction Services	2,975,000	864,170	3,839,170	928,172	2,910,998
Other Objects - Debt Service Assessment	178,764	(66,304)	112,460	112,459	1
Total Facilities Acquisition and Construction Services	<u>3,178,764</u>	<u>1,248,366</u>	<u>4,427,130</u>	<u>1,501,044</u>	<u>2,926,086</u>
TOTAL CAPITAL OUTLAY	<u>3,207,850</u>	<u>1,410,786</u>	<u>4,618,636</u>	<u>1,622,242</u>	<u>2,996,394</u>
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of teachers	17,040	(1,108)	15,932	15,932	
General Supplies	1,200	100	1,300	1,206	94
Total Instruction	<u>18,240</u>	<u>(1,008)</u>	<u>17,232</u>	<u>17,138</u>	<u>94</u>
Total Summer School	<u>18,240</u>	<u>(1,008)</u>	<u>17,232</u>	<u>17,138</u>	<u>94</u>
Other Special Schools - Instruction					
Salaries of Teachers	133,795	23,550	157,345	154,390	2,955
General Supplies	1,500	(918)	582	582	-
Total Other Special Schools - Instruction	<u>135,295</u>	<u>22,632</u>	<u>157,927</u>	<u>154,972</u>	<u>2,955</u>
Total Other Special Schools	<u>135,295</u>	<u>22,632</u>	<u>157,927</u>	<u>154,972</u>	<u>2,955</u>
TOTAL SPECIAL SCHOOLS	<u>153,535</u>	<u>21,624</u>	<u>175,159</u>	<u>172,110</u>	<u>3,049</u>
Contribution to Charter Schools	<u>20,618</u>	<u>(613)</u>	<u>20,005</u>	<u>20,005</u>	
TOTAL EXPENDITURES	<u>61,939,145</u>	<u>1,741,868</u>	<u>63,681,013</u>	<u>64,097,757</u>	<u>(416,744)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(3,289,471)</u>	<u>(1,741,868)</u>	<u>(5,031,339)</u>	<u>(141,121)</u>	<u>4,890,218</u>
Other Financing Sources:					
Transfer In				4,350	4,350
Total Other Financing Sources				<u>4,350</u>	<u>4,350</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Sources	<u>(3,289,471)</u>	<u>(1,741,868)</u>	<u>(5,031,339)</u>	<u>(136,771)</u>	<u>4,894,568</u>
Fund Balance, July 1	<u>8,221,030</u>	<u>-</u>	<u>8,221,030</u>	<u>8,221,030</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,931,559</u>	<u>\$ (1,741,868)</u>	<u>\$ 3,189,691</u>	<u>\$ 8,084,259</u>	<u>\$ 4,894,568</u>
Recapitulation of (Deficiency) Excess of Revenues and Other Financing Sources (uses) (Under) Over Expenditures:					
Adjustment for Prior Year Encumbrances		\$ (465,868)	\$ (465,868)	\$ (465,868)	
Budgeted Fund Balance	\$ (289,471)		(289,471)	3,430,097	\$ 3,719,568
Increase in Capital Reserve				1,175,000	1,175,000
Withdrawal from Capital Reserve	(3,000,000)	(1,276,000)	(4,276,000)	(4,276,000)	-
Total	<u>\$ (3,289,471)</u>	<u>\$ (1,741,868)</u>	<u>\$ (5,031,339)</u>	<u>\$ (136,771)</u>	<u>\$ 4,894,568</u>

**BOARD OF EDUCATION
School District of the Chathams
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2014**

Recapitulation of Fund Balance:

Restricted Fund Balance:	
Excess Surplus Designated for Subsequent Year's Expenditures	\$ 276,750
Excess Surplus-current year	282,490
Capital Reserve	2,930,771
Assigned to:	
Year End Encumbrances	3,281,687
Unassigned Fund Balance	<u>1,312,561</u>
	<u>\$ 8,084,259</u>

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:

Fund Balance	\$ 8,084,259
Final State Aid Payments Not Realized on GAAP Basis	<u>(191,971)</u>
Fund balance per Government Funds (GAAP)	<u>\$ 7,892,288</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
Special Revenue Fund
Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 170,005	\$ (34,671)	\$ 135,334	\$ 135,334	
Federal Sources	749,200	154,601	903,801	889,578	\$ (14,223)
Local Sources	-	218,338	218,338	196,400	(21,938)
Total Revenues	<u>\$ 919,205</u>	<u>\$ 338,268</u>	<u>\$ 1,257,473</u>	<u>\$ 1,221,312</u>	<u>\$ (36,161)</u>
EXPENDITURES:					
Instruction					
Salaries		\$ 6,400	\$ 6,400	\$ 6,400	
Salaries of Teachers	\$ 42,000	6,216	48,216	48,216	
Purchased Professional and Technical Services		12,750	12,750	12,750	
Purchased Professional and Educational Services	170,005	(34,536)	135,469	133,069	\$ 2,400
Tuition	655,000	118,218	773,218	772,954	264
General Supplies	7,200	208,417	215,617	182,751	32,866
Textbooks	-	18,265	18,265	18,265	-
Total Instruction	<u>874,205</u>	<u>335,730</u>	<u>1,209,935</u>	<u>1,174,405</u>	<u>35,530</u>
Support Services					
Other Salaries		4,453	4,453	4,453	
Personal Services - Employee Benefits		11,053	11,053	11,053	
Purchased Professional and Educational Services	45,000	(40,800)	4,200	4,200	
Other Purchased Services		20,852	20,852	20,602	250
Supplies and Materials	-	1,942	1,942	1,561	381
Total Support Services	<u>45,000</u>	<u>(2,500)</u>	<u>42,500</u>	<u>41,869</u>	<u>631</u>
Facilities Acquisition and Construction Services:					
Noninstructional Equipment	-	5,038	5,038	5,038	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>5,038</u>	<u>5,038</u>	<u>5,038</u>	<u>-</u>
Total Expenditures	<u>919,205</u>	<u>338,268</u>	<u>1,257,473</u>	<u>1,221,312</u>	<u>36,161</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, 2014

**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)	\$ 63,956,636	\$ 1,221,312
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		(3,325)
Prior Year		17,705
 State aid payments from prior year recognized in prior year for budgetary purposes, and recognized for GAAP statements in the current fiscal year.	 171,192	
 State aid payments recognized in current year for budgetary purposes, not recognized for GAAP statements:	 (191,971)	 -
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2).	 <u>\$ 63,935,857</u>	 <u>\$ 1,235,692</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 64,097,757	\$ 1,221,312
Differences - budget to GAAP		
Encumbrances (net) for supplies and services ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	 - <u> </u>	 <u>14,380</u>
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	 <u>\$ 64,097,757</u>	 <u>\$ 1,235,692</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, 2014

	<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES				
State Sources	\$ 135,334	\$ 135,334		
Federal Sources	889,578		\$ 889,578	
Local Sources	196,400	-	-	\$ 196,400
Total Revenues	<u>\$ 1,221,312</u>	<u>\$ 135,334</u>	<u>\$ 889,578</u>	<u>\$ 196,400</u>
EXPENDITURES:				
Instruction:				
Salaries	\$ 6,400			\$ 6,400
Salaries of Teachers	48,216		\$ 48,216	
Purchased Professional / Technical Services	12,750		12,750	
Purchased Professional and Educational Services	133,069	\$ 117,069		16,000
Tuition	772,954		772,954	
General Supplies	182,751		35,343	147,408
Textbooks	18,265	18,265	-	-
	<u>1,174,405</u>	<u>135,334</u>	<u>869,263</u>	<u>169,808</u>
Total Instruction				
Support Services:				
Other Salaries	4,453		4,453	
Employee Benefits	11,053		11,053	
Purchased Professional and Educational Services	4,200		4,200	
Other Purchased Services	20,602			20,602
Supplies and Materials	1,561		609	952
Total Support Services	<u>41,869</u>		<u>20,315</u>	<u>21,554</u>
Facilities Acquisition and Const. Serv.:				
Non-Instructional Equipment	5,038			5,038
Total Facilities Acquisition and Const. Serv.	<u>5,038</u>			<u>5,038</u>
Total Expenditures	<u>1,221,312</u>	<u>135,334</u>	<u>889,578</u>	<u>196,400</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, 2014

	<u>Total</u>	N.J. Nonpublic Textbook <u>Aid</u>	N.J. Nonpublic Auxiliary <u>Services</u>	N.J. Nonpublic Handicapped <u>Services</u>	N.J. Nonpublic Technology <u>Initiative</u>	N.J. Nonpublic Nursing <u>Services</u>
REVENUES						
State Sources	\$ 135,334	\$ 18,265	\$ 17,120	\$ 67,661	\$ 6,580	\$ 25,708
Total State Revenues	<u>\$ 135,334</u>	<u>\$ 18,265</u>	<u>\$ 17,120</u>	<u>\$ 67,661</u>	<u>\$ 6,580</u>	<u>\$ 25,708</u>
EXPENDITURES:						
Instruction:						
Purchased Professional and Educational Services	\$ 117,069		\$ 17,120	\$ 67,661	\$ 6,580	\$ 25,708
Textbooks	18,265	\$ 18,265	-	-	-	-
Total Instruction	<u>135,334</u>	<u>18,265</u>	<u>17,120</u>	<u>67,661</u>	<u>6,580</u>	<u>25,708</u>
Total Expenditures	<u>135,334</u>	<u>18,265</u>	<u>17,120</u>	<u>67,661</u>	<u>6,580</u>	<u>25,708</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, 2014**

	<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>Title III Immigrant</u>	<u>Basic</u>	<u>Preschool</u>
REVENUES						
Federal Sources	\$ 889,578	\$ 55,760	\$ 10,964	\$ 15,687	\$ 778,966	\$ 28,201
Total Federal Revenues	<u>\$ 889,578</u>	<u>\$ 55,760</u>	<u>\$ 10,964</u>	<u>\$ 15,687</u>	<u>\$ 778,966</u>	<u>\$ 28,201</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	\$ 48,216	\$ 44,836			\$ 3,380	
Purchased Professional and Technical Services	12,750				12,750	
Tuition	772,954				744,753	\$ 28,201
General Supplies	35,343	-	\$ 6,764	\$ 15,687	12,892	-
Total Instruction	<u>869,263</u>	<u>44,836</u>	<u>6,764</u>	<u>15,687</u>	<u>773,775</u>	<u>28,201</u>
Support Services:						
Other Salaries	4,453				4,453	
Employee Benefits	11,053	10,315			738	
Purchased Professional and Educational Services	4,200		4,200			
Supplies and Materials	609	609	-		-	
Total Support Services	<u>20,315</u>	<u>10,924</u>	<u>4,200</u>		<u>5,191</u>	
Total Expenditures	<u>889,578</u>	<u>55,760</u>	<u>10,964</u>	<u>15,687</u>	<u>778,966</u>	<u>28,201</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, 2014

REVENUES AND OTHER FINANCING SOURCES

State Sources	
SDA Grants	\$ -
Total Revenues and Other Financing Sources	<u>-</u>

EXPENDITURES AND OTHER FINANCING USES

Transfer to debt service fund	(76,388)
Transfer to capital outlay	<u>(4,350)</u>
Total Expenditures and Other Financing Uses	<u>(80,738)</u>

(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(80,738)
--	----------

Fund Balance - July 1	<u>224,544</u>
Fund Balance - June 30	<u>\$ 143,806</u>

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, 2014

	<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	4,385,520
Other Objects	63,916		63,916	63,916
Transfer to debt service fund	76,388	\$ 76,388	152,776	152,776
Total Expenditures and Other Financing Uses	<u>5,022,070</u>	<u>76,388</u>	<u>5,098,458</u>	<u>5,242,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 220,365</u>	<u>\$ (76,388)</u>	<u>\$ 143,977</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, 2014

	<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	29,873
Construction Services	426,794		426,794	426,794
Transfer To Capital Outlay	6,525	\$ 4,350	10,875	10,875
Total Expenditures and Other Financing Uses	<u>463,192</u>	<u>4,350</u>	<u>467,542</u>	<u>467,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,350</u>	<u>\$ (4,350)</u>	<u>\$ -</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
Capital Projects Fund

Summary Schedule of Project Expenditures
Year Ended June 30, 2014

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Transfers	Unexpended Appropriations 6/30/2014
			Prior Years			
Chatham High School Roofing Project	10/1/2004	\$ 467,542	\$ 463,192		\$ (4,350)	\$ -
Lafayette Elementary School	7/12/2005	5,242,435	5,022,070		(76,388)	143,977
	Totals	\$ 5,709,977	\$ 5,485,262		\$ (80,738)	\$ 143,977
Bond proceeds - 2005 Referendum		\$ 4,048,215			Bonds authorized	
State Grant (SDA)		1,381,066			but not issued	171
Transfer From Capital Outlay		280,525			Balance per F-1	\$ 143,806
Bonds Authorized But Not Issued		171				
Total		\$ 5,709,977				

FIDUCIARY FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Trust and Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2014

	Trust			Agency		
	Private Purpose Unemployment Compensation	Scholarship Funds	Total Trust	Student Activity	Pavroll	Total Agency
Assets						
Cash and cash equivalents	\$ 295,357	\$ 27,349	\$ 322,706	\$ 410,148	\$ 55,610	\$ 465,758
Total assets	<u>295,357</u>	<u>27,349</u>	<u>322,706</u>	<u>410,148</u>	<u>55,610</u>	<u>465,758</u>
Liabilities						
Accounts payable	6,201		6,201			
Payroll deductions and withholdings payable					\$ 55,610	\$ 55,610
Due to student groups				\$ 410,148		410,148
Total liabilities	<u>6,201</u>	<u>-</u>	<u>6,201</u>	<u>410,148</u>	<u>55,610</u>	<u>465,758</u>
Net Position						
Held in trust	289,156	27,349	316,505			
Total net position	<u>\$ 289,156</u>	<u>\$ 27,349</u>	<u>\$ 316,505</u>			

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Student Activity Agency Fund
Schedule of Cash Receipts and Cash Disbursements
Year Ended June 30, 2014

<u>Schools</u>	<u>Balance July 1, 2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2014</u>
Elementary Schools:				
Southern Boulevard	\$ 3,666	\$ 6,281	\$ 3,438	\$ 6,509
Milton Avenue	5,146	2,490	1,580	6,056
Lafayette Avenue	27,304	46,765	29,393	44,676
Washington Avenue	291	847	847	291
Middle School:				
Activity	86,052	129,114	145,745	69,421
High School:				
Activity	245,752	352,189	325,250	272,691
Athletic	<u>3,771</u>	<u>17,141</u>	<u>10,408</u>	<u>10,504</u>
	<u>\$ 371,982</u>	<u>\$ 554,827</u>	<u>\$ 516,661</u>	<u>\$ 410,148</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Payroll Agency Fund
Schedule of Cash Receipts and Cash Disbursements
Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS:				
Cash and Cash Equivalents	\$ 938,343	\$ 42,270,359	\$ 43,153,092	\$ 55,610
Total Assets	<u>\$ 938,343</u>	<u>\$ 42,270,359</u>	<u>\$ 43,153,092</u>	<u>\$ 55,610</u>
LIABILITIES:				
Summer Payroll Payable	\$ 842,222		\$ 842,222	
Interfund Payable		\$ 81	81	
Salaries and Wages Payable		24,447,783	24,447,783	
Payroll Deductions and Withholdings Payable	96,121	17,822,495	17,863,006	\$ 55,610
Total Liabilities	<u>\$ 938,343</u>	<u>\$ 42,270,359</u>	<u>\$ 43,153,092</u>	<u>\$ 55,610</u>

LONG-TERM DEBT

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Long - Term Debt
Schedule of Serial Bonds Payable
Year Ended June 30, 2014

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2014</u>		<u>Interest Rate</u>	<u>Balance July 1, 2013</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2014</u>
			<u>Date</u>	<u>Amount</u>				
School Improvements	2/1/1995	\$ 4,993,000	8/1/2014	\$ 305,000	4.600%	\$ 855,000	\$ 310,000	\$ 545,000
			8/1/2015	240,000	4.600%			
Refunding Bonds - Series 2001	6/1/2005	16,950,000	1/15/2015	680,000	5.000%	15,170,000	630,000	14,540,000
			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	7/15/2014	340,000	4.250%	18,300,000	330,000	17,970,000
			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%			
						<u>\$ 34,325,000</u>	<u>\$ 1,270,000</u>	<u>\$ 33,055,000</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
Debt Service Fund
Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,737,760		\$ 2,737,760	\$ 2,737,760	
Total Revenues	<u>2,737,760</u>		<u>2,737,760</u>	<u>2,737,760</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	1,467,760		1,467,760	1,467,760	
Redemption of Principal	<u>1,270,000</u>	-	<u>1,270,000</u>	<u>1,270,000</u>	
Total Regular Debt Service	<u>2,737,760</u>	-	<u>2,737,760</u>	<u>2,737,760</u>	
Total Expenditures	<u>2,737,760</u>	-	<u>2,737,760</u>	<u>2,737,760</u>	
Excess of Revenues Over Expenditures	-	-	-	-	
Other Financing Sources:					
Transfers In:					
Transfer from Capital Projects Fund - Return of unexpended bond proceeds	-	-	-	76,388	\$ 76,388
Excess of Revenues and Other Financing Sources Over Expenditures	-	-	-	76,388	76,388
Fund Balance, July 1	<u>77,646</u>	-	<u>77,646</u>	<u>77,646</u>	-
Fund Balance, June 30	<u>\$ 77,646</u>	<u>\$ -</u>	<u>\$ 77,646</u>	<u>\$ 154,034</u>	<u>\$ 76,388</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

	2005	2006	2007	2008	Year Ended June 30, (as restated)		2011 (as restated)	2012	2013	2014
Governmental activities										
Net investment in capital assets										
Restricted	\$ 25,142,393	\$ 25,496,420	\$ 31,937,828	\$ 32,371,993	\$ 31,219,240	\$ 32,032,424	\$ 31,969,490	\$ 34,480,331	\$ 35,050,828	\$ 35,805,781
Unrestricted (deficit)	1,040,939	1,038,786	725,831	490,427	2,609,775	2,333,377	4,705,913	4,364,029	6,750,596	3,633,817
Unrestricted (deficit)	(921,882)	(1,779,022)	(1,808,803)	(1,883,651)	(1,649,525)	430,767	411,914	756,430	590,645	3,388,935
Total governmental activities net position	\$ 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	\$ 42,828,533
Business-type activities										
Net investment in capital assets										
Unrestricted	\$ 129,094	\$ 113,646	\$ 98,229	\$ 71,218	\$ 87,525	\$ 161,450	\$ 174,608	\$ 187,573	\$ 200,539	\$ 213,504
Unrestricted	64,482	51,664	99,426	113,137	130,381	42,218	35,346	81,725	94,843	131,301
Total business-type activities net position	\$ 193,576	\$ 165,310	\$ 197,655	\$ 184,355	\$ 217,906	\$ 203,668	\$ 209,954	\$ 269,298	\$ 295,382	\$ 344,805
Government-wide										
Net investment in capital assets										
Restricted	\$ 25,271,487	\$ 25,610,086	\$ 32,036,057	\$ 32,443,211	\$ 31,306,765	\$ 32,193,874	\$ 32,144,098	\$ 34,867,904	\$ 35,251,367	\$ 36,019,285
Unrestricted (deficit)	1,040,939	1,038,786	725,831	490,427	2,609,775	2,333,377	4,705,913	4,364,029	6,750,596	3,633,817
Unrestricted (deficit)	(857,400)	(1,727,358)	(1,709,377)	(1,770,514)	(1,519,144)	472,985	447,260	838,155	685,488	3,520,236
Total district net position	\$ 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	\$ 43,173,338

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,					
	2005	2006	2007	2008	2009 (as restated)	2010 (as restated)
2011 (as restated)	2012	2013	2014			
Expenses						
Governmental activities						
Instruction						
Support services:						
Student & instruction related services	\$ 25,614,353	\$ 27,773,842	\$ 31,676,286	\$ 32,061,639	\$ 32,644,658	\$ 34,300,465
School administration services	6,578,114	6,441,483	7,076,956	7,181,385	7,153,721	6,921,714
General and Business administration services	2,560,395	2,634,953	3,176,981	3,268,167	3,582,335	3,374,483
Operation and Maintenance of Plant Services	1,027,331	2,863,824	3,154,790	4,149,288	3,191,917	2,638,306
Student transportation services	4,719,888	4,963,341	4,723,190	6,352,217	6,137,686	5,952,210
Business and other support services and benefits	1,599,789	1,755,215	1,956,925	1,945,282	2,045,509	2,222,207
Capital outlay	807,353	63,071				
Special Schools	151,615		49,025	78,748	87,400	99,470
Charter Schools						
Interest and other costs on long term debt	790,781	1,818,141	1,903,601	1,868,878	1,816,950	1,768,979
Unallocated depreciation	853,809					
Total governmental activities	44,703,418	48,413,670	53,717,754	56,905,604	56,680,176	57,277,834
Business-type activities:						
Food service	554,555	662,931	656,450	699,032	819,534	906,257
Cougar Cubs						29,918
Total business-type activities expense	554,555	662,931	656,450	699,032	819,534	936,175
Total government-wide expenses	\$ 45,257,973	\$ 49,076,601	\$ 54,374,204	\$ 57,604,636	\$ 57,479,710	\$ 58,214,009
						\$ 62,206,624
						\$ 65,445,443
						\$ 68,605,062
Program Revenues						
Governmental activities:						
Charges for services:						
Instruction (tuition)	\$ 36,796	\$ 39,189	\$ 21,754	\$ 12,347	\$ 16,301	\$ 5,000
Pupil transportation	50,605	51,302	45,770	63,811	77,660	95,654
Operating grants and contributions	5,789,773	1,006,150	1,091,368	1,472,537	1,173,823	1,706,209
Capital grants and contributions	178,601	585,446	4,855,825	639,500	61,571	327,043
Total governmental activities program revenues	6,055,775	1,682,087	6,014,717	2,168,195	1,329,355	2,133,906
Business-type activities:						
Charges for services						
Food service	546,421	582,335	632,928	696,027	767,061	835,552
Cougar Cubs					34,535	24,664
Operating grants and contributions		44,293	49,195	40,613	50,251	61,721
Total business type activities program revenues	546,421	626,628	682,123	736,640	851,847	921,937
Total government-wide program revenues	\$ 6,602,196	\$ 2,308,715	\$ 6,696,840	\$ 2,924,835	\$ 2,181,202	\$ 3,055,843
						\$ 2,828,146
						\$ 2,736,354
						\$ 2,727,926
						\$ 2,783,489
Net (Expense)/Revenue						
Governmental activities	\$ (38,647,643)	\$ (46,731,583)	\$ (47,703,037)	\$ (54,717,409)	\$ (55,330,821)	\$ (55,143,928)
Business-type activities	(8,134)	(36,303)	25,673	37,608	32,313	(14,238)
Total government-wide net (expense)/revenue	\$ (38,655,777)	\$ (46,767,886)	\$ (47,677,364)	\$ (54,679,801)	\$ (55,298,508)	\$ (55,158,166)
						\$ (57,091,579)
						\$ (59,529,614)
						\$ (62,743,701)
						\$ (65,871,000)
						\$ (68,821,577)
						\$ (71,717,617)
						\$ (74,668,159)
						\$ (77,618,697)
						\$ (80,569,235)
						\$ (83,519,773)
						\$ (86,470,311)
						\$ (89,420,849)
						\$ (92,371,387)
						\$ (95,321,925)
						\$ (98,272,463)
						\$ (101,222,999)
						\$ (104,173,537)
						\$ (107,124,075)
						\$ (110,074,613)
						\$ (113,025,151)
						\$ (115,975,689)
						\$ (118,926,227)
						\$ (121,876,765)
						\$ (124,827,303)
						\$ (127,777,841)
						\$ (130,728,379)
						\$ (133,678,917)
						\$ (136,629,455)
						\$ (139,579,993)
						\$ (142,530,531)
						\$ (145,481,069)
						\$ (148,431,607)
						\$ (151,382,145)
						\$ (154,332,683)
						\$ (157,283,221)
						\$ (160,233,759)
						\$ (163,184,297)
						\$ (166,134,835)
						\$ (169,085,373)
						\$ (172,035,911)
						\$ (174,986,449)
						\$ (177,936,987)
						\$ (180,887,525)
						\$ (183,838,063)
						\$ (186,788,601)
						\$ (189,739,139)
						\$ (192,689,677)
						\$ (195,640,215)
						\$ (198,590,753)
						\$ (201,541,291)
						\$ (204,491,829)
						\$ (207,442,367)
						\$ (210,392,905)
						\$ (213,343,443)
						\$ (216,293,981)
						\$ (219,244,519)
						\$ (222,195,057)
						\$ (225,145,595)
						\$ (228,096,133)
						\$ (231,046,671)
						\$ (233,997,209)
						\$ (236,947,747)
						\$ (239,898,285)
						\$ (242,848,823)
						\$ (245,799,361)
						\$ (248,749,899)
						\$ (251,700,437)
						\$ (254,650,975)
						\$ (257,601,513)
						\$ (260,552,051)
						\$ (263,502,589)
						\$ (266,453,127)
						\$ (269,403,665)
						\$ (272,354,203)
						\$ (275,304,741)
						\$ (278,255,279)
						\$ (281,205,817)
						\$ (284,156,355)
						\$ (287,106,893)
						\$ (290,057,431)
						\$ (293,007,969)
						\$ (295,958,507)
						\$ (298,909,045)
						\$ (301,859,583)
						\$ (304,810,121)
						\$ (307,760,659)
						\$ (310,711,197)
						\$ (313,661,735)
						\$ (316,612,273)
						\$ (319,562,811)
						\$ (322,513,349)
						\$ (325,463,887)
						\$ (328,414,425)
						\$ (331,364,963)
						\$ (334,315,501)
						\$ (337,266,039)
						\$ (340,216,577)
						\$ (343,167,115)
						\$ (346,117,653)
						\$ (349,068,191)
						\$ (352,018,729)
						\$ (354,969,267)
						\$ (357,919,805)
						\$ (360,870,343)
						\$ (363,820,881)
						\$ (366,771,419)
						\$ (369,721,957)
						\$ (372,672,495)
						\$ (375,623,033)
						\$ (378,573,571)
						\$ (381,524,109)
						\$ (384,474,647)
						\$ (387,425,185)
						\$ (390,375,723)
						\$ (393,326,261)
						\$ (396,276,799)
						\$ (399,227,337)
						\$ (402,177,875)
						\$ (405,128,413)
						\$ (408,078,951)
						\$ (411,029,489)
						\$ (413,979,999)
						\$ (416,930,537)
						\$ (419,881,075)
						\$ (422,831,613)
						\$ (425,782,151)
						\$ (428,732,689)
						\$ (431,683,227)
						\$ (434,633,765)
						\$ (437,584,303)
						\$ (440,534,841)
						\$ (443,485,379)
						\$ (446,435,917)
						\$ (449,386,455)
						\$ (452,336,993)
						\$ (455,287,531)
						\$ (458,238,069)
						\$ (461,188,607)
						\$ (464,139,145)
						\$ (467,089,683)
						\$ (470,040,221)
						\$ (472,990,759)
						\$ (475,941,297)
						\$ (478,891,835)
						\$ (481,842,373)
						\$ (484,792,911)
						\$ (487,743,449)
						\$ (490,693,987)
						\$ (493,644,525)
						\$ (496,595,063)
						\$ (499,545,601)
						\$ (502,496,139)
						\$ (505,446,677)
						\$ (508,397,215)
						\$ (511,347,753)
						\$ (514,298,291)
						\$ (517,248,829)
						\$ (520,199,367)
						\$ (523,149,905)
						\$ (526,100,443)
						\$ (529,050,981)
						\$ (532,001,519)
						\$ (534,952,057)
						\$ (537,902,595)
						\$ (540,853,133)
						\$ (543,803,671)
						\$ (546,754,209)
						\$ (549,704,747)
						\$ (552,655,285)
						\$ (555,605,823)
						\$ (558,556,361)
						\$ (561,506,899)
						\$ (564,457,437)
						\$ (567,407,975)
						\$ (570,358,513)
						\$ (573,309,051)
						\$ (576,259,589)
						\$ (579,210,127)
						\$ (582,160,665)
						\$ (585,111,203)
						\$ (588,061,741)
						\$ (591,012,279)
						\$ (593,962,817)
						\$ (596,913,355)
						\$ (599,863,893)
						\$ (602,814,431)
					</	

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

(accrual basis of accounting)
Unaudited

	2005	2006	2007	2008	2009 (as restated)	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 36,329,845	\$ 38,805,406	\$ 40,389,273	\$ 43,689,989	\$ 47,002,553	\$ 48,024,764	\$ 51,559,756	\$ 52,791,296	\$ 54,005,100	\$ 55,874,234
Taxes levied for debt service	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	2,737,760
Unrestricted grants and contributions	502,684	5,859,666	7,732,300	7,927,631	6,479,136	6,695,706	4,782,789	6,091,571	7,687,106	7,322,537
Investment earnings		730,142	826,333	148,834	14,644	17,334	14,064	9,600	8,148	6,137
Loss on disposal of capital assets			(73,907)							
Miscellaneous income	225,414	174,347	123,447	139,476	244,540	294,945	296,104	417,024	1,105,493	366,796
Total governmental activities	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	66,307,464
Business-type activities:										
Grants and contributions	51,595									
Investment earnings	3,816	8,037	6,672	8,769	1,238					
Total business-type activities	55,411	8,037	6,672	8,769	1,238					
Total district-wide	\$ 38,770,573	\$ 47,234,353	\$ 52,220,143	\$ 54,850,101	\$ 56,532,780	\$ 57,761,006	\$ 59,383,566	\$ 62,043,087	\$ 65,534,980	\$ 66,307,464
Change in Net Position										
Governmental activities	\$ 67,519	\$ 494,733	\$ 4,510,434	\$ 123,923	\$ 1,200,721	\$ 2,617,078	\$ 2,290,749	\$ 2,513,473	\$ 2,791,279	\$ 436,464
Business-type activities	47,277	(28,266)	32,345	46,377	33,551	(14,238)	6,286	59,344	26,084	49,423
Total district	\$ 114,796	\$ 466,467	\$ 4,542,779	\$ 170,300	\$ 1,234,272	\$ 2,602,840	\$ 2,297,035	\$ 2,572,817	\$ 2,817,363	\$ 485,887

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.

(modified accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 324,278	\$ 884,926	\$ 518,205	\$ 1,129,118	\$ 2,022,567	\$ 2,966,886				
Unreserved	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	\$ 3,490,011
Assigned							533,174	884,234	465,868	3,281,687
Unassigned							1,345,112	1,050,698	985,978	1,120,590
Total general fund	<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>	<u>\$ 7,892,288</u>
All Other Governmental Funds										
Reserved	\$ 2,963,068	\$ 11,502,294	\$ 2,719,255	\$ 100,000	\$ 932,255	\$ 96,798				
Unreserved, reported in:										
Capital projects fund (deficit)	(2,246,408)	7,820,115	493,077	341,009	52,943	392,506				
Debt service fund	1	4,729	4,729	1	1	2				
Restricted							\$ 1,197,940	\$ 627,866	\$ 230,250	\$ 297,840
Total all other governmental funds	<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>	<u>\$ 297,840</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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Local sources:										
Local tax levy	\$ 37,987,084	\$ 40,462,161	\$ 43,605,298	\$ 46,625,391	\$ 49,763,222	\$ 50,753,021	\$ 54,289,371	\$ 55,524,892	\$ 56,734,233	\$ 58,611,984
Transportation	50,605	51,302	45,770	63,811	77,660	95,654	102,737	98,468	117,344	128,015
Tuition charges	36,796	39,189	21,754	12,347	16,301	43,900	60,500	43,900	174,243	238,138
Interest income		730,142	826,333	148,834	14,644	17,334	14,084	9,600	8,148	6,137
Miscellaneous	245,657	269,293	242,024	336,679	412,871	417,752	503,988	624,027	1,419,598	577,470
Total local sources	38,320,142	41,552,007	44,741,179	47,187,062	50,314,788	51,288,761	54,970,660	56,300,867	58,453,566	59,561,754
State sources	5,766,939	6,632,860	12,803,499	9,068,821	6,774,499	7,229,308	5,004,679	6,400,866	7,833,455	7,529,811
Federal sources	680,856	718,237	757,417	773,644	771,600	1,376,843	1,230,170	1,036,102	972,228	889,684
Total revenue	44,770,937	48,903,184	58,302,095	57,029,527	57,860,887	59,894,912	61,205,509	63,737,855	67,259,249	67,981,249
Expenditures										
Current										
Undistributed - current	18,919,885	20,417,646	21,623,960	21,765,799	22,401,522	24,178,669	25,044,512	25,000,591	26,805,975	27,776,550
Tuition		1,864,882	1,960,712	2,245,509	2,297,823	2,210,229	2,338,936	2,366,967	1,922,832	2,393,463
Attendance/social work		51,375	54,341	56,867	60,304	62,715	65,223	58,185	58,734	59,469
Health services		538,096	537,432	504,508	538,244	533,086	565,778	586,778	626,641	643,868
Other support services		2,559,688	2,829,548	2,924,226	3,233,644	3,133,076	3,525,735	3,892,517	4,002,857	4,121,873
Student & inst. related services		892,637	915,507	937,253	855,941	687,162	822,673	647,573	689,774	684,739
Improvement of instruction		836,546	815,456	856,013	844,372	776,079	992,541	933,129	952,637	952,637
Education media library		137,777	210,960	220,741	133,312	109,834	103,611	130,269	189,761	189,761
Other support; instructional staff	809,635	755,485	1,686,817	1,076,374	947,810	921,756	839,785	873,500	840,391	840,391
General administration services	2,015,622	2,161,151	2,324,601	2,421,735	2,456,224	2,514,209	2,824,611	2,676,125	2,683,329	2,775,092
School administration services	563,400	695,617	564,909	672,910	744,412	632,285	675,431	692,760	753,962	764,217
Central services	78,709	76,342	86,427	86,379	67,788	415,660	415,660	445,972	533,603	515,039
Administrative information technology services	4,105,069	803,416	967,331	893,832	874,698	967,041	1,496,447	983,979	877,535	1,063,734
Required maintenance of plant services		3,536,310	3,824,148	4,226,567	4,446,882	3,921,013	3,942,246	3,709,037	3,630,926	3,711,271
Operation and maintenance of plant services										
Care and upkeep of grounds							136,864	201,217	222,293	198,345
Security							60,419	84,636	79,963	316,926
Student transportation	1,569,387	1,757,328	1,960,504	1,937,315	2,038,321	2,109,563	2,331,566	2,309,451	2,228,574	2,452,291
Unallocated benefits and On-behalf TPAF Contributions	7,342,707	8,290,280	10,376,976	10,508,614	9,285,799	9,718,513	10,961,496	11,851,211	13,407,010	13,529,741
Special schools			41,145	56,210	67,440	74,284	89,747	107,902	122,737	172,110
Charter schools				9,555		452				
Capital outlay	1,147,646	2,726,675	22,518,852	4,987,275	1,813,119	1,680,999	1,246,377	3,328,298	1,467,864	1,627,283
Debt Service:										
Principal	965,000	950,000	980,000	1,682,283	1,838,891	1,941,888	1,462,608	1,497,837	1,367,152	1,270,000
Interest	1,092,239	702,027	2,256,025	1,818,207	1,764,609	1,706,302	1,630,490	1,600,417	1,532,590	1,467,760
Total expenditures	45,371,651	49,745,278	75,827,113	60,471,060	56,849,084	59,597,358	60,744,793	64,023,093	65,299,520	66,071,209
Excess (deficiency) of revenues over (under) expenditures	(600,714)	(642,094)	(17,525,018)	(3,441,533)	1,017,813	1,297,554	460,726	(285,238)	1,959,729	(89,960)
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								
Transfers in			1,280,981	331,067	761,632	564,226	472,599			
Transfers out			559,612	250,000	783,049	56	818,250			
Insurance Recovery Related to Other Costs of Super Storm Sandy			(559,612)	(250,000)	(783,049)	(56)	(818,250)			
Total other financing sources (uses)		20,814,731	1,280,981	331,067	761,632	564,226	472,599			
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(600,714)	19,772,637	(16,244,037)	(3,110,466)	1,773,445	1,861,760	933,325	(285,238)	1,981,127	(89,960)
Fund balance July 1	2,198,229	1,597,515	21,370,152	5,126,115	2,015,849	3,789,094	5,650,874	6,584,199	6,298,961	8,260,088
Fund balance June 30	\$ 1,597,515	\$ 21,370,152	\$ 5,126,115	\$ 2,015,849	\$ 3,789,094	\$ 5,650,874	\$ 6,584,199	\$ 6,298,961	\$ 8,260,088	\$ 6,190,128
Debt service as a percentage of noncapital expenditures	3.75%	3.51%	6.03%	6.31%	6.55%	6.41%	5.20%	5.10%	4.54%	4.12%

Sources: District records
Note: Noncapital expenditures are total expenditures less capital outlay.

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
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
2014	238,138	6,137	83,677	49,876	233,243		128,015	739,086

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 Prop.	Qlarm	Commercial	Industrial	Apartment	Public Utilities *	Total Assessed Value	Less: Tax Exempt Property	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate b
Borough of Chatham													
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	\$ 148,480,100	\$ 1,882,927,135	\$ 1,842,202,687	0.842
2006	12,997,600	1,744,108,300	None	200,000	220,220,300	15,418,000	40,458,800	1,676,745	2,035,079,745	148,026,500	1,887,053,245	2,047,776,544	0.927
2007	13,555,600	1,751,080,200	None	200,000	217,881,000	13,725,100	39,373,700	1,655,966	2,037,471,566	146,672,700	1,890,798,866	2,229,300,135	0.930
2008	13,630,700	1,759,974,800	None	200,000	217,232,100	21,490,500	39,373,700	1,617,515	2,053,519,415	146,267,600	1,907,251,815	2,425,753,251	0.966
2009	13,630,700	1,764,771,200	None	200,000	217,092,700	21,490,500	39,373,700	1,600,626	2,058,159,426	146,267,600	1,911,891,826	2,357,398,631	1.030
2010	12,881,900	1,772,106,600	None	200,000	216,836,000	21,593,300	39,373,700	1,682,076	2,064,672,576	146,267,600	1,918,404,976	2,271,795,925	1.030
2011	12,657,900	1,772,631,200	None	200,000	212,066,200	21,593,300	39,373,700	1,403,757	2,058,932,057	146,267,600	1,913,664,457	2,329,736,842	1.120
2012	12,657,900	1,774,652,000	None	200,000	206,826,100	21,593,300	39,373,700	1,417,502	2,056,520,502	145,518,900	1,911,001,602	2,695,097,438	1.145
2013	9,896,800	1,779,581,700	None	200,000	204,939,400	21,593,300	39,373,700	*	2,055,584,700	142,081,700	1,913,523,000	2,293,457,313	1.181
2014	8,658,600	1,782,763,600	None	200,000	204,564,400	21,593,300	39,373,700	*	2,057,163,600	*	1,913,523,000	2,273,767,397	1.202
Township of Chatham													
2005 c \$	32,859,900	2,487,098,300	10,798,600	513,800	127,975,400	13,725,100	60,280,000	1,365,463	2,734,636,563	\$ 148,820,000	\$ 2,585,816,563	\$ 2,384,796,665	0.811
2006	60,972,700	2,488,667,600	10,721,000	475,100	121,434,900	13,725,100	60,280,000	1,228,357	2,757,484,757	157,771,000	2,599,713,757	2,732,050,104	0.899
2007	51,091,100	2,536,114,699	13,511,800	479,200	190,531,300	13,725,100	54,660,000	1,133,118	2,863,246,317	156,532,000	2,706,714,317	3,089,647,830	0.930
2008	46,219,100	2,638,012,800	13,684,800	495,300	121,926,400	13,725,100	26,525,000	1,135,045	2,861,693,545	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	119,169,900	13,725,100	55,330,000	1,267,858	2,836,723,658	161,760,800	2,774,962,858	3,229,679,613	1.020
2010	31,098,400	2,724,471,100	14,277,500	245,100	119,702,100	13,725,100	56,110,000	1,401,393	2,961,030,693	175,132,800	2,785,897,893	3,193,385,085	1.020
2011	31,381,800	2,749,929,300	14,497,600	247,000	120,292,100	13,725,100	51,000,000	1,542,789	2,982,615,689	176,510,100	2,806,105,589	3,185,247,249	1.071
2012	27,977,300	2,754,348,700	13,868,800	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	24,266,400	2,792,025,700	9,623,300	163,700	120,198,900	13,725,100	51,000,000	*	3,011,003,100	*	*	3,240,425,204	*
2014	17,697,800	2,830,794,100	10,070,500	171,200	120,623,800	13,725,100	51,000,000	*	3,044,082,500	*	*	*	*

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						
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
2014	1.14	0.06	1.20	0.41	0.29	1.90
Township of Chatham						
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	*	*	*	*	*	*
2014	*	*	*	*	*	*

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

2014		2005	
Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Chatham Borough			
Normandy Chatham, LLC	0.68%	\$ 14,025,700	0.69%
SIK Chatham Associates	0.57%	11,794,800	0.55%
One Main Street Associates	0.52%	10,676,400	0.58%
J. Appgar & J. Volker	0.49%	10,004,500	0.54%
Town Square Partners	0.38%	7,845,300	0.43%
Chatham Project, LLC	0.36%	7,310,000	0.42%
Levin Properties, LP	0.33%	6,884,600	0.34%
Foresome Group	0.30%	6,100,000	0.30%
Driscoll Properties	0.27%	5,654,700	0.21%
Hickory Tree Properties	0.22%	4,530,500	0.20%
Total	4.12%	\$ 84,826,500	4.36%
Township of Chatham**			
Home Properties Chatham Hill, LLC	*	\$ 44,660,000	1.63%
Hickory Square Associates LP	*	26,420,700	0.97%
Fairmount Country Club	*	20,625,000	0.75%
Texas Eastern Transmission Corp.	*	18,390,100	0.67%
Giraldi Farms	*	15,600,000	0.57%
Transcontinental Gas Pipeline Corp.	*	15,127,200	0.55%
Chatham Hills, Inc.	*	12,660,500	0.46%
Juniper Assisted Living Residence	*	10,976,300	0.40%
Hanks and Condon, LLC	*	9,666,000	0.35%
Chatham Mall Assoc LLC	*	7,466,000	0.27%
Total	*	\$ 181,591,800	6.64%
Chatham Borough			
Morehouse Estates LLC		\$ 14,025,700	0.69%
One Main Street Associates		13,176,400	0.65%
B/K Jefferson/Hamilton LLC		11,794,800	0.58%
J. Appgar & J. Volker		10,904,500	0.54%
Foursome Associates		8,830,200	0.43%
Town Square Partners		8,537,700	0.42%
Levin Properties, LP		6,884,600	0.34%
Driscoll Properties LP		6,161,900	0.30%
Kaplan Elbert & Associates		4,261,100	0.21%
Maier, Baroukh & Vilma		4,079,600	0.20%
Total		\$ 88,656,500	4.36%
Township of Chatham			
Home Properties Chatham Hill, LLC	*	\$ 44,660,000	1.63%
Hickory Square Associates LP	*	26,420,700	0.97%
Rosepond LLC	*	20,625,000	0.75%
Fairmount Country Club	*	18,390,100	0.67%
Chatham Hills, Inc.	*	15,600,000	0.57%
Texas Eastern Transmission Corp.	*	15,127,200	0.55%
Rockson Operating Partnership LP	*	12,660,500	0.46%
Transcontinental Gas Pipeline Corp	*	10,976,300	0.40%
Juniper Assisted Living Residence	*	9,666,000	0.35%
Hanks and Condon, LLC	*	7,466,000	0.27%
Total	*	\$ 181,591,800	6.64%

Source: District CAFR & Municipal Tax Assessor.

** This information was not provided by 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	
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%	-
2014	58,611,994	58,611,994	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	
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
2013	38,498,159	38,163,043	99.13%	335,116

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	
2004	\$ 33,702,075	\$ 33,157,545	98.38%	\$ 544,530
2005	36,266,605	35,846,789	98.84%	419,816
2006	40,194,857	39,756,462	98.91%	438,395
2007	42,580,137	42,025,237	98.70%	554,900
2008	45,332,669	44,771,903	98.76%	560,766
2009	46,405,540	45,773,092	98.64%	632,448
2010	47,709,719	47,036,066	98.59%	673,653
2011	49,677,509	48,991,001	98.62%	686,508
2012	50,526,518	49,738,810	98.44%	787,708
2013	51,729,909	51,091,103	98.77%	638,806

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 certified prior to the end of the school year.

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

Unaudited

Governmental Activities

Year Ended June 30,	General Obligation Bonds	Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita Income ^a
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	0.21%	74,057
2013	34,325,000	-	34,325,000	*	*
2014	33,055,000	-	33,055,000	*	*

Source: District CAFR Schedules I-1 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
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%	74,057
2013	34,325,000		34,325,000	1.79%	**
2014	33,055,000		33,055,000	**	**

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, 2014

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>\$ 33,055,000</u>
Total direct and overlapping debt			<u><u>\$ 33,055,000</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 2014

	Chatham Borough	Chatham Township	Equalized valuation basis Total
2013	\$ 2,293,457,313	\$ 3,240,425,204	\$ 5,533,882,517
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
	<u>\$ 5,024,634,281</u>	<u>\$ 6,398,354,696</u>	<u>\$ 16,957,071,494</u>
	Average equalized valuation of taxable property		\$ 5,652,357,165
	Debt limit (4% of average equalization value)		\$ 226,094,287 ^a
	Total Net Debt Applicable to Limit		33,055,000
	Legal debt margin		<u>\$ 193,039,287</u>

Year ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 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	\$ 226,094,287
Total net debt applicable to limit	<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>	<u>33,055,000</u>
Legal debt margin	<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>	<u>\$ 193,039,287</u>
Total net debt applicable to the limit as a percentage of debt limit	14.62%	25.63%	22.74%	20.29%	18.02%	17.16%	16.30%	16.09%	15.24%	14.62%

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				
2004	8,316	\$ 505,446,480	\$ 60,780	2.20%
2005	8,305	522,633,650	62,930	0.00%
2006	8,201	556,995,518	67,918	2.50%
2007	8,171	581,701,661	71,191	2.30%
2008	8,171	604,858,275	74,025	2.99%
2009	8,196	554,164,344	67,614	5.20%
2010	8,970	626,204,670	69,811	5.20%
2011	9,012	646,430,760	71,730	5.10%
2012	9,072	671,845,104	74,057	5.30%
2013	9,039	**	**	2.90%
Township of Chatham				
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	786,929,682	74,057	3.00%
2013	10,650	**	**	5.20%

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 2013.

^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>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</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

Unaudited

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Instruction										
Regular	241.49	250.70	253.47	259.92	243.70	247.58	271.50	280.00	286.00	292.90
Special Education	32.30	34.30	56.00	48.80	69.30	73.00	84.20	89.30	95.30	120.30
Support Services										
Student & instruction related services	61.74	61.00	61.49	60.61	60.50	50.63	30.80	34.10	36.60	30.40
General administrative services	3.00	4.00	2.00	2.00	2.50	2.50	10.40	9.40	10.40	5.00
School administrative services	26.60	25.20	25.31	27.75	25.50	23.00	28.50	28.50	28.50	35.70
Business administrative services	8.80	8.50	9.50	9.00	9.00	7.00	7.00	8.00	8.00	8.00
Plant operation & maintenance	37.50	49.00	46.50	46.00	51.00	42.00	42.90	42.90	42.90	44.00
Pupil transportation	0.50	0.60	0.60	0.50	1.00	1.00	1.00	1.00	1.00	1.00
Total	411.93	433.30	454.87	454.58	462.50	446.71	476.30	493.20	508.70	537.30

Source: District Personnel Records
and 2014 budget support document.

School District of the Chathams
Operating Statistics
Last Ten Fiscal Years

Unaudited

Year Ended June 30,	Pupil/Teacher Ratio											
	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	4 Elementary Schools	1 Middle School	1 High School	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
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	3,592	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	3,970	3,818	1.93%	96.17%
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	2.07%	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%
2014	4,127	63,706,166	15,436	4.27%	350.90	12.2:1	11.2:1	11.7:1	4,121	3,964	0.27%	96.19%

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>District Building</u>										
<u>Elementary</u>										
Milton Avenue School (1948)										
Square Feet	34,728	34,728	34,728	34,728	42,050	42,050	42,050	42,050	42,050	42,050
Capacity (students)	278	278	278	278	336	336	336	336	336	336
Enrollment	309	323	329	329	342	366	373	371	389	370
Southern Boulevard School (1928)										
Square Feet	51,983	51,983	51,983	51,983	76,890	76,890	76,890	76,890	76,890	76,890
Capacity (students)	416	416	416	416	615	615	615	615	615	615
Enrollment	547	527	526	484	490	502	493	491	463	452
Washington Avenue School (1952)										
Square Feet	40,293	40,293	40,293	40,293	62,100	62,100	62,100	62,100	62,100	62,100
Capacity (students)	322	322	322	322	497	497	497	497	497	497
Enrollment	320	332	327	387	401	446	455	448	444	457
Lafayette Avenue School (1954)										
Square Feet	68,294	68,294	68,294	68,294	72,690	72,690	72,690	72,690	72,690	72,690
Capacity (students)	546	546	546	546	582	582	582	582	582	582
Enrollment	524	561	556	597	636	637	598	635	695	709
<u>Middle School</u>										
Chatham Middle School (1957)										
Square Feet	144,445	144,445	144,445	144,445	144,445	144,445	191,720	191,720	191,720	191,720
Capacity (students)	1,078	1,078	1,078	1,078	1,078	1,078	1,431	1,431	1,431	1,431
Enrollment	783	795	793	831	849	891	958	962	961	941
<u>High School</u>										
Chatham High School (1962)										
Square Feet	168,977	168,977	168,977	168,977	220,065	220,065	220,065	237,730	237,730	237,730
Capacity (students)	1,119	1,119	1,119	1,119	1,457	1,457	1,457	1,574	1,574	1,574
Enrollment	880	920	909	954	999	1,054	1,056	1,146	1,157	1,201

Number of Schools at June 30, 2014
 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
2005	\$ 446,098	\$ 253,031	\$ 131,167	\$ 77,638	\$ 106,703	\$ 192,310	\$ 1,206,947
2006	310,006	168,723	112,791	74,405	61,980	104,027	831,932
2007	403,377	207,976	114,145	59,007	113,178	69,648	967,331
2008	334,919	225,782	114,500	66,680	94,210	57,741	893,832
2009	350,000	211,869	107,462	62,589	88,386	54,202	874,508
2010	362,272	244,290	123,907	72,165	101,911	62,496	967,041
2011	558,349	376,510	190,970	111,226	157,070	96,322	1,490,447
2012	369,719	249,311	126,453	73,649	104,006	63,781	986,919
2013	329,357	278,974	105,772	61,187	111,883	90,362	977,535
2014	377,113	304,127	115,309	98,510	121,971	66,704	1,083,734
Grand Total School Facilities	\$ 3,841,210	\$ 2,520,593	\$ 1,242,476	\$ 757,056	\$ 1,061,298	\$ 857,593	\$ 10,280,226

* 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, 2014

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - Zurich		
Property - Blanket, building and contents	\$ 119,656,506	\$ 5,000
Commercial General Liability	2,000,000 (aggregate)	
Employee Benefits Liability	1,000,000 (aggregate)	
Electronic Data Processing	3,000,000	1,000
Blanket Bond/Crime Coverage	100,000	1,000
Leased / Contractor Equipment - Zurich	400,000	1,000
Commercial Automotive Liability - Zurich	1,000,000	1,000
Workers Compensation - NJASBAIG	2,000,000	
Systems Breakdown - Boiler & Machinery - Zurich	50,000,000	1,000
Environmental - Zurich	2,000,000 (aggregate)	5,000
Umbrella Excess Liability - Zurich	10,000,000	10,000
Crime - Zurich		
Employee Theft	500,000	5,000
Forgery / Fraud	50,000	1,000
Computer Fraud	50,000	1,000
School District and Educators Legal Liability - Zurich	1,000,000	10,000
Volunteer Accident - 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

K-1

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 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, New Jersey (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2014.

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.

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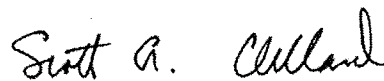
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

September 30, 2014
Iselin, New Jersey

K-2

Report on Compliance For Each Major Federal and State Program and Report 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, 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 the District's major federal and state programs for the year ended June 30, 2014. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its 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 our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 and requirements, 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 of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

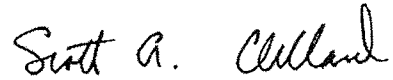
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the District's internal control over compliance with 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

September 30, 2014
Iselin, New Jersey

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS

Schedule of Expenditures of Federal Awards, Schedule A
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2013	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2014			
									Accounts Receivable	Unearned Revenue	Due to Grantor	
Enterprise Fund:												
U.S. Department of Agriculture Passed -												
Through State Department of Education:												
Food Donation Program (NC)	10.555	7/1/13-6/30/14	\$ 31,557		\$ 31,557	\$ 29,224				\$ 2,333		
Food Donation Program (NC)	10.555	7/1/12-6/30/14	33,342	\$ 2,490		2,490						
National School Lunch Program	10.555	7/1/13-6/30/14	54,727		50,406	54,727			\$ (4,321)			
National School Lunch Program	10.555	7/1/12-6/30/13	51,261	(3,988)	3,988	-			-	-		
Total U.S. Department of Agriculture Passed -												
Through State Department of Education				(1,498)	85,951	86,441			(4,321)	2,333		
Special Revenue Fund:												
U.S. Department of Education Passed -												
Through State Department of Education:												
N.C.L.B. Title II A	84.367A	7/1/13-6/30/14	55,760		55,760	55,760						
N.C.L.B. Title II A - Carryover	84.367A	9/1/12-8/31/13	56,328	(18,520)	18,520							
N.C.L.B. Title III	84.365	7/1/13-6/30/14	10,812		9,481	10,812			(1,331)			
N.C.L.B. Title III - Carryover	84.365	9/1/12-8/31/13	14,103	(2,445)	2,597	152						
N.C.L.B. Title III Immigrant	84.365	7/1/13-6/30/14	15,687		15,482	15,687			(205)			
I.D.E.I.A. Part B, Basic	84.027A	7/1/13-6/30/14	781,600		539,828	767,853			(228,025)			
I.D.E.I.A. Part B, Basic - Carryover	84.027A	9/1/12-8/31/13	816,556	(131,941)	143,054	11,113						
I.D.E.I.A. Part B, Preschool	84.173A	7/1/13-6/30/14	22,404		8,585	21,927			(13,342)			
I.D.E.I.A. Part B, Preschool - Carryover	84.173A	9/1/12-8/31/13	24,428	(17,485)	23,759	6,274						
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	(5,723)	5,723	-			-			
Total Special Revenue Funds				(176,114)	822,789	889,578			(242,903)			
Total Federal Financial Assistance				\$ (177,612)	\$ 908,740	\$ 976,019	\$ -	\$ -	\$ (247,224)	\$ 2,333	\$ -	

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, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2013	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2014			MEMO	
									Accounts Receivable	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Categorical Special Education Aid	14-495-034-5120-089	7/1/13-6/30/14	\$ 1,657,762			\$ 1,487,755	\$ 1,657,762					\$ (170,007)	\$ 1,657,762
Categorical Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	1,664,838	\$ (152,252)		152,252							
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	151,760			136,197	151,760					(15,563)	151,760
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	146,011	(13,353)		13,353							
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	62,418			56,017	62,418					(6,401)	62,418
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	61,092	(5,587)		5,587							
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	475,066				475,066		\$ (475,066)				475,066
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	374,474	(374,474)		374,474							
Non-Public Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	54,205				54,205		(54,205)				54,205
Non-Public Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	41,817	(41,817)		41,817							
On-Behalf TPAF Pension and Medical Contributions	14-495-034-001/006/007	7/1/13-6/30/14	2,970,915			2,970,915	2,970,915						2,970,915
Reimbursed TPAF Social Security Contribution	14-495-034-5095-002	7/1/13-6/30/14	1,962,367			1,769,189	1,962,367		(193,178)				1,962,367
Reimbursed TPAF Social Security Contribution	13-495-034-5095-002	7/1/12-6/30/13	1,725,062	(84,088)		84,088							
Anti-Bullying Bill of Rights Act	N/A	7/1/13-6/30/14	8,823	-		8,823	8,823		-			-	8,823
Total General Funds				(671,571)		7,100,467	7,343,316		(722,449)			(191,971)	7,343,316
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	18,265			18,265	18,265						18,265
Textbook Aid	13-100-034-5120-064	7/1/12-6/30/13	17,807	257				\$ 257					
Auxiliary Services:													
Compensatory Education	14-100-034-5120-067	7/1/13-6/30/14	17,120			17,120	17,120						17,120
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	20,902	2,759				2,759					
English as a Second Language	14-100-034-5120-067	7/1/13-6/30/14	873			873				\$ 873			
Home Instruction	13-100-034-5120-067	7/1/12-6/30/13	1,826	(1,826)		1,826							
Handicapped Services:													
Examination and Classification	14-100-034-5120-066	7/1/13-6/30/14	29,466			29,466	29,146				320		29,146
Examination and Classification	13-100-034-5120-066	7/1/12-6/30/13	33,758	7,798				7,798					
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	23,436			23,436	16,796				6,640		16,796
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	31,248	11,406				11,406					
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	21,996			21,996	21,719				277		21,719
Supplementary Instruction	13-100-034-5120-066	7/1/12-6/30/13	21,509	3,262				3,262					
Technology Initiative	14-100-034-5120-373	7/1/13-6/30/14	6,660			6,660	6,580				80		6,580
Nursing Services	14-100-034-5120-070	7/1/13-6/30/14	25,708	-		25,708	25,708		-				25,708
Total Special Revenue Funds				23,656		145,350	135,334	25,482			8,190		135,334
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
Total Capital Project Funds				71,940			71,940						1,309,126
Enterprise Fund:													
State School Lunch Program	14-100-010-3350-023	7/1/13-6/30/14	5,018			4,371	5,018		(647)				5,018
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	4,449	(598)		598	-		-				-
Total Enterprise Fund				(598)		4,969	5,018		(647)				5,018
Total All Funds				\$ (576,573)	\$ -	\$ 7,250,786	\$ 7,555,608	\$ 25,482	\$ (723,096)	\$ -	\$ 8,190	\$ (191,971)	\$ 8,792,794
State Financial Assistance Not Subject to Single Audit Determination:													
On-Behalf TPAF Pension and Medical Contributions	14-495-034-001/006/007	7/1/13-6/30/14	2,970,915			2,970,915	2,970,915						2,970,915
Total State Financial Assistance Subject to Single Audit Determination				\$ (576,573)	\$ -	\$ 4,279,871	\$ 4,584,693	\$ 25,482	\$ (723,096)	\$ -	\$ 8,190	\$ (191,971)	\$ 5,821,879

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

Year ended June 30, 2014

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* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some of the amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

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

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, 2014

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 \$20,779 for the general fund and \$14,380 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:

	Federal	State	Total
General Fund		\$ 7,322,537	\$ 7,322,537
Special Revenue Fund	\$ 889,684	135,334	1,025,018
Capital Projects Fund		71,940	71,940
Enterprise Fund	86,441	5,018	91,459
Total financial award revenues	<u>\$ 976,125</u>	<u>\$ 7,534,829</u>	<u>\$ 8,510,954</u>

The adjustment to reconcile from budgetary basis accounts receivable to GAAP basis accounts receivable is (\$3,041) for the special revenue fund. This is a result of recognizing encumbrances as expenditures on the budgetary basis but not the GAAP basis.

4. Relationship to Federal and State Financial Reports

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

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amounts reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2014 amounted to \$2,970,915. Since on-behalf post retirement

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

Year ended June 30, 2014

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, as directed by the funding agency.

School District of the Chathams
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part I - Summary of Auditors' Results

Financial Statement Section

Type of auditor's report issued:	<u>Unmodified</u>
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:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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, 2014

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:

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

School District of the Chathams
Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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, 2014

**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, 2014

Not applicable.