

# 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, 2016*

# **School District of the Chathams**

## **Chatham, New Jersey**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016**

**Prepared by**

**Business Office**

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INTRODUCTORY SECTION



## School District of the Chathams

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

Peter Daquila  
Business Administrator/  
Board Secretary

December 1, 2016

The Honorable President and  
Members of the Board of Education  
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, 2016, 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 Auditors' 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 Title 2 U.S. Code of Federal regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Treasury Circular Letter NJ OMB 15-08, *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 grants 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 2015/2016 fiscal year with an average daily enrollment of 4,146 students, which is an increase of 28 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>
2015/2016	4,146	0.68%
2014/2015	4,118	(0.07)%
2013/2014	4,121	0.27%
2012/2013	4,110	1.43%
2011/2012	4,052	2.07%

## 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 \$5,784,781,000 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. 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, 2016.

#### 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, 2016, 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 contracts 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 capital improvements at all of the schools 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.

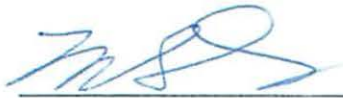
#### 9. OTHER INFORMATION:

*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 Uniform Guidance and State Treasury Circular Letter NJ OMB 15-08. 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:

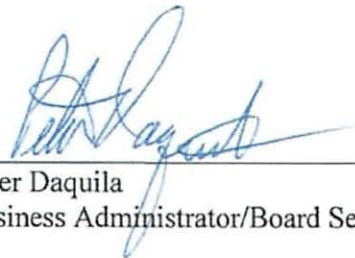
We would like to express our appreciation to the staff members of the School District of the Chathams for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial 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,



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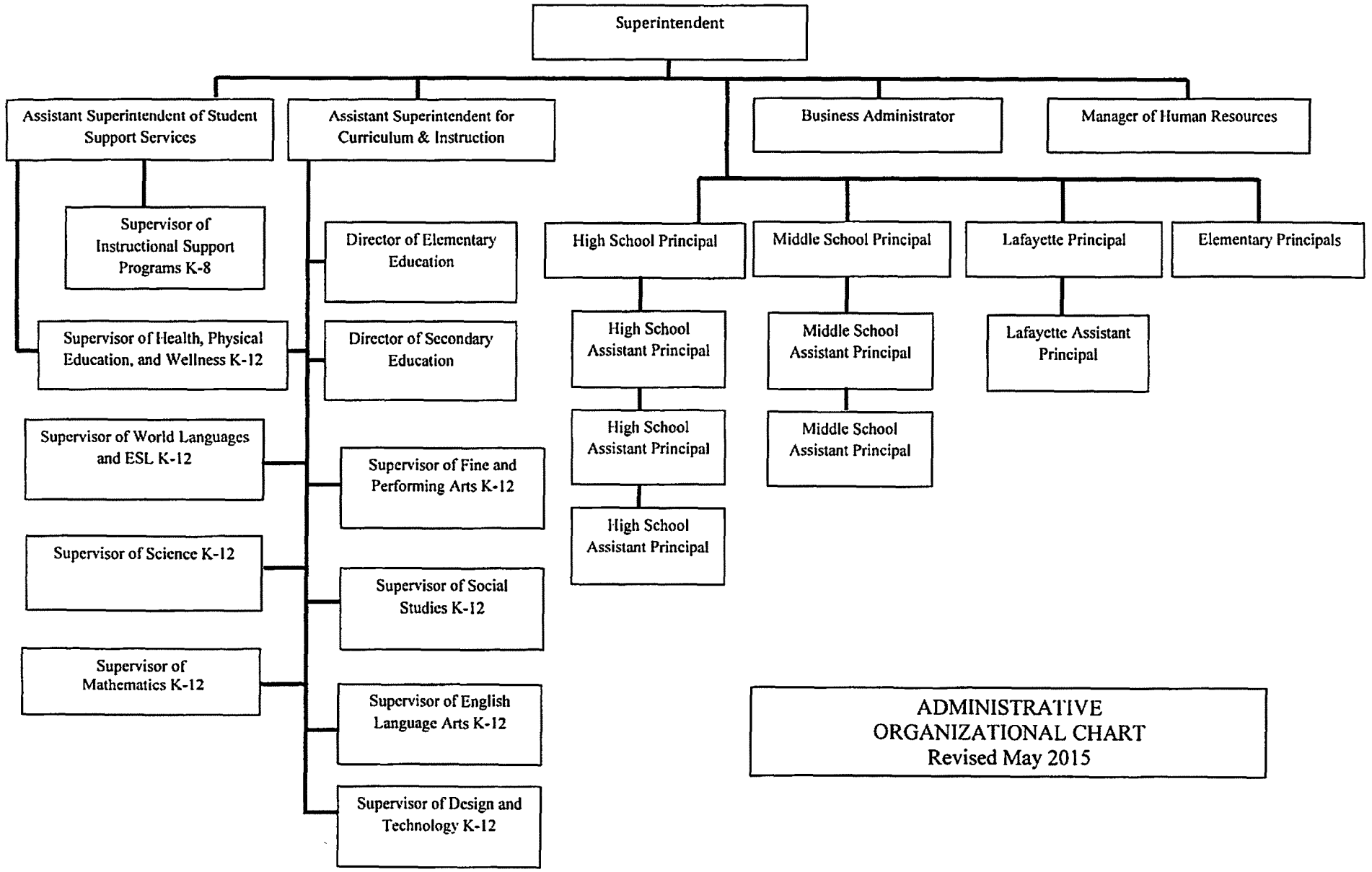
Dr. Michael LaSusa  
Superintendent



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Peter Daquila  
Business Administrator/Board Secretary

**SCHOOL DISTRICT  
OF THE CHATHAMS  
ADMINISTRATION**



**ADMINISTRATIVE  
ORGANIZATIONAL CHART**  
Revised May 2015

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

**Roster of Officials**

**June 30, 2016**

**Members of the Board of Education**

**Expires**

Jill Critchley Weber, President	2017
Matthew Gilfillan, Vice President	2016
Sal Arnuk	2016
Ann Ciccarelli	2018
Michelle Clark	2018
Richard Connors	2017
Kim Cronin	2017
Philip Franz	2016
Lata Kenney	2018

**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 (through June 30, 2016)

Tatiana Gilbert, Assistant Business Administrator/Assistant Board Secretary (effective July 1, 2016)

Annette M. Wells, Treasurer of School Monies

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

**Consultants, Independent Auditor and Advisors**

**June 30, 2016**

**Architects**

Parette Somjen Architects  
439 Route 46 East  
Rockaway, NJ 07866

**Independent Auditor**

Wiss & Company, LLP  
354 Eisenhower Parkway  
Livingston, NJ 07039

**Attorney**

Cleary, Gaicobbe, Alfieri & Jacobs, LLC  
169 Ramapo Valley Road  
Upper Level – Suite 105  
Oakland, NJ 07436

**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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF 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.

#### ***Other Information***

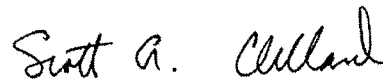
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are also not a required part of the basic financial statements.

The combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 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

December 1, 2016  
Livingston, 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, 2016

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, 2016. 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 of resources 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, 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 31-64 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 65-91 of this report.

## **Financial Highlights**

Key financial highlights for the 2015-2016 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2016.
- The State did not change the approved state aid to the District for 2015-2016 from the final amount awarded to the District in the 2016 fiscal year.

## 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 and deferred inflows of resources by \$31,206,050 at the close of fiscal 2016. The following table provides a summary of net position at June 30, 2016 and 2015 relating to the District's governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total School District	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<b>Assets:</b>						
Current and other assets	\$ 7,457,412	\$ 5,970,994	\$ 318,593	\$ 332,749	\$ 7,776,005	\$ 6,303,743
Capital assets, net	74,170,208	70,387,171	283,085	206,588	74,453,293	70,593,759
<b>Total Assets</b>	<b>81,627,620</b>	<b>76,358,165</b>	<b>601,678</b>	<b>539,337</b>	<b>82,229,298</b>	<b>76,897,502</b>
Deferred outflows of resources	4,688,314	3,159,581			4,688,314	3,159,581
<b>Liabilities:</b>						
Current and other liabilities	4,370,252	3,717,156	174,077	125,771	4,544,329	3,842,927
Net pension liability	15,690,718	13,154,473			15,690,718	13,154,473
Long-term liabilities outstanding	35,166,851	31,815,766			35,166,851	31,815,766
<b>Total Liabilities</b>	<b>55,227,821</b>	<b>48,687,395</b>	<b>174,077</b>	<b>125,771</b>	<b>55,401,898</b>	<b>48,813,166</b>
Deferred inflow of resources	309,664	783,935			309,664	783,935
<b>Net Position:</b>						
Net investment in capital assets	40,173,129	39,282,140	283,085	206,588	40,456,214	39,488,728
Restricted	3,638,133	3,267,556			3,638,133	3,267,556
Unrestricted (deficit)	(13,032,813)	(12,503,280)	144,516	206,978	(12,888,297)	(12,296,302)
<b>Total Net Position</b>	<b>\$30,778,449</b>	<b>\$ 30,046,416</b>	<b>\$ 427,601</b>	<b>\$ 413,566</b>	<b>\$31,206,050</b>	<b>\$30,459,982</b>

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 and capital leases) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (namely, property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net 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 \$746,068 during the current fiscal year, which was mostly attributable to the redemption of bonds, capital asset additions and operational performance offset by the capital lease issuance of \$5,390,000 for the District's Energy Savings Improvement Program ("ESIP").



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

Long-term liabilities increased due to the capital lease issuance of \$5,390,000 offset by the scheduled \$1,490,000 payment of principal on debt.

The change in the net pension liability and related deferrals is the result of performance of the Public Employee's Retirement System pension plan as well as changes in allocations as measured by the State of New Jersey, Division of Pension and Benefits.

Restricted net position increased mainly due to the net increase in the capital reserve account of \$611,330.

**District Activities.** The key elements of the District's changes in net position for the years ended June 30, 2016 and 2015 are as follows:

	Governmental Activities		Business-Type Activities		Total School District	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 312,371	\$ 385,592	\$ 1,127,623	\$ 1,063,569	\$ 1,439,994	\$ 1,449,16
Operating Grants and Contributions	1,368,133	1,412,608	93,426	83,987	1,461,559	1,496,59
Capital Grants and Contributions	248,586	68,753			248,586	68,75
General Revenue:						
Property Taxes	61,374,822	60,397,848			61,374,822	60,397,84
State Aid	17,551,011	14,535,917			17,551,011	14,535,91
Earnings on Investments	4,689	4,086			4,689	4,08
Miscellaneous	543,828	434,592			543,828	434,59
<b>Total Revenue</b>	<b>81,403,440</b>	<b>77,239,396</b>	<b>1,221,049</b>	<b>1,147,556</b>	<b>82,624,489</b>	<b>78,386,952</b>
<b>Expenses:</b>						
Instruction	49,759,786	47,199,764			49,759,786	47,199,76
Support services:						
Student and Instruction related services	11,589,155	11,180,768			11,589,155	11,180,76
Administration and Business	8,173,428	7,880,918			8,173,428	7,880,91
Maintenance and Operations	6,966,367	6,548,910			6,966,367	6,548,91
Transportation	2,705,793	2,572,801			2,705,793	2,572,80
Special Schools	290,374	250,999			290,374	250,99
Interest on long-term liabilities	1,186,504	1,031,453			1,186,504	1,031,45
Business-Type Activities			1,207,014	1,078,795	1,207,014	1,078,79
<b>Total Expenses</b>	<b>80,671,407</b>	<b>76,665,613</b>	<b>1,207,014</b>	<b>1,078,795</b>	<b>81,878,421</b>	<b>77,744,40</b>
Change in Net Position	732,033	573,783	14,035	68,761	746,068	642,54
Net position –beginning	30,046,416	29,472,633	413,566	344,805	30,459,982	29,817,43
Net position - ending	<b>\$ 30,778,449</b>	<b>\$ 30,046,416</b>	<b>\$ 427,601</b>	<b>\$ 413,566</b>	<b>\$ 31,206,050</b>	<b>\$ 30,459,98</b>

**Revenue Sources.** The District's total revenue for the 2015/16 school year was \$82,624,489. Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$61,374,822 of the total, or 74.28 percent. Another 21.24 percent came from federal and state aids not restricted for specific programs, 2.07 percent from operating and capital grants and contributions, 1.74 percent came from charges for services and the remainder from other miscellaneous sources.

Included in the State Aid revenue is the TPAF, Pension and Social Security Employer Share. The increase from 2014/15 to 2015/16 can be attributed to an increase in the amount contributed by the State on behalf of the District to the TPAF and PERS pension plans.

The School District of the Chathams primarily conducts its operations from the revenue it receives from its local taxpayers. The increase in capital grants and contributions is the result of the increase in the amount of work completed on projects partially funded by School Development Authority grants.

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

### **Financial Analysis of the District's Funds**

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

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

*General Fund.* The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$1,109,931, while the total fund balance was \$5,307,203. The net change in total fund balance for the General Fund was an increase in \$459,058, which was mainly attributable to operational performance.

*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. Revenues and expenditures for the current fiscal year were comparable to the prior fiscal year, with a decrease of \$10,778 attributable mostly to a decrease in expenditures of local grants, offset by increases in expenditures for State and Federal grants. IDEA continues to be the largest grant in the special revenue fund, with expenditures in the current fiscal year of \$819,728.

*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). The District was awarded funding from the N.J. Schools Development Authority for one new project in the current year, and also entered into a \$5,390,000 capital lease agreement to fund the District's Energy Savings Improvement Program. The District incurred \$5,026,073 of expenditures and recognized \$214,889 of state aid in the current 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 \$254,225, which is primarily attributable to a return of unexpended bond proceeds from the capital projects fund during the current fiscal year as well as due to savings from the bond refunding in the prior year. Of this fund balance, \$178,009 has been designated for use in the 2016-2017 budget and \$76,216 will be designated for use in the 2017-2018 budget.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2016, and the increases in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2015</u>	<u>Percent of Increase</u>
Local Sources	\$ 62,505,443	85.60%	\$ 958,444	1.56%
State Sources	9,554,029	13.09%	1,049,864	12.35%
Federal Sources	955,119	1.31%	27,988	3.02%
	<u>\$ 73,014,591</u>	<u>100.00%</u>	<u>\$ 2,036,296</u>	<u>2.87%</u>

The increase in local sources is mainly attributable to an increase in the tax levy of \$976,974.

The increase of \$1,049,864 or 12.35% of State sources in FY 2016 is mainly the result of a \$1,135,297 increase in the TPAF Pension benefits paid for by the State of New Jersey on behalf of the District as well as a \$20,279 increase in the TPAF FICA payroll taxes paid for by the State of New Jersey on behalf of the District.

The increase of \$27,988 or 3.02% of Federal sources in FY 2016 is mainly the result of an increase in FEMA revenue of \$25,646 in the current year as a result of increased expenditures as compared with the prior year.

The following schedule presents a summary of Governmental Fund expenditures for the fiscal year ended June 30, 2016 and the increases and decreases in relation to the prior year.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2015</u>	<u>Percent of Increase (Decrease)</u>
Current Expenditures:				
Instruction	\$ 29,900,500	41.25%	\$ 683,260	2.34%
Undistributed	38,825,133	53.57%	1,284,596	3.42%
Special Schools	176,007	0.24%	18,741	11.92%
Capital Outlay	895,465	1.24%	(3,361,438)	(78.96)%
Debt Service:				
Principal	1,490,000	2.05%	(25,000)	(1.65)%
Interest	1,193,751	1.65%	153,872	14.80%
Cost of Issuance		0.00%	(202,200)	(100.00)%
	<u>\$ 72,480,856</u>	<u>100.00%</u>	<u>\$ (1,448,169)</u>	<u>(1.96)%</u>

The increase in instruction expenditures is mainly due to an increase in Salaries of Teachers of approximately \$785,000.

The increase in undistributed expenditures is attributable mostly to an increase in on-behalf contributions of approximately \$1,156,000 expenditures paid for by the State of New Jersey on-behalf of the District.

The decrease in capital outlay is a result of a decrease in capital projects in the General Fund from the prior year.

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 2016 fiscal year by \$14,035. 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 below are explanations for variations in revenues and expenditures for certain lines where the modified budgeted amounts differ from the original budget by significant amounts. All other fluctuations were considered immaterial and no explanations were deemed required.

### **Expenditures**

- The modified budget for undistributed expenditures – required maintenance for school facilities increased from the original budget by approximately \$350,000 or 33% as a result of the increase in cleaning, repair and maintenance services and various maintenance projects.
- The modified budget for unallocated benefits – health benefits decreased from the original budget by approximately \$500,000 or 6% as a result of negotiated savings for health benefits costs and the increased employee contributions to offset the cost of health benefits.
- The modified budget for equipment exceeded the original budget by approximately \$337,000 or 2,370% as the District is not required to budget for equipment expenditures and made budget transfers as the equipment needs became known.
- The modified budget for facilities acquisition and construction services exceeded the original budget by approximately \$355,000 or 114% as the District is not required to budget for construction expenditures and made budget transfers as the construction projects were being planned and approved.

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

### **Revenues**

- Actual miscellaneous revenue was in excess of the modified budgeted amount by approximately \$309,000 or 131% as a result of a refund of prior year expenditures of approximately \$137,000 as well as additional unbudgeted rental fee income of approximately \$11,000 and miscellaneous revenues of approximately \$156,000.

### **Expenditures**

- The actual amounts expended regular programs – instruction were less than the final budget by approximately \$291,000 or 1% as a result of the timing of expenditures incurred for general supplies. The District had open purchased orders of approximately \$220,000 at June 30, 2016 for general supplies.

- The actual amounts expended for undistributed expenditures – operation and maintenance of plant services were less than the final budget by approximately \$552,000 or 16% as a result of the District’s continued conservation of energy based on rates negotiated with vendors and less than anticipated demands.

**Capital Assets**

As of June 30, 2016, the District has capital assets, net of accumulated depreciation, of \$74,453,293 including land, construction in progress, building and building improvements and machinery, equipment, vehicles noted as follows:

	Governmental Activities		Business-Type Activities		Total School District	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Land	\$11,616,511	\$ 11,616,511			\$ 11,616,511	\$ 11,616,511
Construction in Progress	4,570,020	59,213			4,570,020	59,213
Buildings and Building Improvements	52,907,459	53,721,249	\$ 36,559	\$ 37,402	52,944,018	53,758,651
Land Improvements	3,437,266	3,750,060			3,437,266	3,750,060
Machinery and Equipment	1,638,952	1,240,138	246,526	169,186	1,885,478	1,409,324
<b>Total Capital Assets</b>						
Net of Depreciation	<u>\$74,170,208</u>	<u>\$ 70,387,171</u>	<u>\$ 283,085</u>	<u>\$ 206,588</u>	<u>\$ 74,453,293</u>	<u>\$ 70,593,759</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, 2016 and 2015 are as follows for the governmental activities:

	2015/16	2014/15
General Obligation Bonds	\$ 27,835,000	\$ 29,325,000
Premium on Bonds	3,607,262	3,864,159
Compensated Absences	416,877	573,504
Capital leases	5,390,000	
Sub-total	37,249,139	33,762,663
Net pension liability	15,690,718	13,154,473
<b>Total District long-term liabilities</b>	<u>\$ 52,939,857</u>	<u>\$ 46,917,136</u>

More detailed information about the District’s long-term liabilities is presented in Note 6 to the District’s basic financial statements.

## **Factors Bearing on the District's Future**

In preparing the 2016-2017 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 2016-2017 budget, the District continued to utilize banked cap, and plans to continue to utilize it in the 2017-2018. 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 2016-2017 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 2017-2018 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, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,509,802	\$ 298,171	\$ 2,807,973
Receivables	971,276	14,515	985,791
Inventory		5,907	5,907
Restricted assets:			
Cash and cash equivalents	3,976,334		3,976,334
Capital assets, non-depreciable	16,186,531		16,186,531
Capital assets, depreciable, net	<u>57,983,677</u>	<u>283,085</u>	<u>58,266,762</u>
Total Assets	<u>81,627,620</u>	<u>601,678</u>	<u>82,229,298</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on defeasance of debt	1,929,588		1,929,588
Pension deferrals	<u>2,758,726</u>		<u>2,758,726</u>
Total Deferred Outflows of Resources	<u>4,688,314</u>		<u>4,688,314</u>
<b>LIABILITIES</b>			
Accounts payable	1,287,275	116,178	1,403,453
Accrued interest payable	647,911		647,911
Payable to state government	5,309		5,309
Unearned revenue	347,469	57,899	405,368
Net pension liability	15,690,718		15,690,718
Noncurrent liabilities:			
Due within one year	2,082,288		2,082,288
Due beyond one year	<u>35,166,851</u>	<u>-</u>	<u>35,166,851</u>
Total Liabilities	<u>55,227,821</u>	<u>174,077</u>	<u>55,401,898</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension deferrals	<u>309,664</u>		<u>309,664</u>
<b>NET POSITION</b>			
Net investment in capital assets	40,173,129	283,085	40,456,214
Restricted for:			
Other purposes	3,638,133		3,638,133
Unrestricted (deficit)	<u>(13,032,813)</u>	<u>144,516</u>	<u>(12,888,297)</u>
Total Net Position	<u>\$ 30,778,449</u>	<u>\$ 427,601</u>	<u>\$ 31,206,050</u>

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Statement of Activities  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 34,942,076	\$ 179,845	\$ 501,397	\$ 248,586	\$ (34,012,248)		\$ (34,012,248)
Special education	11,756,798		801,624		(10,955,174)		(10,955,174)
Other instruction	3,060,912				(3,060,912)		(3,060,912)
Support services:							
Student and instruction related services	11,589,155		65,112		(11,524,043)		(11,524,043)
School administration services	4,587,008				(4,587,008)		(4,587,008)
General and business administration services	3,586,420				(3,586,420)		(3,586,420)
Operation and maintenance of plant services	6,966,367				(6,966,367)		(6,966,367)
Pupil transportation	2,705,793	132,526			(2,573,267)		(2,573,267)
Special schools	290,374				(290,374)		(290,374)
Interest and other costs on long-term debt	1,186,504	-	-	-	(1,186,504)		(1,186,504)
Total governmental activities	80,671,407	312,371	1,368,133	248,586	(78,742,317)		(78,742,317)
Business-type activities:							
Food Service	1,207,014	1,127,623	93,426	-	-	\$ 14,035	14,035
Total business-type activities	1,207,014	1,127,623	93,426	-	-	14,035	14,035
Total primary government	\$ 81,878,421	\$ 1,439,994	\$ 1,461,559	\$ 248,586	(78,742,317)	14,035	(78,728,282)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					58,767,459		58,767,459
Property taxes, levied for debt service					2,607,363		2,607,363
State aid not restricted					17,551,011		17,551,011
Investment Earnings					4,689		4,689
Miscellaneous Income					543,828		543,828
Total general revenues					79,474,350		79,474,350
Change in Net Position					732,033	14,035	746,068
Net Position—beginning					30,046,416	413,566	30,459,982
Net Position—ending					\$ 30,778,449	\$ 427,601	\$ 31,206,050

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

**GOVERNMENTAL FUNDS**

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS**  
Balance Sheet  
Governmental Funds  
June 30, 2016

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,248,529	\$ 83,264		\$ 178,009	\$ 2,509,802
Intergovernmental Accounts Receivable					
State	641,408	840	\$ 110,957		753,205
Federal		149,741			149,741
Local	7,087				7,087
Other	61,243				61,243
Interfunds receivable	34,741			76,216	110,957
Restricted cash and cash equivalents	<u>3,070,739</u>	-	<u>905,595</u>	-	<u>3,976,334</u>
Total Assets	<u>\$ 6,063,747</u>	<u>\$ 233,845</u>	<u>\$ 1,016,552</u>	<u>\$ 254,225</u>	<u>\$ 7,568,369</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 615,031	\$ 22,580			\$ 637,611
Interfunds payable			\$ 110,957		110,957
Payable to state government		5,309			5,309
Unearned revenue	<u>141,513</u>	<u>205,956</u>	-		<u>347,469</u>
Total Liabilities	<u>756,544</u>	<u>233,845</u>	<u>110,957</u>		<u>1,101,346</u>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Excess surplus - current year	293,667				293,667
Excess surplus - designated for subsequent year's expenditures	273,727				273,727
Capital reserve	3,070,739				3,070,739
Capital projects			905,595		905,595
Debt service				\$ 254,225	254,225
<b>Assigned to:</b>					
Other Purposes	559,139				559,139
<b>Unassigned Fund Balance Reported In:</b>					
General fund	<u>1,109,931</u>	-	-	-	<u>1,109,931</u>
Total Fund Balances	<u>5,307,203</u>	-	<u>905,595</u>	<u>254,225</u>	<u>6,467,023</u>
Total Liabilities and Fund Balances	<u>\$ 6,063,747</u>	<u>\$ 233,845</u>	<u>\$ 1,016,552</u>	<u>\$ 254,225</u>	<u>7,568,369</u>

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 is \$104,915,481 and the accumulated depreciation is \$30,745,273.	74,170,208
Long-term liabilities, including bonds payable, obligations under capital lease and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(37,249,139)
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.	(647,911)
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.	1,929,588
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	2,449,062
Accrued pension contributions for the June 30, 2016 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(649,664)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(15,690,718)
Net position of governmental activities	<u>\$ 30,778,449</u>

**BOARD OF EDUCATION**  
**SCHOOL DISTRICT OF THE CHATHAMS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2016**

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>REVENUES</b>					
Local sources:					
Local tax levy	\$ 58,767,459			\$ 2,607,363	\$ 61,374,822
Tuition charges	179,845				179,845
Transportation fees	132,526				132,526
Interest earned on investments	4,689				4,689
Miscellaneous	543,828	\$ 269,733		-	813,561
Total - Local Sources	59,628,347	269,733		2,607,363	62,505,443
State sources	9,377,051	176,978	\$ 214,889		9,768,918
Federal sources	-	955,119	-	-	955,119
Total Revenues	69,005,398	1,401,830	214,889	2,607,363	73,229,480
<b>EXPENDITURES</b>					
Current:					
Regular instruction	21,599,181	501,397			22,100,578
Special education instruction	5,028,507	801,624			5,830,131
Other instruction	1,969,791				1,969,791
Support services and undistributed costs:					
Tuition	2,614,988				2,614,988
Attendance/social work	63,922				63,922
Health services	581,817				581,817
Other support services	4,365,319	65,112			4,430,431
Improvement of instruction	710,701				710,701
School library	872,894				872,894
Instructional staff training	633,067				633,067
General administration services	1,014,515				1,014,515
School administration services	2,796,121				2,796,121
Central services	820,190				820,190
Administrative information technology	570,112				570,112
Required maintenance of school facility	1,294,195				1,294,195
Operations of plant services	3,349,202				3,349,202
Care and upkeep of grounds	196,180				196,180
Security	280,096				280,096
Pupil transportation services	2,689,656				2,689,656
Unallocated benefits	8,907,421				8,907,421
On-behalf TPAF social security and pension contributions	6,999,625				6,999,625
Debt service:					
Principal				1,490,000	1,490,000
Interest				1,193,751	1,193,751
Special schools	176,007				176,007
Capital outlay	861,768	33,697	5,026,073	-	5,921,538
Total Expenditures	68,395,275	1,401,830	5,026,073	2,683,751	77,506,929
Excess (Deficiency) of revenues over (under) expenditures	610,123		(4,811,184)	(76,388)	(4,277,449)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Proceeds from capital leases			5,390,000		5,390,000
Transfers in	50,738		201,803	76,216	328,757
Transfers (out)	(201,803)		(126,954)	-	(328,757)
Total Other Financing Sources and (Uses)	(151,065)		5,464,849	76,216	5,390,000
Net change in fund balances	459,058		653,665	(172)	1,112,551
Fund Balance—July 1	4,848,145	-	251,930	254,397	5,354,472
Fund Balance—June 30	\$ 5,307,203	\$ -	\$ 905,595	\$ 254,225	\$ 6,467,023

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, 2016**

<b>Total net change in fund balances - governmental funds (from B-2)</b>	<b>\$</b>	<b>1,112,551</b>
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset (capital outlay) additions exceeded depreciation expense in the period.		
Depreciation expense	\$	(2,232,107)
Capital additions		<u>6,015,144</u>
		3,783,037
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.		1,490,000
The issuance of capital lease provides current financial resources of governmental funds. This transaction, however, has no effect on net position.		(5,390,000)
Governmental funds report the effect of 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 following related to the premiums on bonds.		
Amortization of premium		256,897
Governmental funds report the effect of defeasances and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the following related to the deferred loss of refunding.		
Amortization of deferred loss		(154,540)
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 a reduction in the reconciliation.		(95,110)
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.		156,627
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Pension expense		<u>(427,429)</u>
<b>Change in net position of governmental activities (A-2)</b>	<b>\$</b>	<b><u>732,033</u></b>

PROPRIETARY FUND



**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Proprietary Fund  
Statement of Net Position  
June 30, 2016**

	<u>Major Enterprise Fund</u> <u>Food Service</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 298,171
Accounts receivable:	
State	372
Federal	4,401
Other	9,742
Inventories	<u>5,907</u>
Total Current Assets	<u>318,593</u>
Noncurrent assets:	
Capital assets:	
Furniture, machinery and equipment	524,550
Less accumulated depreciation	<u>(241,465)</u>
Total Capital Assets, net	<u>283,085</u>
Total Assets	<u>601,678</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	116,178
Unearned revenue	<u>57,899</u>
Total Current Liabilities	<u>174,077</u>
<b>NET POSITION</b>	
Net investment in capital assets	283,085
Unrestricted	<u>144,516</u>
Total Net Position	<u>\$ 427,601</u>

*See accompanying notes to the basic financial statements.*

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Year Ended June 30, 2016**

	<b>Major Enterprise Fund Food Service</b>
<b>Operating Revenues:</b>	
Charges for services:	
Daily sales - reimbursable programs	\$ 1,108,025
Daily sales - non-reimbursable programs	<u>19,598</u>
Total Operating Revenues	<u>1,127,623</u>
 <b>Operating Expenses:</b>	
Cost of sales - Program	348,516
Cost of sales - Non-program	187,941
Salaries	391,632
Employee benefits	70,685
Other purchased services	20,654
Management fee	84,000
Supplies and materials	70,430
Miscellaneous	11,867
Depreciation	<u>21,289</u>
Total Operating Expenses	<u>1,207,014</u>
Operating (Loss)	<u>(79,391)</u>
 <b>Nonoperating Revenues:</b>	
State sources:	
State school lunch program	3,876
Federal sources:	
- National school lunch program	45,536
Food donation program	<u>44,014</u>
Total Nonoperating Revenues	<u>93,426</u>
Change in Net Position	14,035
 Total Net Position—Beginning	 <u>413,566</u>
Total Net Position—Ending	<u>\$ 427,601</u>

*See accompanying notes to the basic financial statements.*

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Proprietary Fund  
Statement of Cash Flows  
Year Ended June 30, 2016**

	<u>Major Enterprise Fund Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,118,678
Payments to employees	(391,632)
Payments for employee benefits	(70,685)
Payments to suppliers	<u>(668,814)</u>
Net cash (used for) operating activities	<u>(12,453)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State sources	3,938
Federal sources	44,643
Food donation program	<u>45,045</u>
Net cash provided by noncapital financing activities	<u>93,626</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(97,786)</u>
Net cash (used for) capital and related financing activities	<u>(97,786)</u>
Net decrease in cash and cash equivalents	(16,613)
Cash and cash equivalents, beginning of year	<u>314,784</u>
Cash and cash equivalents, end of year	<u>\$ 298,171</u>
<b>Reconciliation of operating (loss) to net cash (used for) operating activities:</b>	
Operating (loss)	\$ (79,391)
Adjustments to reconcile operating loss to net cash (used for) operating activities:	
Depreciation	21,289
Changes in assets and liabilities:	
Decrease in inventories	(60)
Decrease in other accounts receivable	(1,566)
Decrease in unearned revenue (non-commodities)	(8,945)
Increase in accounts payable	<u>56,220</u>
Total adjustments	<u>66,938</u>
Net cash (used for) operating activities	<u>\$ (12,453)</u>

*Noncash noncapital financing activities:*

The District received \$45,045 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2016.

FIDUCIARY FUNDS

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

	<b>Unemployment Compensation Trust Fund</b>	<b>Private Purpose Scholarship Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 250,222	\$ 36,684	\$ 587,377
Total Assets	<u>250,222</u>	<u>36,684</u>	<u>\$ 587,377</u>
<b>LIABILITIES</b>			
Payroll deductions and withholdings payable			\$ 146,381
Unemployment claims payable	15,111		
Due to student groups	<u>-</u>		<u>440,996</u>
Total Liabilities	<u>15,111</u>		<u>\$ 587,377</u>
<b>NET POSITION</b>			
Held in trust for unemployment claims	<u>\$ 235,111</u>		
Held in trust for scholarships		<u>\$ 36,684</u>	

**BOARD OF EDUCATION**  
**SCHOOL DISTRICT OF THE CHATHAMS**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2016**

	<b>Unemployment Compensation Trust <u>Fund</u></b>	<b>Private Purpose Scholarship <u>Fund</u></b>
<b>ADDITIONS</b>		
Contributions:		
Employee		\$ 19,815
Total Contributions		<u>19,815</u>
Investment earnings:		
Interest	\$ 136	<u>13</u>
Total investment earnings	<u>136</u>	<u>13</u>
Total Additions	<u>136</u>	<u>19,828</u>
<b>DEDUCTIONS</b>		
Unemployment claims	52,313	
Scholarships awarded		9,000
Bank Fees	<u>-</u>	<u>627</u>
Total Deductions	<u>52,313</u>	<u>9,627</u>
Change in Net Position	<u>(52,177)</u>	<u>10,201</u>
Net Position—beginning	<u>287,288</u>	<u>26,483</u>
Net Position—ending	<u>\$ 235,111</u>	<u>\$ 36,684</u>

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 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.

#### B. Government-Wide and Fund Financial Statements

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, 2016

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

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

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

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

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

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

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the District receives cash.



# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

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

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 fiduciary 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, 2016

### 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 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, 2016

### **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. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the annual School Board election to the date of the November general election thereby eliminating the vote on the annual base budget. 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, 2016

**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, 2016, the District had inventories in the Food Service Enterprise Fund in the amount of \$5,907, of which, the portion of unused Food Donation Program commodities in the amount of \$2,970 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, 2016

### 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. Currently, the District has two items that qualify for reporting in this category, including deferred amounts from the refunding of debt and deferred amounts related to pensions. 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. The District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

#### 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, 2016, a liability existed for compensated absences in the government-wide financial statements in the amount of \$416,877 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, 2016 amounted to \$154,540. As of June 30, 2016, the District has an unamortized balance of \$1,929,588 recorded as a deferred outflow of resources.

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

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

#### 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 2016-17 tuition for the District's Inclusion Preschool.

#### 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 financing 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.

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

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

Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.

- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

Of the \$5,307,203 of fund balances in the General Fund, \$559,139 of encumbrances is assigned to other purposes, \$293,667 has been restricted for excess surplus-current year, \$273,727 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$3,070,739 has been restricted for the capital reserve, and \$1,109,931 is classified as unassigned. The District also has \$905,595 of fund balance in the Capital Projects Fund, which is restricted for capital projects and \$254,225 in the Debt Service Fund, which is restricted for debt service. Of this amount, \$178,009 has been appropriated in the 2016-17 approved budget.

### 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.

## School District of the Chathams

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

Year ended June 30, 2016

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

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

#### **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. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$8,173,960 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. 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, 2016 was \$567,394. Of this amount, \$273,727 has been appropriated in the 2016/17 budget and the remaining \$293,667 will be appropriated in the 2017/18 budget.



## School District of the Chathams

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

Year ended June 30, 2016

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

##### R. GASB Pronouncements

###### Recently Issued and Adopted Accounting Principles

GASB Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). The objective of this Statement is to provide guidance for applying fair value for certain assets and liabilities and disclosures related to all fair value measurements. The requirements of this Statement mandate the use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The District has adopted GASB 72 during the year ended June 30, 2016.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

###### Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the District in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* (“GASB 77”). This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the District in the 2017 fiscal year. Management has not yet determined the impact of this Statement on financial statement note disclosures.

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

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

#### S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2016 and December 1, 2016, 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, other than the following:

On September 27, 2016, voters of the communities approved a bond referendum of \$15.8 million for facilities improvements and upgrades throughout the District.

### 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 related premiums, obligation under capital lease 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 \$37,249,139 difference are as follows:

Bonds payable	\$ 27,835,000
Premium on bonds	3,607,262
Obligation under capital lease	5,390,000
Compensated absences payable	<u>416,877</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 37,249,139</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” and Statement No.72, “Fair Value Measurement and Application.” 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.

## School District of the Chathams

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

Year ended June 30, 2016

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

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

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

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

#### **Deposits**

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

## School District of the Chathams

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

Year ended June 30, 2016

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

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, 2016, the carrying amount of the District's deposits was \$6,752,995 and the bank balance was \$7,157,514. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2016 was secured by federal depository insurance company. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$6,693,848. \$213,666 held in the District agency accounts are not covered by GUDPA. In addition, the District has restricted cash held with fiscal agents in the amount of \$905,595 related to capital leases where the funds are currently held by the lessor.

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 and New Jersey Asset and Rebate Management Fund.

## School District of the Chathams

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

Year ended June 30, 2016

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

*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, 2016.

*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, 2016.

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer. At June 30, 2016, 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, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 2,459,409
Deposits:	
Approved by Board Resolution at the June 20, 2016 meeting	1,450,000
Return of unused funds from 2015/16 withdrawal	30,789
Withdrawal:	
Budgeted Withdrawal	(512,459)
Board approved at January 4, 2016 meeting	<u>(357,000)</u>
Ending balance, June 30, 2016	<u>\$ 3,070,739</u>

## School District of the Chathams

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

Year ended June 30, 2016

#### 4. Capital Reserve Account (continued)

\$932,459 of this amount was appropriated in the 2016-17 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, 2016 balance of local support costs of uncompleted projects was in excess of the amount held in the capital reserve account.

#### 5. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2016:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reallocation/ Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 11,616,511			\$ 11,616,511
Construction in progress	59,213	\$ 4,565,870	\$ (55,063)	4,570,020
Total capital assets, not being depreciated	11,675,724	4,565,870	(55,063)	16,186,531
Capital assets, being depreciated:				
Buildings and building improvements	76,145,487	783,260	55,063	76,983,810
Land improvements	7,647,537	10,395		7,657,932
Machinery, equipment and vehicles and intangible assets	3,431,589	655,619		4,087,208
Total capital assets being depreciated	87,224,613	1,449,274	55,063	88,728,950
Less accumulated depreciation for:				
Buildings and building improvements	(22,424,238)	(1,652,113)		(24,076,351)
Land improvements	(3,897,477)	(323,189)		(4,220,666)
Machinery, equipment and vehicles and intangible assets	(2,191,451)	(256,805)	-	(2,448,256)
Total accumulated depreciation	(28,513,166)	(2,232,107)	-	(30,745,273)
Total capital assets, being depreciated, net	58,711,447	(782,833)	55,063	57,983,677
Governmental activities capital assets, net	\$ 70,387,171	\$ 3,783,037	\$ -	\$ 74,170,208

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**5. Capital Assets (continued)**

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

Instruction	
Regular	\$ 1,034,408
Special education	272,877
Other	92,195
Support services	
Student and instruction related services	341,338
School administration services	130,871
General and business administration services	112,556
Operation and maintenance of plant services	239,624
Special schools	8,238
Total depreciation expense – governmental activities	<u>\$ 2,232,107</u>

The following schedule is a summarization of business-type activity changes in capital assets for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>			
Capital assets, being depreciated:			
Building improvements	\$ 42,022		\$ 42,022
Machinery and equipment	384,742	\$ 97,786	482,528
Total capital assets, being depreciated	<u>426,764</u>	<u>97,786</u>	<u>524,550</u>
Less accumulated depreciation for:			
Building improvements	(4,620)	(843)	(5,463)
Machinery and equipment	(215,556)	(20,446)	(236,002)
Total accumulated depreciation	<u>(220,176)</u>	<u>(21,289)</u>	<u>(241,465)</u>
Total business-type activities capital assets, net	<u>\$ 206,588</u>	<u>\$ (76,497)</u>	<u>\$ 283,085</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Long-Term Liabilities**

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Governmental activities:					
Bonds payable	\$ 29,325,000		\$ (1,490,000)	\$ 27,835,000	\$ 1,285,000
Premium on bonds	3,864,159		(256,897)	3,607,262	256,897
Compensated absences payable	573,504	\$ 52,000	(208,627)	416,877	100,000
Obligations under capital lease		5,390,000		5,390,000	440,391
Sub-total	33,762,663	5,442,000	(1,955,524)	37,249,139	2,082,288
Net pension liability	13,154,473	2,536,245		15,690,718	
Governmental activities long-term liabilities	<u>\$ 46,917,136</u>	<u>\$ 7,978,245</u>	<u>\$ (1,955,524)</u>	<u>\$ 52,939,857</u>	<u>\$ 2,082,288</u>

The compensated absences payable, net pension liability and obligations under capital lease are expected to be paid from general fund appropriations. Bonds payable are expected to be paid from debt service fund appropriations.

**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, 2016 are comprised of the following issues:

\$20,525,000, 2005 school improvement bonds, due in the amount of \$375,000 on July 15, 2016 at an interest rate of 4.25%.

\$16,275,000, Series 2014A refunding bonds, due in annual installments ranging from \$30,000 to \$2,695,000 through July 2030 at interest rates ranging from 2.00% to 5.00%.

\$12,270,000, Series 2014B refunding bonds, due in annual installments ranging from \$880,000 to \$1,385,000 through January 2026 at interest rates ranging from 3.00% to 5.00%.



School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

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

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

	Principal	Interest	Total
Year ending June 30:			
2017	\$ 1,285,000	\$ 1,154,819	\$ 2,439,819
2018	1,325,000	1,114,675	2,439,675
2019	1,370,000	1,074,765	2,444,765
2020	1,415,000	1,033,450	2,448,450
2021	1,480,000	968,350	2,448,350
2022-2026	8,595,000	3,676,925	12,271,925
2027-2031	12,365,000	1,280,100	13,645,100
	\$ 27,835,000	\$ 10,303,084	\$ 38,138,084

**Obligation Under Capital Lease**

The District has a capital lease outstanding for an Energy Savings Improvement Plan lease which has a rate of 2.40%. The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net future minimum lease payments at June 30, 2016:

	Amount
Fiscal year ending June 30:	
2017	\$ 632,030
2018	701,659
2019	357,601
2020	384,261
2021	374,427
2022-2026	1,716,815
2027-2031	1,933,676
2032	414,981
Total minimum lease payment	6,515,450
Less amount representing interest	(1,125,450)
Present value of net future minimum lease payments	\$ 5,390,000

A lease with a bank was issued on August 5, 2015 in the amount of \$5,390,000 to finance energy conservation measures pursuant to an Energy Savings Improvement Plan (“ESIP”). The first payment of this capital lease is due August 5, 2016. During the year ended June 30, 2016, \$4,484,405 of project costs were expended for the project. The District will be utilizing the savings from the energy plan to make the future lease payments. Principal and interest due on the lease are included in the future minimum lease payment schedule above.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**7. Operating Leases**

The District has commitments to lease copiers, mail equipment and other equipment under operating leases which expire in the 2021 fiscal year. Total operating lease payments made during the year ended June 30, 2016 were \$98,824. Future lease payments are as follows:

Year ending June 30:	
2017	\$ 98,243
2018	90,766
2019	84,242
2020	47,899
2021	9,480
Total lease payments	<u>\$ 330,630</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 an annual benefit generally determined to be 1/60th of the average

## School District of the Chathams

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

Year ended June 30, 2016

#### **8. Pension Plans (continued)**

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 1/55th 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 an annual benefit generally determined to be 1/60th 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 annually through July 2018 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

## School District of the Chathams

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

Year ended June 30, 2016

#### **8. Pension Plans (continued)**

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, 2016, the State of New Jersey contributed \$4,910,788 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 \$2,088,837 during the year ended June 30, 2016 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, 2016, 2015 and 2014 were \$600,936, \$579,208, and \$526,549 respectively, equal to the required contributions for each year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

##### *Public Employee's Retirement System (PERS)*

At June 30, 2016, the District reported a liability of \$15,690,718 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0698980772 percent, which was a decrease of 0.0003612791 percent from its proportion measured as of June 30, 2014.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**8. Pension Plans (continued)**

For the year ended June 30, 2016, the District recognized full accrual pension expense of \$427,429 in the government-wide financial statements. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Difference between expected and actual experience	\$ 374,325	
Changes of assumptions	1,685,058	
Net difference between projected and actual earnings on pension plan investments		\$ 252,277
Changes in proportion and differences between District contributions and proportionate share of contributions	49,679	57,387
District contributions subsequent to the measurement date	649,664	
	<u>\$ 2,758,726</u>	<u>\$ 309,664</u>

\$649,664 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ 327,786
2018	327,786
2019	327,786
2020	523,769
2021	292,271
	<u>\$ 1,799,398</u>

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 8. Pension Plans (continued)

#### *Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.04%
Salary increases	
2012-2021	2.15 - 4.40%
	based on age
Thereafter	3.15 - 5.40%
	based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

#### *Mortality Rates*

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

#### *Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**8. Pension Plans (continued)**

combined to produce the long-term expected rate of return by weighting the expecting future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	100.00%	

*Discount rate*

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**8. Pension Plans (continued)**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate*

The following presents the District's proportionate share of the net pension liability as of June 30, 2015 calculated using the discount rate as disclosed on the previous page as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	<b>At 1% Decrease (3.90%)</b>	<b>At Current Discount Rate (4.90%)</b>	<b>At 1% Increase (5.90%)</b>
District's proportionate share of the net pension liability	\$ 19,501,643	\$ 15,690,718	\$ 12,495,666

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

*Additional Information*

Collective balances of the Local Group at June 30, 2015 are as follows:

Deferred outflows of resources	\$ 3,578,755,666
Deferred inflows of resources	\$ 993,410,455
Net pension liability	\$ 22,447,996,119
District's Proportion	0.0698980772%

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 is \$1,481,308,816.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 5.72 years and 6.44 years for the measurement period ended June 30, 2014.



# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 8. Pension Plans (continued)

#### Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2015 was \$170,582,342. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2015, the State's proportionate share of the TPAF net pension liability associated with the District was 0.2698905323 percent, which was an increase of 0.0038389379 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$10,415,588 for contributions incurred by the State.

#### *Actuarial assumptions*

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

## School District of the Chathams

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

Year ended June 30, 2016

#### 8. Pension Plans (continued)

##### *Mortality Rates*

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

##### *Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**8. Pension Plans (continued)**

*Discount Rate*

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the State's proportionate share of the net pension liability associated with the District to changes in the discount rate*

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	<b>At 1% Decrease (3.13%)</b>	<b>At Current Discount Rate (4.13%)</b>	<b>At 1% Increase (5.13%)</b>
State's proportionate share of the net pension liability associated with the District	\$ 202,730,737	\$ 170,582,342	\$ 142,884,575

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

## School District of the Chathams

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

Year ended June 30, 2016

#### 8. Pension Plans (continued)

##### Additional Information

Collective balances of the Local Group at June 30, 2015 are as follows:

Deferred outflows of resources	\$	7,522,890,856
Deferred inflows of resources	\$	623,365,110
Net pension liability	\$	63,204,270,305
State's proportionate share associated with the District		0.2698905323%

Collective pension expense-Local Group for the plan for the measurement period ended June 30, 2015 is \$3,854,529,454.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 8.3 years and 8.5 years for the measurement period ended June 30, 2014.

#### 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.

## School District of the Chathams

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

Year ended June 30, 2016

#### 9. Post-Retirement Benefits (continued)

##### *Funding Policy*

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and the 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, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the state contributed \$1.25 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

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, 2016, 2015 and 2014 were \$2,669,160, \$2,316,364, and \$1,845,408 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, 2016 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 34,741	
Capital Projects Fund		\$ 110,957
Debt Service Fund	76,216	
	\$ 110,957	\$ 110,957

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

### 10. Interfund Receivables and Payables (continued)

The interfund payables from the capital projects fund to the general fund and debt service fund represent the return of funding to original sources for completed projects and use of unexpended proceeds to pay off related debt service where the cash was not moved as of June 30, 2016. All interfund balances are expected to be repaid within one year.

### 11. Transfers

The following presents a reconciliation of transfers during the 2016 fiscal year:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 50,738	\$ 201,803
Capital Projects Fund	201,803	126,954
Debt Service Fund	76,216	
	<u>\$ 328,757</u>	<u>\$ 328,757</u>

The transfer out of the general fund to the capital projects fund represents the District's local share of a project which started in the current fiscal year as well as additional funding to complete a project which started in the prior fiscal year. The transfers out of the capital projects fund to the general fund and debt service fund were to return unexpended proceeds for capital projects which are now completed and use of unexpended proceeds to pay off related debt service.

### 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, 2015 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.

## School District of the Chathams

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

Year ended June 30, 2016

#### **13. Contingent Liabilities (continued)**

To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required.

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

The District is involved in several other claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

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

##### **New Jersey Unemployment Compensation Insurance**

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

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

## School District of the Chathams

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

Year ended June 30, 2016

#### 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.

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 in the general fund are classified as restricted assets (cash and cash equivalents) as they are restricted for use for future capital requirements. The funds set aside for capital projects in the capital projects fund are classified as restricted assets (cash and cash equivalents) as they are restricted for use for the District's ESIP.

#### 17. Commitments

The District has contractual commitments at June 30, 2016 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$559,139 and in the capital projects fund as restricted for capital projects in the amount of \$905,595.



Required Supplementary Information - Part II

School District of the Chathams  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 Public Employee's Retirement System

Last Ten Fiscal Years

	Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0698823190%	0.0702593563%	0.0698980772%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 13,355,900	\$ 13,154,473	\$ 15,690,718
District's covered-employee payroll	\$ 4,310,405	\$ 4,309,588	\$ 4,337,545	\$ 4,844,140	\$ 4,949,425	\$ 4,854,652	\$ 4,865,059	\$ 4,802,530	\$ 4,858,775	\$ 4,938,645
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	278.10%	270.74%	317.71%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	N/A	48.72%	52.08%	47.93%

N/A - Information not available

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

School District of the Chathams  
 Schedule of District Contributions  
 Public Employee's Retirement System

Last Ten Fiscal Years

	Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 264,385	\$ 370,254	\$ 429,331	\$ 555,911	\$ 598,747	\$ 554,543	\$ 526,549	\$ 579,208	\$ 600,936	\$ 649,664
Contributions in relation to the contractually required contribution	(264,385)	(370,254)	(429,331)	(555,911)	(598,747)	(554,543)	(526,549)	(579,208)	(600,936)	(649,664)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,309,588	\$ 4,337,545	\$ 4,844,140	\$ 4,949,425	\$ 4,854,652	\$ 4,865,059	\$ 4,802,530	\$ 4,858,775	\$ 4,938,645	\$ 5,019,368
Contributions as a percentage of covered-employee payroll	6.13%	8.54%	8.86%	11.23%	12.33%	11.40%	10.96%	11.92%	12.17%	12.94%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

School District of the Chathams  
Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District  
Teachers' Pension and Annuity Fund

Last Ten Fiscal Years\*

	Year Ended June 30,		
	2014	2015	2016
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.2632288497%	0.2660515944%	0.2698905323%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 133,033,790	\$ 142,195,918	\$ 170,582,342
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 133,033,790</u>	<u>\$ 142,195,918</u>	<u>\$ 170,582,342</u>
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

\* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make contributions to this plan.

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

Required Supplementary Information - Part III  
Budgetary Comparison

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 58,767,459		\$ 58,767,459	\$ 58,767,459	
Tuition	204,500		204,500	179,845	\$ (24,655)
Transportation Fees	100,000		100,000	132,526	32,526
Interest Earned on Investments	5,000		5,000	4,689	(311)
Miscellaneous	<u>235,000</u>		<u>235,000</u>	<u>543,828</u>	<u>308,828</u>
Total - Local Sources	<u>59,311,959</u>		<u>59,311,959</u>	<u>59,628,347</u>	<u>316,388</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	
Additional Adjustment Aid	1		1	1	
PARCC Readiness Aid	40,600		40,600	40,600	
Per Pupil Growth Aid	40,600		40,600		
Non-Public Transportation Aid				57,675	57,675
Extraordinary Aid	400,000		400,000	377,740	(22,260)
TPAF Pension (On-Behalf - Non-Budgeted)				4,910,788	4,910,788
TPAF Social Security (Reimbursed - Non-Budgeted)	<u>-</u>		<u>-</u>	<u>2,088,837</u>	<u>2,088,837</u>
Total State Sources	<u>2,353,141</u>		<u>2,353,141</u>	<u>9,388,181</u>	<u>7,035,040</u>
<b>Total Revenues</b>	<u>61,665,100</u>		<u>61,665,100</u>	<u>69,016,528</u>	<u>\$ 7,351,428</u>
<b>EXPENDITURES:</b>					
Current Expense:					
<b>Regular Programs - Instruction</b>					
Kindergarten - Salaries of Teachers	669,730	\$ (187,745)	481,985	481,870	115
Grades 1-5 - Salaries of Teachers	7,100,817	(115,506)	6,985,311	6,968,295	17,016
Grades 6-8 - Salaries of Teachers	5,025,093	(178,000)	4,847,093	4,847,093	
Grades 9-12 - Salaries of Teachers	6,480,312	243,254	6,723,566	6,723,566	
<b>Regular Programs - Home Instruction</b>					
Salaries of Teachers	48,000	16,340	64,340	64,340	
Purchased Professional-Educational Services	30,000	5,000	35,000	33,438	1,562
Other Purchased Services	500		500		500
General Supplies	500		500		500
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	298,396	80,317	378,713	378,119	594
Purchased Professional-Educational Services	10,750	5,000	15,750	15,413	337
Cleaning, Repair and Maintenance Services	30,515	(6,351)	24,164	22,172	1,992
Rentals	191,757	10,084	201,841	197,625	4,216
Other Purchased Services	22,900	16,050	38,950	35,967	2,983
Travel	1,600		1,600	39	1,561
General Supplies	1,562,702	433,374	1,996,076	1,754,182	241,894
Textbooks	66,054	(14,072)	51,982	48,696	3,286
Other Objects	<u>47,770</u>	<u>(4,760)</u>	<u>43,010</u>	<u>28,366</u>	<u>14,644</u>
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>21,587,396</u>	<u>302,985</u>	<u>21,890,381</u>	<u>21,599,181</u>	<u>291,200</u>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Learning and/or Language Disabilities</b>					
Salaries of Teachers		61,055	61,055	61,055	
General Supplies	1,738	-	1,738	757	981
<b>Total Learning and/or Language Disabilities</b>	<u>1,738</u>	<u>61,055</u>	<u>62,793</u>	<u>61,812</u>	<u>981</u>
<b>Visual Impairments</b>					
Purchased Professional-Educational Services	4,000	-	4,000	-	4,000
<b>Total Visual Impairments</b>	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
<b>Behavioral Disabilities</b>					
Salaries of Teachers	122,110	73,797	195,907	195,907	
Other Salaries for Instruction	52,474	20,392	72,866	72,461	405
<b>Total Behavioral Disabilities</b>	<u>174,584</u>	<u>94,189</u>	<u>268,773</u>	<u>268,368</u>	<u>405</u>
<b>Multiple Disabilities</b>					
Salaries of Teachers	76,850	105,000	181,850	181,698	152
Other Salaries for Instruction	257,760	51,600	309,360	308,813	547
General Supplies	543	983	1,526	1,335	191
<b>Total Multiple Disabilities</b>	<u>335,153</u>	<u>157,583</u>	<u>492,736</u>	<u>491,846</u>	<u>890</u>

**BOARD OF EDUCATION**  
**School District of the Chathams**  
**Budgetary Comparison Schedule**  
**(Budgetary Basis)**  
**General Fund**  
**Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	\$ 3,004,115	\$ (46,582)	\$ 2,957,533	\$ 2,957,533	
Other Salaries for Instruction	812,048	15,193	827,241	825,352	\$ 1,889
General Supplies	8,982	(121)	8,861	8,117	744
Textbooks	1,429	390	1,819	1,786	33
<b>Total Resource Room/Resource Center</b>	<u>3,826,574</u>	<u>(31,120)</u>	<u>3,795,454</u>	<u>3,792,788</u>	<u>2,666</u>
<b>Preschool Disabilities - Part-Time</b>					
Salaries of Teachers	259,729	42,629	302,358	302,358	
Other Salaries for Instruction	68,925	33,120	102,045	101,703	342
General Supplies	1,595	75	1,670	1,172	498
<b>Total Preschool Disabilities - Part-Time</b>	<u>330,249</u>	<u>75,824</u>	<u>406,073</u>	<u>405,233</u>	<u>840</u>
<b>Preschool Disabilities - Full-Time</b>					
Salaries of Teachers	64,485	(63,025)	1,460		1,460
Other Salaries for Instruction	15,082	(6,479)	8,603	7,541	1,062
General Supplies	1,345	-	1,345	919	426
<b>Total Preschool Disabilities - Full-Time</b>	<u>80,912</u>	<u>(69,504)</u>	<u>11,408</u>	<u>8,460</u>	<u>2,948</u>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<u>4,753,210</u>	<u>288,027</u>	<u>5,041,237</u>	<u>5,028,507</u>	<u>12,730</u>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of Teachers	719,464	(13,443)	706,021	705,146	875
General Supplies	975	-	975	874	101
<b>Total Basic Skills/Remedial - Instruction</b>	<u>720,439</u>	<u>(13,443)</u>	<u>706,996</u>	<u>706,020</u>	<u>976</u>
<b>Bilingual Education - Instruction</b>					
Salaries of Teachers	179,186		179,186	179,186	
<b>Total Bilingual Education - Instruction</b>	<u>179,186</u>		<u>179,186</u>	<u>179,186</u>	
<b>School-Spon. Cocurricular Actvts. - Inst.</b>					
Salaries	310,000		310,000	307,912	2,088
Purchased Services	1,000		1,000	1,000	
Supplies and Materials	16,800	2,000	18,800	16,087	2,713
Other Objects	16,250	-	16,250	15,520	730
<b>Total School-Spon. Cocurricular Actvts. - Inst.</b>	<u>344,050</u>	<u>2,000</u>	<u>346,050</u>	<u>339,519</u>	<u>6,531</u>
<b>School-Spon. Athletics</b>					
Salaries	473,744	(3,500)	470,244	444,452	25,792
Purchased Services	102,166	(10,052)	92,114	77,052	15,062
Cleaning, Repair and Maintenance Services	13,960	(2,900)	11,060	7,709	3,351
Insurance	30,336	17,182	47,518	47,517	1
Supplies and Materials	71,307	19,104	90,411	78,940	11,471
Other Objects	96,554	(2,025)	94,529	89,396	5,133
<b>Total School-Spon. Athletics</b>	<u>788,067</u>	<u>17,809</u>	<u>805,876</u>	<u>745,066</u>	<u>60,810</u>
<b>Total Instruction</b>	<u>28,372,348</u>	<u>597,378</u>	<u>28,969,726</u>	<u>28,597,479</u>	<u>372,247</u>
<b>Undistributed Expenditures - Instruction</b>					
Tuition to Other LEAs Within the State - Special	48,085	(32,700)	15,385	4,234	11,151
Tuition to County Voc. School Dist. - Regular	19,521	2,479	22,000	21,655	345
Tuition to CSSD & Regional Day Schools	66,882		66,882	65,908	974
Tuition to Private Schools for the Disabled - Within State	2,207,509	(172,988)	2,034,521	2,017,457	17,064
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	251,451	229,983	481,434	480,959	475
Tuition - State Facilities	24,775	-	24,775	24,775	-
<b>Total Undistributed Expenditures - Instruction</b>	<u>2,618,223</u>	<u>26,774</u>	<u>2,644,997</u>	<u>2,614,988</u>	<u>30,009</u>
<b>Undistributed Expend. - Attend. &amp; Social Work</b>					
Salaries	63,922		63,922	63,922	
<b>Total Undistributed Expend. - Attend. &amp; Social Work</b>	<u>63,922</u>		<u>63,922</u>	<u>63,922</u>	

**BOARD OF EDUCATION  
School District of the Chathams  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Undist. Expend. - Health Services</b>					
Salaries	\$ 591,125	\$ (36,275)	\$ 554,850	\$ 545,485	\$ 9,365
Salaries of Secretarial and Clerical Assistants	8,700	(6,000)	2,700		2,700
Purchased Professional and Technical Services	22,342	2,240	24,582	23,332	1,250
Cleaning, Repair and Maintenance Services	950	3	953	263	690
Supplies and Materials	<u>18,888</u>	<u>(3,127)</u>	<u>15,761</u>	<u>12,737</u>	<u>3,024</u>
<b>Total Undistributed Expenditures - Health Services</b>	<u>642,005</u>	<u>(43,159)</u>	<u>598,846</u>	<u>581,817</u>	<u>17,029</u>
<b>Undist. Expend. - Other Supp. Serv. Students - Related Serv.</b>					
Salaries	641,532	12,492	654,024	651,813	2,211
Purchased Professional - Educational Services	102,905	(2,348)	100,557	91,199	9,358
Supplies and Materials	<u>6,371</u>	<u>-</u>	<u>6,371</u>	<u>6,192</u>	<u>179</u>
<b>Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.</b>	<u>750,808</u>	<u>10,144</u>	<u>760,952</u>	<u>749,204</u>	<u>11,748</u>
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>					
Salaries	149,050	17,778	166,828	166,828	
Other Salaries for Instruction	596,618	(140,668)	455,950	453,923	2,027
Purchased Professional - Educational Services	177,764	29,355	207,119	203,314	3,805
Supplies and Materials	<u>12,500</u>	<u>-</u>	<u>12,500</u>	<u>5,533</u>	<u>6,967</u>
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>	<u>935,932</u>	<u>(93,535)</u>	<u>842,397</u>	<u>829,598</u>	<u>12,799</u>
<b>Undist. Expend. - Guidance</b>					
Salaries of Other Professional Staff	1,174,706	(15,000)	1,159,706	1,139,781	19,925
Salaries of Secretarial and Clerical Assistants	144,771	(16,000)	128,771	128,540	231
Purchased Professional - Educational Services	20,000	1,208	21,208	20,400	808
Other Purchased Prof. and Tech. Services	15,000	(808)	14,192	11,916	2,276
Supplies and Materials	13,350	1	13,351	9,581	3,770
Other Objects	<u>11,445</u>	<u>1,475</u>	<u>12,920</u>	<u>10,695</u>	<u>2,225</u>
<b>Total Undist. Expend. - Guidance</b>	<u>1,379,272</u>	<u>(29,124)</u>	<u>1,350,148</u>	<u>1,320,913</u>	<u>29,235</u>
<b>Undist. Expend. - Child Study Team</b>					
Salaries of Other Professional Staff	1,254,290	235	1,254,525	1,240,335	14,190
Salaries of Secretarial and Clerical Assistants	164,150		164,150	158,449	5,701
Purchased Prof. - Educational Services	7,500	15,000	22,500	9,653	12,847
Other Purchased Prof. and Tech. Services	12,000	6,245	18,245	16,830	1,415
Other Purchased Services	4,476		4,476	4,476	
Miscellaneous Purchased Services	3,000		3,000	2,565	435
Supplies and Materials	31,436	906	32,342	31,241	1,101
Other Objects	<u>3,600</u>	<u>-</u>	<u>3,600</u>	<u>2,055</u>	<u>1,545</u>
<b>Total Undist. Expend. - Child Study Team</b>	<u>1,480,452</u>	<u>22,386</u>	<u>1,502,838</u>	<u>1,465,604</u>	<u>37,234</u>
<b>Undist. Expend. - Improvement of Inst. Serv.</b>					
Salaries of Supervisors of Instruction	706,967	3,447	710,414	709,890	524
General Supplies	500		500	500	
Other Objects	<u>500</u>	<u>-</u>	<u>500</u>	<u>311</u>	<u>189</u>
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>	<u>707,967</u>	<u>3,447</u>	<u>711,414</u>	<u>710,701</u>	<u>713</u>
<b>Undist. Expend. - Edu. Media Serv./Sch. Library</b>					
Salaries	726,021	(31,735)	694,286	689,081	5,205
Other Purchased Services	91,440	(10,000)	81,440	78,984	2,456
Supplies and Materials	86,771	(4,038)	82,733	77,024	5,709
Other Objects	<u>27,994</u>	<u>40</u>	<u>28,034</u>	<u>27,805</u>	<u>229</u>
<b>Total Undist. Expend. - Edu. Media Serv./Sch. Library</b>	<u>932,226</u>	<u>(45,733)</u>	<u>886,493</u>	<u>872,894</u>	<u>13,599</u>
<b>Undist. Expend. - Instructional Staff Training Serv.</b>					
Salaries of Supervisors of Instruction	531,609		531,609	531,144	465
Other Salaries	26,700	(25,000)	1,700	875	825
Purchased Professional - Educational Services	32,450	1,047	33,497	30,056	3,441
Other Purchased Services	52,060	(1,913)	50,147	42,072	8,075
Supplies and Materials	16,655		16,655	13,385	3,270
Other Objects	<u>22,740</u>	<u>(4,418)</u>	<u>18,322</u>	<u>15,535</u>	<u>2,787</u>
<b>Total Undist. Expend. - Instructional Staff Training Serv.</b>	<u>682,214</u>	<u>(30,284)</u>	<u>651,930</u>	<u>633,067</u>	<u>18,863</u>



**BOARD OF EDUCATION  
School District of the Chathams  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2016**

	<u>Original</u>	<u>Budget</u>	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Final to</u>
					<u>Actual</u>
<b>Undist. Expend. - Supp. Serv. - General Admin.</b>					
Salaries	\$ 587,493	\$ (9,500)	\$ 577,993	\$ 574,452	\$ 3,541
Legal Services	165,000	(8,165)	156,835	156,835	
Audit Fees	60,000		60,000	59,900	100
Architectural/Engineering Services	35,000	72,589	107,589	75,554	32,035
Other Purchased Professional Services	22,923	4,450	27,373	24,538	2,835
Purchased Technical Services	10,895	(8,135)	2,760		2,760
Other Purchased Professional and Technical Services	3,500		3,500	823	2,677
Insurance	2,200	500	2,700	2,607	93
Communications/Telephone	99,997	(33,496)	66,501	43,033	23,468
Travel	12,120		12,120	8,266	3,854
Board of Education Other Purchased Services	5,000		5,000	594	4,406
Miscellaneous Purchased Services	5,000		5,000	1,510	3,490
General Supplies	13,895	(7,000)	6,895	2,999	3,896
Board of Education In-House Training/Meeting Supplies	12,200	(10,000)	2,200		2,200
Miscellaneous Expenditures	28,852	(1,692)	27,160	19,194	7,966
Board of Education Dues and Fees	44,357	-	44,357	44,210	147
<b>Total Undist. Expend. - Supp. Serv. - General Admin.</b>	<u>1,108,432</u>	<u>(449)</u>	<u>1,107,983</u>	<u>1,014,515</u>	<u>93,468</u>
<b>Undist. Expend. - Support Serv. - School Admin.</b>					
Salaries of Principals/Assistant Principals	2,021,699	(43,641)	1,978,058	1,978,058	
Salaries of Secretarial and Clerical Assistants	737,236	4,886	742,122	741,803	319
Other Purchased Services	32,872		32,872	19,724	13,148
Travel	6,150	3,229	9,379	7,183	2,196
Supplies and Materials	14,716	12,891	27,607	24,214	3,393
Other Objects	27,673	81	27,754	25,139	2,615
<b>Total Undist. Expend. - Support Serv. - School Admin.</b>	<u>2,840,346</u>	<u>(22,554)</u>	<u>2,817,792</u>	<u>2,796,121</u>	<u>21,671</u>
<b>Undist. Expend. - Central Services</b>					
Salaries	669,785	(1,500)	668,285	667,819	466
Purchased Professional Services	48,332	20,117	68,449	62,299	6,150
Purchased Technical Services	15,000	(1,350)	13,650	11,411	2,239
Cleaning, Repair and Maintenance Services	300		300		300
Rentals	14,550	(3,660)	10,890	10,890	
Other Purchased Services	600	105	705	705	
Travel	5,000	(3,300)	1,700	1,002	698
Miscellaneous Purchased Services	31,700	190	31,890	31,854	36
Supplies and Materials	28,032	4,414	32,446	23,036	9,410
Miscellaneous Expenditures	6,860	5,000	11,860	11,174	686
<b>Total Undist. Expend. - Central Services</b>	<u>820,159</u>	<u>20,016</u>	<u>840,175</u>	<u>820,190</u>	<u>19,985</u>
<b>Undist. Expend. - Technology Admin.</b>					
Salaries	509,315	1	509,316	509,315	1
Cleaning, Repair and Maintenance Services	44,960	(17,000)	27,960	27,034	926
Rentals	351		351	351	
Travel	4,920		4,920	2,230	2,690
Supplies and Materials	55,350	(16,893)	38,457	30,657	7,800
Other Objects	600	-	600	525	75
<b>Total Undist. Expend. - Technology Admin.</b>	<u>615,496</u>	<u>(33,892)</u>	<u>581,604</u>	<u>570,112</u>	<u>11,492</u>
<b>Undist. Expend. - Required Maint. for Sch. Facil.</b>					
Salaries	571,785	(1,785)	570,000	564,017	5,983
Cleaning, Repair and Maintenance Services	290,000	350,001	640,001	521,876	118,125
Travel	6,500	1,500	8,000	7,803	197
General Supplies	199,700	735	200,435	198,629	1,806
Other Objects	2,000	-	2,000	1,870	130
<b>Total Undist. Expend. - Required Maint. for Sch. Facil.</b>	<u>1,069,985</u>	<u>350,451</u>	<u>1,420,436</u>	<u>1,294,195</u>	<u>126,241</u>

**BOARD OF EDUCATION**  
**School District of the Chathams**  
**Budgetary Comparison Schedule**  
**(Budgetary Basis)**  
**General Fund**  
**Year Ended June 30, 2016**

	<u>Original</u>	<u>Budget</u>	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Final to</u>
					<u>Actual</u>
<b>Undist. Expend. - Oth. Oper. &amp; Maint. of Plant</b>					
Salaries	\$ 1,719,893	\$ (22,188)	\$ 1,697,705	\$ 1,686,016	\$ 11,689
Salaries of Non-Instructional Aides	85,536	(20,000)	65,536	55,987	9,549
Cleaning, Repair and Maintenance Services	284,850	(35,085)	249,765	242,992	6,773
Rental of Land & Buildings other than Leases	50,000		50,000	50,000	
Other Purchased Property Services	101,279	5,250	106,529	105,859	670
Insurance	258,000	8,454	266,454	266,174	280
General Supplies	177,250	4,849	182,099	172,083	10,016
Energy	27,000		27,000	7,692	19,308
Natural Gas	586,722	(46,600)	540,122	214,184	325,938
Electricity	833,026	(118,243)	714,783	548,055	166,728
Other Objects	<u>5,000</u>	<u>(4,136)</u>	<u>864</u>	<u>160</u>	<u>704</u>
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>	<u>4,128,556</u>	<u>(227,699)</u>	<u>3,900,857</u>	<u>3,349,202</u>	<u>551,655</u>
<b>Undist. Expend. - Care and Upkeep of Grounds</b>					
Salaries	96,587	1	96,588	94,642	1,946
Cleaning, Repair and Maintenance Services	74,950	(13,152)	61,798	55,936	5,862
General Supplies	<u>38,000</u>	<u>8,919</u>	<u>46,919</u>	<u>45,602</u>	<u>1,317</u>
<b>Total Undist. Expend. - Care and Upkeep of Grounds</b>	<u>209,537</u>	<u>(4,232)</u>	<u>205,305</u>	<u>196,180</u>	<u>9,125</u>
<b>Undist. Expend. - Security</b>					
Salaries	230,085	20,174	250,259	232,449	17,810
Cleaning, Repair and Maintenance Services	67,800	(34,412)	33,388	31,333	2,055
General Supplies	<u>18,350</u>	<u>(1,526)</u>	<u>16,824</u>	<u>16,314</u>	<u>510</u>
<b>Total Undist. Expend. - Security</b>	<u>316,235</u>	<u>(15,764)</u>	<u>300,471</u>	<u>280,096</u>	<u>20,375</u>
<b>Undist. Expend. - Student Transportation Serv.</b>					
Salaries for Pupil Trans. (Between Home & School) - Regular	29,723	(3,049)	26,674	26,439	235
Management Fees - ESC & CTSA Transportation Programs	12,100	335	12,435	12,434	1
Other Purchased Professional and Technical Services	5,000	(130)	4,870	4,870	
Contracted Services Aid In Lieu of Payment for Non-public School Students	174,400	11,883	186,283	186,273	10
Contracted Services (Between Home and School) - Vendors	752,148	(4,963)	747,185	747,060	125
Contracted Services (Other than Between Home and School) - Vendors	353,931	506	354,437	336,431	18,006
Contracted Services (Regular Students) - ESCs	133,952		133,952	129,359	4,593
Contracted Services (Special Education Students) - ESCs	1,048,600	190,631	1,239,231	1,239,230	1
Miscellaneous Purchased Services - Transportation	<u>-</u>	<u>7,700</u>	<u>7,700</u>	<u>7,560</u>	<u>140</u>
<b>Total Undist. Expend. - Student Transportation Serv.</b>	<u>2,509,854</u>	<u>202,913</u>	<u>2,712,767</u>	<u>2,689,656</u>	<u>23,111</u>
<b>Unallocated Benefits</b>					
Social Security Contributions	870,000	3,440	873,440	833,667	39,773
Other Retirement Contributions - Regular	723,500	(51,350)	672,150	653,529	18,621
Workmen's Compensation	213,000	(25,750)	187,250	178,976	8,274
Health Benefits	7,390,921	(382,214)	7,008,707	6,985,497	23,210
Tuition Reimbursement	165,000		165,000	152,023	12,977
Other Employee Benefits	<u>205,000</u>	<u>(44,502)</u>	<u>160,498</u>	<u>103,729</u>	<u>56,769</u>
<b>Total Unallocated Benefits</b>	<u>9,567,421</u>	<u>(500,376)</u>	<u>9,067,045</u>	<u>8,907,421</u>	<u>159,624</u>
On-behalf TPAF Pension Contributions (non-budgeted)				4,910,788	(4,910,788)
Reimbursed TPAF Social Security Contributions (non-budgeted)				<u>2,088,837</u>	<u>(2,088,837)</u>
<b>Total On-behalf Contributions</b>				<u>6,999,625</u>	<u>(6,999,625)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>33,379,042</u>	<u>(410,670)</u>	<u>32,968,372</u>	<u>38,760,021</u>	<u>(5,791,649)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>61,751,390</u>	<u>186,708</u>	<u>61,938,098</u>	<u>67,357,500</u>	<u>(5,419,402)</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Instruction:</b>					
Undistributed Expenditures - Instruction	<u>14,200</u>	<u>336,553</u>	<u>350,753</u>	<u>350,449</u>	<u>304</u>
<b>Total Equipment</b>	<u>14,200</u>	<u>336,553</u>	<u>350,753</u>	<u>350,449</u>	<u>304</u>
<b>Central Office</b>					
Central Services Equipment		<u>12,034</u>	<u>12,034</u>		<u>12,034</u>
<b>Total Central Service Equipment</b>		<u>12,034</u>	<u>12,034</u>		<u>12,034</u>
<b>Required Maintenance for School Facility</b>					
Non-Instructional		<u>63,528</u>	<u>63,528</u>	<u>49,981</u>	<u>13,547</u>
<b>Total Required Maintenance for School Facility Equipment</b>		<u>63,528</u>	<u>63,528</u>	<u>49,981</u>	<u>13,547</u>

**BOARD OF EDUCATION**  
**School District of the Chathams**  
**Budgetary Comparison Schedule**  
**(Budgetary Basis)**  
**General Fund**  
**Year Ended June 30, 2016**

	<u>Original</u>	<u>Budget</u>	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Final to</u>
					<u>Actual</u>
<b>Facilities Acquisition and Construction Services</b>					
Architectural/Engineering Services		\$ 17,650	\$ 17,650	\$ 13,450	\$ 4,200
Construction Services	\$ 200,000	337,530	537,530	335,429	202,101
Other Objects - Debt Service Assessment	112,459	-	112,459	112,459	-
<b>Total Facilities Acquisition and Construction Services</b>	<u>312,459</u>	<u>355,180</u>	<u>667,639</u>	<u>461,338</u>	<u>206,301</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>326,659</u>	<u>767,295</u>	<u>1,093,954</u>	<u>861,768</u>	<u>232,186</u>
<b>SPECIAL SCHOOLS</b>					
<b>Summer School - Instruction</b>					
Salaries of Teachers	17,040		17,040	14,805	2,235
General Supplies	1,200	-	1,200	1,116	84
<b>Total Summer School - Instruction</b>	<u>18,240</u>	<u>-</u>	<u>18,240</u>	<u>15,921</u>	<u>2,319</u>
<b>Total Summer School</b>	<u>18,240</u>	<u>-</u>	<u>18,240</u>	<u>15,921</u>	<u>2,319</u>
<b>Instructional Alternative Education Programs - Instruction</b>					
Salaries of Teachers	162,260	(4,800)	157,460	154,283	3,177
General Supplies	1,500	-	1,500	1,003	497
<b>Total Instructional Alternative Education Programs - Instruction</b>	<u>163,760</u>	<u>(4,800)</u>	<u>158,960</u>	<u>155,286</u>	<u>3,674</u>
<b>Total Instructional Alternative Education Programs</b>	<u>163,760</u>	<u>(4,800)</u>	<u>158,960</u>	<u>155,286</u>	<u>3,674</u>
<b>Other Supplemental/At-Risk Programs - Instruction</b>					
Salaries of Teachers		4,800	4,800	4,800	
<b>Total Other Supplemental/At-Risk Programs - Instruction</b>		<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	
<b>Total Other Supplemental/At-Risk Programs</b>		<u>4,800</u>	<u>4,800</u>	<u>4,800</u>	
<b>TOTAL SPECIAL SCHOOLS</b>	<u>182,000</u>		<u>182,000</u>	<u>176,007</u>	<u>5,993</u>
<b>TOTAL EXPENDITURES</b>	<u>62,260,049</u>	<u>954,003</u>	<u>63,214,052</u>	<u>68,395,275</u>	<u>(5,181,223)</u>
<b>(Deficiency) Excess of Revenues</b>					
<b>(Under) Over Expenditures</b>	<u>(594,949)</u>	<u>(954,003)</u>	<u>(1,548,952)</u>	<u>621,253</u>	<u>2,170,205</u>
<b>Other Financing Sources (Uses):</b>					
Transfer In				50,738	50,738
Transfer Out	(200,000)	2,775	(197,225)	(201,803)	(4,578)
<b>Total Other Financing Sources (Uses)</b>	<u>(200,000)</u>	<u>2,775</u>	<u>(197,225)</u>	<u>(151,065)</u>	<u>46,160</u>
<b>(Deficiency) Excess of Revenues</b>					
<b>(Under) Over Expenditures and Other Financing Sources (Uses)</b>	<u>(794,949)</u>	<u>(951,228)</u>	<u>(1,746,177)</u>	<u>470,188</u>	<u>2,216,365</u>
<b>Fund Balance, July 1</b>	<u>5,016,708</u>	<u>-</u>	<u>5,016,708</u>	<u>5,016,708</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u>\$ 4,221,759</u>	<u>\$ (951,228)</u>	<u>\$ 3,270,531</u>	<u>\$ 5,486,896</u>	<u>\$ 2,216,365</u>
<b>Recapitulation of (Deficiency) Excess of Revenues and Other Financing Sources (uses) (Under) Over Expenditures:</b>					
Adjustment for Prior Year Encumbrances		\$ (594,228)	\$ (594,228)	\$ (594,228)	
Budgeted Fund Balance	\$ (282,490)		(282,490)	437,715	\$ 720,205
Increase in Capital Reserve				1,480,789	1,480,789
Withdrawal from Capital Reserve	(512,459)	(357,000)	(869,459)	(869,459)	-
Transfer from Capital Projects Fund to Capital Outlay				19,949	19,949
Transfer from Capital Outlay to Capital Projects Fund	-	-	-	(4,578)	(4,578)
<b>Total</b>	<u>\$ (794,949)</u>	<u>\$ (951,228)</u>	<u>\$ (1,746,177)</u>	<u>\$ 470,188</u>	<u>\$ 2,216,365</u>
<b>Recapitulation of Fund Balance:</b>					
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				\$ 273,727	
Excess Surplus-current year				293,667	
Capital Reserve				3,070,739	
Assigned to:					
Year End Encumbrances				559,139	
Unassigned Fund Balance				<u>1,289,624</u>	
				<u>\$ 5,486,896</u>	
<b>Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:</b>					
Fund Balance				\$ 5,486,896	
Final State Aid Payments Not Realized on GAAP Basis				<u>(179,693)</u>	
<b>Fund balance per Government Funds (GAAP)</b>				<u>\$ 5,307,203</u>	

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
(Budgetary Basis)  
Special Revenue Fund  
Year Ended June 30, 2016**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$ 175,074	\$ 7,213	\$ 182,287	\$ 176,978	\$ (5,309)
Federal Sources	740,140	266,383	1,006,523	955,119	(51,404)
Local Sources	-	323,757	323,757	291,189	(32,568)
<b>Total Revenues</b>	<u>\$ 915,214</u>	<u>\$ 597,353</u>	<u>\$ 1,512,567</u>	<u>\$ 1,423,286</u>	<u>\$ (89,281)</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	\$ 45,140	\$ 18,915	\$ 64,055	\$ 60,155	\$ 3,900
Other Salaries		1,800	1,800	1,332	468
Purchased Professional and Educational Services	146,693	26,585	173,278	161,142	12,136
Other Purchased Services		6,184	6,184	6,184	
Tuition	650,000	188,403	838,403	801,624	36,779
Travel		775	775	775	
General Supplies	9,792	293,116	302,908	275,964	26,944
Textbooks	18,589	(1,288)	17,301	17,301	-
<b>Total Instruction</b>	<u>870,214</u>	<u>534,490</u>	<u>1,404,704</u>	<u>1,324,477</u>	<u>80,227</u>
<b>Support Services</b>					
Personnel Services - Employee Benefits		11,405	11,405	11,403	2
Purchased Professional and Technical Services	45,000	(12,143)	32,857	24,373	8,484
Other Purchased Services		390	390	390	
General Supplies	-	29,297	29,297	28,946	351
<b>Total Support Services</b>	<u>45,000</u>	<u>28,949</u>	<u>73,949</u>	<u>65,112</u>	<u>8,837</u>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment	-	33,914	33,914	33,697	217
<b>Total Facilities Acquisition and Construction Services</b>	<u>-</u>	<u>33,914</u>	<u>33,914</u>	<u>33,697</u>	<u>217</u>
<b>Total Expenditures</b>	<u>915,214</u>	<u>597,353</u>	<u>1,512,567</u>	<u>1,423,286</u>	<u>89,281</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<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, 2016**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 69,016,528	\$ 1,423,286
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		(25,622)
Prior Year, net		4,166
 State aid payments from prior year recognized in prior year for budgetary purposes, and recognized for GAAP statements in the current fiscal year.	 168,563	
 State aid payments recognized in current year for budgetary purposes, not recognized for GAAP statements.	 <u>(179,693)</u>	 <u>-</u>
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2).	 <u>\$ 69,005,398</u>	 <u>\$ 1,401,830</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 68,395,275	\$ 1,423,286
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>(21,456)</u>
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	 <u>\$ 68,395,275</u>	 <u>\$ 1,401,830</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, 2016**

	<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
<b>REVENUES</b>				
State Sources	\$ 176,978	\$ 176,978		
Federal Sources	955,119		\$ 955,119	
Local Sources	<u>291,189</u>	<u>-</u>	<u>-</u>	\$ 291,189
<b>Total Revenues</b>	<u>\$ 1,423,286</u>	<u>\$ 176,978</u>	<u>\$ 955,119</u>	<u>\$ 291,189</u>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Salaries of Teachers	60,155		\$ 57,655	\$ 2,500
Other Salaries	\$ 1,332			1,332
Purchased Professional and Educational Services	161,142	\$ 141,507		19,635
Other Purchased Services	6,184			6,184
Tuition	801,624		801,624	
Travel	775			775
General Supplies	275,964	18,170	34,028	223,766
Textbooks	<u>17,301</u>	<u>17,301</u>	<u>-</u>	<u>-</u>
	<u>1,324,477</u>	<u>176,978</u>	<u>893,307</u>	<u>254,192</u>
<b>Total Instruction</b>				
<b>Support Services:</b>				
Personnel Services - Employee Benefits	11,403		11,403	
Purchased Professional and Technical Services	24,373		24,373	
Other Purchased Services	390		390	
General Supplies	<u>28,946</u>		<u>25,646</u>	<u>3,300</u>
<b>Total Support Services</b>	<u>65,112</u>		<u>61,812</u>	<u>3,300</u>
<b>Facilities Acquisition and Const. Serv.:</b>				
Instructional Equipment	<u>33,697</u>			<u>33,697</u>
<b>Total Facilities Acquisition and Const. Serv.</b>	<u>33,697</u>			<u>33,697</u>
<b>Total Expenditures</b>	<u>1,423,286</u>	<u>176,978</u>	<u>955,119</u>	<u>291,189</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<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, 2016**

	<u>Total</u>	<u>N.J. Nonpublic Textbook Aid</u>	<u>N.J. Nonpublic Auxiliary Services</u>	<u>N.J. Nonpublic Handicapped Services</u>	<u>N.J. Nonpublic Technology Initiative</u>	<u>N.J. Nonpublic Nursing Services</u>	<u>N.J. Nonpublic Security Aid</u>	<u>N.J. Nonpublic Home Instruction</u>
<b>REVENUES</b>								
State Sources	\$ 176,978	\$ 17,301	\$ 22,589	\$ 79,558	\$ 7,670	\$ 38,520	\$ 10,500	\$ 840
<b>Total State Revenues</b>	<u>\$ 176,978</u>	<u>\$ 17,301</u>	<u>\$ 22,589</u>	<u>\$ 79,558</u>	<u>\$ 7,670</u>	<u>\$ 38,520</u>	<u>\$ 10,500</u>	<u>\$ 840</u>
<b>EXPENDITURES:</b>								
<b>Instruction:</b>								
Purchased Professional and Educational Services	\$ 141,507		\$ 22,589	\$ 79,558		\$ 38,520		\$ 840
General Supplies	18,170				\$ 7,670		\$ 10,500	
Textbooks	17,301	\$ 17,301	-	-	-	-	-	-
<b>Total Instruction</b>	<u>176,978</u>	<u>17,301</u>	<u>22,589</u>	<u>79,558</u>	<u>7,670</u>	<u>38,520</u>	<u>10,500</u>	<u>840</u>
<b>Total Expenditures</b>	<u>176,978</u>	<u>17,301</u>	<u>22,589</u>	<u>79,558</u>	<u>7,670</u>	<u>38,520</u>	<u>\$ 10,500</u>	<u>\$ 840</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>								
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<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, 2016**

	<u>N.C.L.B</u>			<u>I.D.E.I.A.</u>			
	<u>Total</u>	<u>Title I</u>	<u>Title II-A</u>	<u>Title III</u>	<u>Basic</u>	<u>Preschool</u>	<u>FEMA</u>
<b>REVENUES</b>							
Federal Sources	\$ 955,119	\$ 42,140	\$ 55,827	\$ 11,778	\$ 796,347	\$ 23,381	\$ 25,646
<b>Total Federal Revenues</b>	<u>\$ 955,119</u>	<u>\$ 42,140</u>	<u>\$ 55,827</u>	<u>\$ 11,778</u>	<u>\$ 796,347</u>	<u>\$ 23,381</u>	<u>\$ 25,646</u>
<b>EXPENDITURES:</b>							
<b>Instruction:</b>							
Salaries of Teachers	\$ 57,655	\$ 13,800	\$ 43,855				
Tuition	801,624				\$ 778,243	\$ 23,381	
General Supplies	34,028	27,950	-	\$ 6,078	-	-	
<b>Total Instruction</b>	<u>893,307</u>	<u>41,750</u>	<u>43,855</u>	<u>6,078</u>	<u>778,243</u>	<u>23,381</u>	
<b>Support Services:</b>							
Employee Benefits	11,403		11,403				
Purchased Professional and Technical Services	24,373		569	5,700	18,104		
Other Purchased Services	390	390					
Supplies and Materials	25,646	-	-	-	-		\$ 25,646
<b>Total Support Services</b>	<u>61,812</u>	<u>390</u>	<u>11,972</u>	<u>5,700</u>	<u>18,104</u>		<u>25,646</u>
<b>Total Expenditures</b>	<u>\$ 955,119</u>	<u>\$ 42,140</u>	<u>\$ 55,827</u>	<u>\$ 11,778</u>	<u>\$ 796,347</u>	<u>\$ 23,381</u>	<u>\$ 25,646</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>							
<b>Expenditures</b>	<u>\$ -</u>	<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, 2016**

**REVENUES**

State Sources	
SDA Grants	\$ 97,746
Total Revenues	<u>97,746</u>

**EXPENDITURES**

Other Purchased Professional and Technical Services	74,558
Architectural / Engineering Services	307,003
Construction Services	<u>4,644,512</u>
Total Expenditures	<u>5,026,073</u>

Deficiency of Revenues (under) Expenditures	<u>(4,928,327)</u>
---------------------------------------------	--------------------

**OTHER FINANCING SOURCES (USES)**

Proceeds from Capital Lease	5,390,000
Transfer from Capital Reserve	197,225
Transfer from Capital Outlay	4,578
Transfer to Debt Service Fund	(76,216)
Transfer to Capital Reserve	(30,789)
Transfer to Capital Outlay	<u>(19,949)</u>
Total Other Financing Sources (Uses)	<u>5,464,849</u>

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	536,522
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Fund Balance - July 1	<u>369,073</u>
Fund Balance - June 30	<u>\$ 905,595</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, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
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>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Other Purchased Professional and Technical Services	640,223		640,223	640,223
Construction Services	4,241,543		4,241,543	4,241,714
Other Objects	63,916		63,916	63,916
Transfer to Debt Service Fund	152,776	\$ 76,216	228,992	228,992
Transfer to Capital Outlay	67,590	-	67,590	67,590
Total Expenditures and Other Financing Uses	<u>5,166,048</u>	<u>76,216</u>	<u>5,242,264</u>	<u>5,242,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 76,387</u>	<u>\$ (76,216)</u>	<u>\$ 171</u>	
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	0785-050-05-1000			
Grant Date	7/12/2005			
Bond Authorization Date	7/26/2005			
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 Middle School Restrooms To Receive ADA Upgrades**  
**From Inception and for the Year Ended June 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SDA Grant	\$ 71,280		\$ 71,280	\$ 71,280
Transfer From Capital Outlay	<u>106,920</u>	<u>\$ 4,578</u>	<u>111,498</u>	<u>111,498</u>
Total Revenues	<u>178,200</u>	<u>4,578</u>	<u>182,778</u>	<u>182,778</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Architectural / Engineering Services	8,950	2,000	10,950	10,950
Construction Services	<u>20,900</u>	<u>150,928</u>	<u>171,828</u>	<u>171,828</u>
Total Expenditures and Other Financing Uses	<u>29,850</u>	<u>152,928</u>	<u>182,778</u>	<u>182,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 148,350</u>	<u>\$ (148,350)</u>	<u>\$ -</u>	
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	0785-030-14-1003			
Grant Date	8/12/2014			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 178,200			
Additional Authorized Cost	4,578			
Revised Authorized Cost	\$ 182,778			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completed	100%			
Original Target Completion Date	Summer 2015			
Revised Target Completion Date	Complete			

**BOARD OF EDUCATION**  
**SCHOOL DISTRICT OF THE CHATHAMS**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**Washington Avenue Elementary School Restrooms To Receive ADA Upgrades**  
**From Inception and for the Year Ended June 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SDA Grant	\$ 67,888	\$ (13,211)	\$ 54,677	\$ 54,677
Transfer From Capital Outlay	<u>101,831</u>	<u>-</u>	<u>101,831</u>	<u>101,831</u>
Total Revenues	<u>169,719</u>	<u>(13,211)</u>	<u>156,508</u>	<u>156,508</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Architectural / Engineering Services	10,250	850	11,100	11,100
Construction Services	14,962	110,497	125,459	125,459
Transfer To Capital Outlay	<u>-</u>	<u>19,949</u>	<u>19,949</u>	<u>19,949</u>
Total Expenditures and Other Financing Uses	<u>25,212</u>	<u>131,296</u>	<u>156,508</u>	<u>156,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 144,507</u>	<u>\$ (144,507)</u>	<u>\$ -</u>	
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number	0785-070-14-1005			
Grant Date	8/12/2014			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 169,719			
Additional Authorized Cost	(13,211)			
Revised Authorized Cost	\$ 156,508			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completed	100%			
Original Target Completion Date	Summer 2015			
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 ADA Restroom Upgrades  
From Inception and for the Year Ended June 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
State Sources - SDA Grant	\$ 110,957	\$ 110,957	\$ 110,957	\$ 110,957
Transfer From Capital Outlay	<u>197,225</u>	<u>197,225</u>	<u>197,225</u>	<u>197,225</u>
<b>Total Revenues</b>	<u>308,182</u>	<u>308,182</u>	<u>308,182</u>	<u>308,182</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Architectural / Engineering Services	24,462	24,462	24,462	24,462
Construction Services	252,931	252,931	252,931	252,931
Transfer to Capital Reserve	<u>30,789</u>	<u>30,789</u>	<u>30,789</u>	<u>30,789</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>308,182</u>	<u>308,182</u>	<u>308,182</u>	<u>308,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>		

**ADDITIONAL PROJECT INFORMATION**

Project Number	0785-010-14-1002
Grant Date	9/11/2015
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 328,708
Additional Authorized Cost	(20,526)
Revised Authorized Cost	\$ 308,182
Percentage Increase over Original Authorized Cost	-6%
Percentage Completed	100%
Original Target Completion Date	Winter 2015
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**  
**School Energy Savings**  
**From Inception and for the Year Ended June 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Proceeds from Capital Lease		\$ 5,390,000	\$ 5,390,000	\$ 5,390,000
Total Revenues		<u>5,390,000</u>	<u>5,390,000</u>	<u>5,390,000</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Other Purchased Professional and Technical Services		74,558	74,558	74,558
Architectural / Engineering Services		279,691	279,691	279,691
Construction Services		<u>4,130,156</u>	<u>4,130,156</u>	<u>5,035,751</u>
Total Expenditures and Other Financing Uses		<u>4,484,405</u>	<u>4,484,405</u>	<u>5,390,000</u>
Excess (deficiency) of revenues over (under) expenditures		<u>\$ 905,595</u>	<u>\$ 905,595</u>	
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization Date		N/A		
Bonds Authorized		N/A		
Bonds Issued		N/A		
Original Authorized Cost	\$	5,390,000		
Additional Authorized Cost		-		
Revised Authorized Cost	\$	5,390,000		
Percentage Increase over Original Authorized Cost		0%		
Percentage Completed		83%		
Original Target Completion Date		Summer 2016		

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Capital Projects Fund

Summary Schedule of Project Expenditures  
Year Ended June 30, 2016

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Transfers	Unexpended Appropriations 6/30/2016
			Prior Years	Current Year		
Lafayette Elementary School	7/12/2005	\$ 5,242,435	\$ 5,166,048		\$ (76,216)	\$ 171
Chatham Middle School Restrooms To Receive ADA Upgrades	8/12/2014	182,778	29,850	\$ 152,928		-
Washington Avenue Elementary School Restrooms To Receive ADA Upgrades	8/12/2014	156,508	25,212	111,347	(19,949)	-
Chatham High School ADA Restroom Upgrades	9/11/2015	308,182		277,393	(30,789)	-
School Energy Savings (ESIP)	8/5/2015	5,390,000	-	4,484,405	-	905,595
<b>Totals</b>		<b>\$ 11,279,903</b>	<b>\$ 5,221,110</b>	<b>\$ 5,026,073</b>	<b>\$ (126,954)</b>	<b>905,766</b>
Bond proceeds - 2005 Referendum		\$ 4,048,215			Bonds authorized	
State Grant (SDA)		1,430,963			but not issued	171
Transfer From Capital Outlay		410,554			Balance per F-1	\$ 905,595
Proceeds from Capital Lease		5,390,000				
Bonds Authorized But Not Issued		171				
<b>Total</b>		<b>\$ 11,279,903</b>				

FIDUCIARY FUNDS

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Trust and Agency Funds  
Combining Statement of Fiduciary Net Position  
June 30, 2016**

	<u>Trust</u>			<u>Agency</u>		
	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Funds</u>	<u>Total Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 250,222	\$ 36,684	\$ 286,906	\$ 440,996	\$ 146,381	\$ 587,377
Total assets	<u>250,222</u>	<u>36,684</u>	<u>286,906</u>	<u>\$ 440,996</u>	<u>\$ 146,381</u>	<u>\$ 587,377</u>
<b>Liabilities</b>						
Accounts payable	15,111		15,111			
Payroll deductions and withholdings payable					\$ 146,381	\$ 146,381
Due to student groups				\$ 440,996		440,996
Total liabilities	<u>15,111</u>	<u>-</u>	<u>15,111</u>	<u>\$ 440,996</u>	<u>\$ 146,381</u>	<u>\$ 587,377</u>
<b>Net Position</b>						
Held in trust	235,111	36,684	271,795			
Total net position	<u>\$ 235,111</u>	<u>\$ 36,684</u>	<u>\$ 271,795</u>			

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Student Activity Agency Fund  
Schedule of Cash Receipts and Cash Disbursements  
Year Ended June 30, 2016**

<u>Schools</u>	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2016</u>
Elementary Schools:				
Southern Boulevard	\$ 4,420	\$ 4,554	\$ 7,181	\$ 1,793
Milton Avenue	2,864	3,984	4,195	2,653
Lafayette Avenue	39,048	43,074	38,449	43,673
Washington Avenue	235	491	541	185
Middle School:				
Activity	61,369	129,139	141,120	49,388
High School:				
Activity	326,618	720,653	709,544	337,727
Athletic	<u>7,487</u>	<u>47,729</u>	<u>49,639</u>	<u>5,577</u>
	<u>\$ 442,041</u>	<u>\$ 949,624</u>	<u>\$ 950,669</u>	<u>\$ 440,996</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Payroll Agency Fund  
Schedule of Cash Receipts and Cash Disbursements  
Year Ended June 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2016</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 74,457	\$ 44,335,775	\$ 44,263,851	\$ 146,381
Total Assets	<u>\$ 74,457</u>	<u>\$ 44,335,775</u>	<u>\$ 44,263,851</u>	<u>\$ 146,381</u>
<b>LIABILITIES:</b>				
Salaries and Wages Payable		\$ 25,431,522	\$ 25,431,522	
Payroll Deductions and Withholdings Payable	\$ 74,457	18,904,253	18,832,329	\$ 146,381
Total Liabilities	<u>\$ 74,457</u>	<u>\$ 44,335,775</u>	<u>\$ 44,263,851</u>	<u>\$ 146,381</u>

LONG-TERM DEBT

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Long - Term Debt  
Schedule of Serial Bonds Payable  
Year Ended June 30, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2016</u>			<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>					
School Improvements	2/1/1995	\$ 4,993,000				\$ 240,000	\$ 240,000		
School Improvements	7/26/2005	20,525,000	7/15/2016	\$ 375,000	4.250%	730,000	355,000	\$ 375,000	
Refunding Bonds - Series 2014A	11/7/2014	16,275,000	7/15/2016	30,000	2.000%	16,275,000	30,000	16,245,000	
			7/15/2017	365,000	3.000%				
			7/15/2018	375,000	3.000%				
			7/15/2019	390,000	3.000%				
			7/15/2020	400,000	4.000%				
			7/15/2021	415,000	4.000%				
			7/15/2022	440,000	5.000%				
			7/15/2023	460,000	5.000%				
			7/15/2024	490,000	5.000%				
			7/15/2025	515,000	5.000%				
			7/15/2026	2,260,000	4.000%				
			7/15/2027	2,360,000	4.000%				
			7/15/2028	2,470,000	4.000%				
			7/15/2029	2,580,000	4.000%				
7/15/2030	2,695,000	4.000%							
Refunding Bonds - Series 2014B	11/7/2014	12,270,000	1/15/2017	880,000	3.000%	12,080,000	865,000	11,215,000	
			1/15/2018	960,000	3.000%				
			1/15/2019	995,000	3.000%				
			1/15/2020	1,025,000	5.000%				
			1/15/2021	1,080,000	5.000%				
			1/15/2022	1,135,000	5.000%				
			1/15/2023	1,185,000	5.000%				
			1/15/2024	1,255,000	5.000%				
			1/15/2025	1,315,000	5.000%				
			1/15/2026	1,385,000	4.000%				
					<u>\$ 29,325,000</u>	<u>\$ 1,490,000</u>	<u>\$ 27,835,000</u>		



**BOARD OF EDUCATION**  
**SCHOOL DISTRICT OF THE CHATHAMS**  
**Long - Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**Year Ended June 30, 2016**

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Original Issue</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Balance June 30, 2016</u>
School Energy Savings (ESIP)	2.40%	\$ 5,390,000	\$ -	\$ 5,390,000	\$ 5,390,000
			<u>\$ -</u>	<u>\$ 5,390,000</u>	<u>\$ 5,390,000</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
Debt Service Fund  
Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,607,363		\$ 2,607,363	\$ 2,607,363	
<b>Total Revenues</b>	<u>2,607,363</u>		<u>2,607,363</u>	<u>2,607,363</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Redemption of Principal	1,490,000		1,490,000	1,490,000	
Interest on Bonds	<u>1,193,751</u>		<u>1,193,751</u>	<u>1,193,751</u>	
Total Regular Debt Service	<u>2,683,751</u>		<u>2,683,751</u>	<u>2,683,751</u>	
<b>Total Expenditures</b>	<u>2,683,751</u>		<u>2,683,751</u>	<u>2,683,751</u>	
(Deficiency) of Revenues (Under) Expenditures	<u>(76,388)</u>		<u>(76,388)</u>	<u>(76,388)</u>	
<b>Other Financing Sources (Uses):</b>					
Transfer from Capital Projects Fund - Return of unexpended bond proceeds				<u>76,216</u>	\$ 76,216
<b>Total Other Financing Sources (Uses)</b>				<u>76,216</u>	<u>76,216</u>
(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures	(76,388)	-	(76,388)	(172)	76,216
Fund Balance, July 1	<u>254,397</u>	<u>-</u>	<u>254,397</u>	<u>254,397</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 178,009</u>	<u>\$ -</u>	<u>\$ 178,009</u>	<u>\$ 254,225</u>	<u>\$ 76,216</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

	June 30,									
	2007	2008	2009 (as restated)	2010	2011 (as restated)	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 31,937,828	\$ 32,371,993	\$ 31,219,240	\$ 32,032,424	\$ 31,969,490	\$ 34,480,331	\$ 35,050,828	\$ 35,805,781	\$ 39,282,140	\$ 40,173,129
Restricted	725,831	490,427	2,609,775	2,333,377	4,705,913	4,364,029	6,750,596	3,633,817	3,267,556	3,638,133
Unrestricted (deficit)	(1,808,803)	(1,883,651)	(1,649,525)	430,767	411,914	756,430	590,645	3,388,935	(12,503,280)	(13,032,813)
<b>Total governmental activities net position</b>	<u>\$ 30,854,856</u>	<u>\$ 30,978,769</u>	<u>\$ 32,179,490</u>	<u>\$ 34,796,568</u>	<u>\$ 37,087,317</u>	<u>\$ 39,600,790</u>	<u>\$ 42,392,069</u>	<u>\$ 42,828,533</u>	<u>\$ 30,046,416</u>	<u>\$ 30,778,449</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 98,229	\$ 71,218	\$ 87,525	\$ 161,450	\$ 174,608	\$ 187,573	\$ 200,539	\$ 213,504	\$ 206,588	\$ 283,085
Unrestricted	99,426	113,137	130,381	42,218	35,346	81,725	94,843	131,301	206,978	144,516
<b>Total business-type activities net position</b>	<u>\$ 197,655</u>	<u>\$ 184,355</u>	<u>\$ 217,906</u>	<u>\$ 203,668</u>	<u>\$ 209,954</u>	<u>\$ 269,298</u>	<u>\$ 295,382</u>	<u>\$ 344,805</u>	<u>\$ 413,566</u>	<u>\$ 427,601</u>
<b>Government-wide</b>										
Net investment in capital assets	\$ 32,036,057	\$ 32,443,211	\$ 31,306,765	\$ 32,193,874	\$ 32,144,098	\$ 34,667,904	\$ 35,251,367	\$ 36,019,285	\$ 39,488,728	\$ 40,456,214
Restricted	725,831	490,427	2,609,775	2,333,377	4,705,913	4,364,029	6,750,596	3,633,817	3,267,556	3,638,133
Unrestricted (deficit)	(1,709,377)	(1,770,514)	(1,519,144)	472,985	447,260	838,155	685,488	3,520,236	(12,296,302)	(12,888,297)
<b>Total district net position</b>	<u>\$ 31,052,511</u>	<u>\$ 31,163,124</u>	<u>\$ 32,397,396</u>	<u>\$ 35,000,236</u>	<u>\$ 37,297,271</u>	<u>\$ 39,870,088</u>	<u>\$ 42,687,451</u>	<u>\$ 43,173,338</u>	<u>\$ 30,459,982</u>	<u>\$ 31,206,050</u>

**Source:** CAFR Schedule A-1 and District records.

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

GASB 68 was implemented during the 2015 fiscal year, which required the restatement of beginning net position in the amount of \$13,355,900. This amount is not reflected in the June 30, 2014 Net Position, above.

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

(accrual basis of accounting)  
Unaudited

	Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
			(as restated)		(as restated)					
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction	\$ 31,676,286	\$ 32,061,639	\$ 32,644,658	\$ 34,300,465	\$ 34,950,236	\$ 36,397,419	\$ 38,849,778	\$ 40,241,403	\$ 47,199,764	\$ 49,759,786
Support services:										
Student & instruction related services	7,076,956	7,181,385	7,153,721	6,921,714	7,254,394	8,324,801	8,869,645	9,598,789	11,180,768	11,589,155
School administration services	3,176,981	3,268,167	3,582,335	3,374,483	3,444,414	3,730,147	3,772,311	3,862,549	4,404,002	4,587,008
General and Business administration services	3,154,790	4,149,288	3,191,917	2,638,306	2,505,189	2,588,390	2,866,899	2,921,009	3,476,916	3,586,420
Operation and Maintenance of Plant Services	4,723,190	6,352,217	6,137,686	5,952,210	6,506,910	5,969,017	6,139,125	6,434,186	6,548,910	6,966,367
Student transportation services	1,956,925	1,945,282	2,045,509	2,222,207	2,434,908	2,417,836	2,238,383	2,462,453	2,572,801	2,705,793
Special Schools	49,025	78,748	87,400	99,470	117,587	150,240	172,554	240,248	250,999	290,374
Charter Schools						11,223	9,821	20,005		
Interest and other costs on long term debt	1,903,601	1,868,878	1,816,950	1,768,979	1,701,122	1,635,309	1,570,852	1,764,143	1,031,453	1,186,504
Total governmental activities	\$ 53,717,754	\$ 56,905,604	\$ 56,660,176	\$ 57,277,834	\$ 58,914,760	\$ 61,224,382	\$ 64,489,368	\$ 67,544,785	\$ 76,665,613	\$ 80,671,407
<b>Business-type activities:</b>										
Food service	656,450	699,032	819,534	906,257	930,380	982,242	956,075	1,060,277	1,078,795	1,207,014
Cougar Cubs				29,918	68,299					
Total business-type activities expense	656,450	699,032	819,534	936,175	998,679	982,242	956,075	1,060,277	1,078,795	1,207,014
Total government-wide expenses	\$ 54,374,204	\$ 57,604,636	\$ 57,479,710	\$ 58,214,009	\$ 59,913,439	\$ 62,206,624	\$ 65,445,443	\$ 68,605,062	\$ 77,744,408	\$ 81,878,421
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Instruction (tuition)	\$ 21,754	\$ 12,347	\$ 16,301	\$ 5,000	\$ 60,500	\$ 43,900	\$ 174,243	\$ 238,138	\$ 251,032	\$ 179,845
Pupil transportation	45,770	63,811	77,660	95,654	102,737	98,468	117,344	128,015	134,560	132,526
Operating grants and contributions	1,091,368	1,472,537	1,173,823	1,706,209	1,596,703	1,276,311	1,451,083	1,230,651	1,412,608	1,368,133
Capital grants and contributions	4,855,825	639,500	61,571	327,043	63,241	276,089	2,997	76,981	68,753	248,586
Total governmental activities program revenues	6,014,717	2,188,195	1,329,355	2,133,906	1,823,181	1,694,768	1,745,667	1,673,785	1,866,953	1,929,090
<b>Business-type activities:</b>										
Charges for services:										
Food service	632,928	696,027	767,061	835,552	895,670	948,046	891,004	1,018,241	1,063,569	1,127,623
Cougar Cubs			34,535	24,664	39,018					
Operating grants and contributions	49,195	40,613	50,251	61,721	70,277	93,540	91,155	91,459	83,987	93,426
Total business type activities program revenues	682,123	736,640	851,847	921,937	1,004,965	1,041,586	982,159	1,109,700	1,147,556	1,221,049
Total government-wide program revenues	\$ 6,696,840	\$ 2,924,835	\$ 2,181,202	\$ 3,055,843	\$ 2,828,146	\$ 2,736,354	\$ 2,727,826	\$ 2,783,485	\$ 3,014,509	\$ 3,150,139
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (47,703,037)	\$ (54,717,409)	\$ (55,330,821)	\$ (55,143,928)	\$ (57,091,579)	\$ (59,529,614)	\$ (62,743,701)	\$ (65,871,000)	\$ (74,798,660)	\$ (78,742,317)
Business-type activities	25,673	37,608	32,313	(14,238)	6,286	59,344	26,084	49,423	68,761	14,035
Total government-wide net (expense)/revenue	\$ (47,677,364)	\$ (54,679,801)	\$ (55,298,508)	\$ (55,158,166)	\$ (57,085,293)	\$ (59,470,270)	\$ (62,717,617)	\$ (65,821,577)	\$ (74,729,899)	\$ (78,728,282)

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

(accrual basis of accounting)  
Unaudited

	Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>			(as restated)							
<b>Governmental activities:</b>										
Property taxes levied for general purposes	\$ 40,389,273	\$ 43,699,999	\$ 47,002,553	\$ 48,024,764	\$ 51,559,756	\$ 52,791,296	\$ 54,005,100	\$ 55,874,234	\$ 57,742,606	\$ 58,767,459
Taxes levied for debt service	3,216,025	2,925,392	2,790,669	2,728,257	2,729,615	2,733,596	2,729,133	2,737,760	2,655,242	2,607,363
Unrestricted grants and contributions	7,732,300	7,927,631	6,479,136	6,695,706	4,782,789	6,091,571	7,687,106	7,322,537	14,535,917	17,551,011
Investment earnings	826,333	148,834	14,644	17,334	14,064	9,600	8,148	6,137	4,086	4,689
Loss on disposal of capital assets	(73,907)									
Miscellaneous income	123,447	139,476	244,540	294,945	296,104	417,024	1,105,493	366,796	434,592	543,828
<b>Total governmental activities</b>	<b>\$ 52,213,471</b>	<b>\$ 54,841,332</b>	<b>\$ 56,531,542</b>	<b>\$ 57,761,006</b>	<b>\$ 59,382,328</b>	<b>\$ 62,043,087</b>	<b>\$ 65,534,980</b>	<b>\$ 66,307,464</b>	<b>\$ 75,372,443</b>	<b>\$ 79,474,350</b>
<b>Business-type activities:</b>										
Investment earnings	6,672	8,769	1,238							
<b>Total business-type activities</b>	<b>6,672</b>	<b>8,769</b>	<b>1,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total district-wide</b>	<b>\$ 52,220,143</b>	<b>\$ 54,850,101</b>	<b>\$ 56,532,780</b>	<b>\$ 57,761,006</b>	<b>\$ 59,382,328</b>	<b>\$ 62,043,087</b>	<b>\$ 65,534,980</b>	<b>\$ 66,307,464</b>	<b>\$ 75,372,443</b>	<b>\$ 79,474,350</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 4,510,434	\$ 123,923	\$ 1,200,721	\$ 2,617,078	\$ 2,290,749	\$ 2,513,473	\$ 2,791,279	\$ 436,464	\$ 573,783	\$ 732,033
Business-type activities	32,345	46,377	33,551	(14,238)	6,286	59,344	26,084	49,423	68,761	14,035
<b>Total district</b>	<b>\$ 4,542,779</b>	<b>\$ 170,300</b>	<b>\$ 1,234,272</b>	<b>\$ 2,602,840</b>	<b>\$ 2,297,035</b>	<b>\$ 2,572,817</b>	<b>\$ 2,817,363</b>	<b>\$ 485,887</b>	<b>\$ 642,544</b>	<b>\$ 746,068</b>

Source: CAFR Schedule A-2 and District records.

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

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

(modified accrual basis of accounting)  
Unaudited

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	\$ 518,205	\$ 1,129,118	\$ 2,022,567	\$ 2,966,886						
Unreserved	1,390,849	445,521	781,328	2,194,682						
Restricted					\$ 3,507,973	\$ 3,736,163	\$ 6,597,992	\$ 3,490,011	\$ 3,015,626	\$ 3,638,133
Assigned					533,174	884,234	465,868	3,281,687	594,228	559,139
Unassigned					1,345,112	1,050,698	985,978	1,120,590	1,238,291	1,109,931
<b>Total general fund</b>	<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>	<u>\$ 4,848,145</u>	<u>\$ 5,307,203</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 2,719,255	\$ 100,000	\$ 932,255	\$ 96,798						
Unreserved, reported in:										
Capital projects fund (deficit)	493,077	341,009	52,943	392,506						
Debt service fund	4,729	1	1	2						
Restricted					\$ 1,197,940	\$ 627,866	\$ 230,250	\$ 297,840	\$ 506,327	\$ 1,159,820
<b>Total all other governmental funds</b>	<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>	<u>\$ 506,327</u>	<u>\$ 1,159,820</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.M. 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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Local sources:										
Local tax levy	\$ 43,605,298	\$ 46,625,391	\$ 49,793,222	\$ 50,753,021	\$ 54,289,371	\$ 55,524,892	\$ 56,734,233	\$ 58,611,994	\$ 60,397,848	\$ 61,374,822
Transportation	45,770	63,811	77,660	95,654	102,737	98,468	117,344	128,015	134,560	132,526
Tuition charges	21,754	12,347	16,301	5,000	60,500	43,900	174,243	238,138	251,032	179,845
Interest income	826,333	148,834	14,644	17,334	14,064	9,600	8,148	6,137	4,086	4,689
Miscellaneous	242,024	336,679	412,971	417,752	503,988	624,027	1,419,598	577,470	759,473	813,561
Total local sources	44,741,179	47,187,062	50,314,798	51,288,761	54,970,660	56,300,887	58,453,566	59,561,754	61,546,999	62,503,443
State sources	12,803,499	9,068,821	6,774,499	7,229,308	5,004,679	6,400,866	7,833,455	7,529,811	8,572,918	9,768,918
Federal sources	757,417	773,644	771,600	1,376,843	1,230,170	1,036,102	972,228	889,684	927,131	955,119
Total revenue	58,302,095	57,029,527	57,860,897	59,894,912	61,205,509	63,737,855	67,259,249	67,981,249	71,047,048	73,229,480
<b>Expenditures</b>										
Current										
Instruction	21,623,960	21,765,799	22,401,522	24,178,669	25,044,512	25,000,591	26,805,975	27,779,550	29,217,240	29,900,500
Support services										
Tuition	1,960,712	2,245,509	2,297,823	2,210,229	2,338,936	2,386,967	1,922,832	2,393,463	2,437,142	2,614,988
Attendance/social work	54,341	56,867	60,304	62,715	65,223	58,185	58,734	59,499	62,704	63,922
Health services	537,432	504,508	538,244	533,086	565,778	586,778	626,641	643,896	646,778	581,817
Other support services	2,829,548	2,924,226	3,233,644	3,133,076	3,525,735	3,892,517	4,002,657	4,121,873	4,391,402	4,430,431
Improvement of instruction	915,507	937,253	855,941	697,162	622,673	647,573	689,774	684,763	681,907	710,701
Education media library	815,456	856,013	844,372	776,079	825,710	992,541	933,129	952,837	870,424	872,894
Other support: instructional staff	210,960	220,741	133,312	109,834	103,611	130,269	189,761	589,223	590,801	633,067
General administration services	988,279	1,686,817	1,076,374	947,810	921,756	839,785	873,500	940,291	1,097,073	1,014,515
School administration services	2,324,601	2,421,735	2,456,224	2,514,209	2,624,611	2,676,125	2,683,329	2,775,092	2,768,155	2,796,121
Central services	594,909	672,910	744,412	632,285	675,431	682,780	753,992	764,217	765,841	820,190
Administrative information technology services	66,427	66,379	67,788	482,876	413,660	445,972	533,803	515,039	554,949	570,112
Required maintenance of plant services	967,331	893,832	874,508	967,041	1,490,447	986,919	977,535	1,083,734	1,003,783	1,294,195
Operation and maintenance of plant services	3,824,148	4,226,567	4,446,882	3,921,013	3,942,246	3,709,037	3,830,926	3,711,271	3,448,907	3,349,202
Care and upkeep of grounds				138,864	177,534	201,217	222,293	198,345	181,119	196,180
Security				60,419	84,636	79,963	59,091	318,926	260,094	280,096
Student transportation	1,960,504	1,937,315	2,038,321	2,109,563	2,331,566	2,309,451	2,228,574	2,452,291	2,556,692	2,689,656
Unallocated benefits and On-behalf TPAF Contributions	10,376,976	10,508,614	9,285,799	9,718,513	10,561,496	11,851,211	13,407,010	13,529,741	15,222,766	15,907,046
Special schools	41,145	58,210	67,440	74,264	89,747	107,902	122,737	172,110	157,266	176,007
Charter Schools				9,555	452	10,758	9,821	20,005		
Capital outlay	22,518,852	4,987,275	1,813,119	1,680,999	1,246,377	3,328,298	1,467,664	1,627,283	4,412,782	5,921,538
Debt Service:										
Principal	960,000	1,682,283	1,838,891	1,941,898	1,462,608	1,497,837	1,367,152	1,270,000	1,515,000	1,490,000
Interest	2,256,025	1,818,207	1,764,609	1,706,302	1,630,490	1,600,417	1,532,590	1,467,760	1,039,879	1,193,751
Cost of issuance									202,200	
Total expenditures	75,827,113	60,471,060	56,849,084	58,597,358	60,744,783	64,023,093	65,299,520	68,071,209	74,084,904	77,506,929
Excess (Deficiency) of revenues over (under) expenditures	(17,525,018)	(3,441,533)	1,011,813	1,297,554	460,726	(285,238)	1,959,729	(89,960)	(3,037,856)	(4,277,449)
<b>Other Financing sources (uses)</b>										
Refunding bonds issued									28,545,000	
Payment to bond escrow agent									(32,434,091)	
Capital lease issuance	1,280,981	331,067	761,632	564,226	472,599					5,390,000
Equity contribution									70,000	
Premium on bonds issued									4,024,722	
Additional proceeds									(3,431)	
Transfers in	559,612	250,000	783,049	56	818,250		474,525	80,738	362,436	328,757
Transfers out	(559,612)	(250,000)	(783,049)	(56)	(818,250)		(474,525)	(80,738)	(362,436)	(328,757)
Insurance Recovery Related to Other Costs of Super Storm Sandy									21,398	
Total other financing sources (uses)	1,280,981	331,067	761,632	564,226	472,599	-	21,398	-	202,200	5,390,000
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(16,244,037)	(3,110,466)	1,773,445	1,861,780	933,325	(285,238)	1,981,127	(89,960)	(2,835,656)	1,112,551
Fund balance July 1	21,370,152	5,126,115	2,015,649	3,789,094	5,650,874	6,584,199	6,298,961	8,280,088	8,190,128	5,354,472
Fund balance June 30	\$ 5,126,115	\$ 2,015,649	\$ 3,789,094	\$ 5,650,874	\$ 6,584,199	\$ 6,298,961	\$ 8,280,088	\$ 8,190,128	\$ 5,354,472	\$ 6,467,023
Debt service as a percentage of noncapital expenditures	6.03%	6.31%	6.55%	6.41%	5.20%	5.10%	4.54%	4.12%	3.67%	3.75%

Source: 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
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
2015	251,032	4,086	70,583	108,139	255,870		134,560	824,270
2016	179,845	4,689	10,720	136,983	396,125		132,526	860,888

Source: District records

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

Unaudited

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Public Utilities*	Total Assessed Value	Less : Tax Exempt Property	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
<b>Borough of Chatham</b>													
2007	\$ 13,555,600	\$ 1,751,080,200	None	\$ 200,000	\$ 217,881,000	\$ 13,725,100	\$ 39,373,700	\$ 1,655,966	\$ 2,037,471,566	\$ 146,672,700	\$ 1,890,798,866	\$ 2,229,300,135	\$ 0.930
2008	13,630,700	1,759,974,900	None	200,000	217,232,100	21,490,500	39,373,700	1,617,515	2,053,519,415	146,267,600	1,907,251,815	2,425,753,251	0.986
2009	13,630,700	1,764,771,200	None	200,000	217,092,700	21,490,500	39,373,700	1,600,626	2,058,159,426	146,267,600	1,911,891,826	2,357,398,831	1.030
2010	12,881,900	1,772,106,600	None	200,000	216,835,000	21,593,300	39,373,700	1,682,076	2,064,672,576	146,267,600	1,918,404,976	2,271,795,925	1.030
2011	12,657,900	1,772,631,200	None	200,000	212,066,200	21,593,300	39,373,700	1,409,757	2,059,932,057	146,267,600	1,913,664,457	2,329,736,842	1.120
2012	12,657,900	1,774,652,000	None	200,000	206,826,100	21,593,300	39,173,700	1,417,502	2,056,520,502	145,518,900	1,911,001,602	2,695,097,439	1.145
2013	9,896,600	1,779,581,700	None	200,000	204,939,400	21,593,300	39,173,700	1,358,273	2,056,742,973	142,061,700	1,914,681,273	2,293,457,313	1.181
2014	8,658,600	1,782,763,600	None	200,000	204,564,400	21,593,300	39,173,700	1,145,779	2,058,099,379	141,637,300	1,916,462,079	2,273,787,397	1.202
2015	9,345,000	1,786,006,100	None	200,000	204,564,400	21,593,300	39,173,700	1,173,177	2,062,055,677	141,860,200	1,920,195,477	2,321,206,993	1.213
2016	9,445,600	1,797,232,200	None	200	205,235,400	21,861,200	39,173,700	1,140,307	2,074,088,607	143,250,900	1,930,837,707	2,407,716,713	1.218
<b>Township of Chatham</b>													
2007	\$ 51,091,100	\$ 2,538,114,699	\$ 13,511,800	\$ 479,200	\$ 190,531,300	\$ 13,725,100	\$ 54,660,000	\$ 1,133,118	\$ 2,863,246,317	\$ 156,532,000	\$ 2,706,714,317	\$ 3,089,647,830	\$ 0.930
2008	46,219,100	2,638,012,800	13,684,800	455,300	121,926,400	13,725,100	26,525,000	1,135,045	2,861,683,545	159,523,300	2,702,160,245	3,200,792,772	0.975
2009	33,722,900	2,700,613,700	12,433,100	441,100	119,189,900	13,725,100	55,330,000	1,267,858	2,936,723,658	161,760,800	2,774,962,858	3,229,679,613	1.020
2010	31,098,400	2,724,471,100	14,277,500	245,100	119,702,100	13,725,100	56,110,000	1,401,393	2,961,030,693	175,132,800	2,785,897,893	3,193,385,085	1.020
2011	31,381,800	2,749,929,300	14,497,600	247,000	120,292,100	13,725,100	51,000,000	1,542,789	2,982,615,689	176,510,100	2,806,105,589	3,185,247,249	1.071
2012	27,977,300	2,754,348,700	13,868,900	230,300	120,292,100	13,725,100	51,000,000	1,599,125	2,983,041,525	177,150,400	2,805,891,125	3,213,107,447	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	*	*	3,242,032,506	*
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	*	*	3,316,958,488	*
2015	21,646,700	2,865,962,000	10,070,500	171,200	120,375,700	1,285,800	51,315,000	*	3,070,826,900	*	*	3,396,932,412	*
2016	22,256,100	2,896,911,700	10,659,500	175,700	120,444,400	1,285,800	51,390,000	1,314,985	3,104,438,185	192,738,700	2,911,699,485	3,435,967,433	1.174

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

\* 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 <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	(From J-6) Total Direct School Tax Rate	Municipal- ity	Morris County		
Borough of Chatham							
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	
2015	1.15	0.06	1.21	0.41	0.28	1.90	
2016	1.17	0.04	1.22	0.42	0.30	1.93	
Township of Chatham							
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	1.04	0.05	1.09	0.33	0.26	1.67	
2013	*	*	*	*	*	*	
2014	*	*	*	*	*	*	
2015	*	*	*	*	*	*	
2016	1.13	0.04	1.17	0.30	0.28	1.76	

**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.

\* Information not available

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

Unaudited

	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
<u>Chatham Borough</u>				
S/K Chatham Associates	\$ 11,794,800	0.57%	Morehouse Estates LLC	\$ 14,025,700 0.69%
Normandy Chatham, LLC	11,000,000	0.53%	One Main Street Associates	13,176,400 0.65%
One Main Street Associates	10,004,500	0.49%	B/K Jefferson/Hamilton LLC	11,794,800 0.58%
Chatham Project, LLC	9,091,700	0.44%	J. Apgar & J. Volker	10,904,500 0.54%
Levin Properties, LP	7,310,000	0.35%	Foursome Associates	8,830,200 0.43%
J. Apgar	7,194,500	0.35%	Town Square Partners	8,537,700 0.42%
Foresome Group	6,613,600	0.32%	Levin Properties, LP	6,884,600 0.34%
Town Square Partners	5,742,700	0.28%	Driscoll Properties LP	6,161,900 0.30%
Silverman Group	4,530,500	0.22%	Kaplan Elbert & Associates	4,261,100 0.21%
Jackson House Apartments	4,127,500	0.20%	Maher, Baroukh & Vilma	4,079,600 0.20%
Total	<u>\$ 77,409,800</u>	<u>3.75%</u>	Total	<u>\$ 88,656,500 4.36%</u>
<u>Township of Chatham**</u>				
Home Poperities Chatham Hill, LLC	*	*	Home Poperities Chatham Hill, LLC	\$ 44,660,000 1.62%
Hickory Square Associates LP	*	*	Hickory Square Associates LP	26,420,700 0.96%
Fairmount Country Club	*	*	Rosepond LLC	20,625,000 0.75%
Texas Eastern Transmission Corp.	*	*	Fairmount Country Club	18,390,100 0.67%
Giralda Farms	*	*	Chatham Hills, Inc.	15,600,000 0.57%
Transcontinental Gas Pipeline Corp.	*	*	Texas Eastern Transmission Corp.	15,127,200 0.55%
Chatham Hills, Inc.	*	*	Rockson Operating Partnership LP	12,660,500 0.46%
Juniper Assisted Living Residence	*	*	Transcontinental Gas Pipeline Corp	10,976,300 0.40%
Hanks and Condon, LLC	*	*	Juniper Assisted Living Residence	9,666,000 0.35%
Chatham Mall Assoc LLC	*	*	Hanks and Condon, LLC	7,466,000 0.27%
Total	*	*	Total	<u>\$ 181,591,800 6.59%</u>

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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	-
2015	60,397,848	60,397,848	100.00%	-
2016	61,374,822	61,374,822	100.00%	-

Year Ended December 31,	Taxes Levied for the Fiscal Year - Borough of Chatham	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2014	39,135,444	38,691,949	98.87%	443,495
2015	39,628,224	39,285,009	99.13%	343,215

Year Ended December 31,	Taxes Levied for the Fiscal Year - Township of Chatham	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2014	53,408,511	52,764,058	98.79%	644,453
2015	54,209,387	53,225,477	98.18%	983,910

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

Year Ended June 30,	Governmental Activities			Percentage of Personal Income <sup>a</sup>	Per Capita Income <sup>a</sup>
	General Obligation Bonds	Capital Leases	Total District		
2007	\$ 41,110,000	\$ 876,145	\$ 41,986,145	0.17%	\$ 72,211
2008	39,945,000	689,929	40,634,929	0.18%	74,636
2009	38,870,000	687,870	39,557,870	0.18%	70,516
2010	37,810,000	369,998	38,179,998	0.19%	72,780
2011	36,700,000	489,989	37,189,989	0.20%	76,194
2012	35,535,000	157,152	35,692,152	0.22%	78,693
2013	34,325,000	-	34,325,000	0.23%	79,094
2014	33,055,000	-	33,055,000	0.25%	82,810
2015	29,325,000	-	29,325,000	*	*
2016	27,835,000	5,390,000	33,225,000	*	*

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

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

\* Information not available

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

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

Unaudited

Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions			
2007	\$ 41,110,000		\$ 41,110,000	2.17%	\$ 72,211
2008	39,945,000		39,945,000	2.09%	74,636
2009	38,870,000		38,870,000	2.03%	70,516
2010	37,810,000		37,810,000	1.97%	72,780
2011	36,700,000		36,700,000	1.92%	76,194
2012	35,535,000		35,535,000	1.86%	78,693
2013	34,325,000	\$ 77,646	34,247,354	1.79%	79,094
2014	33,055,000	154,034	32,900,966	1.72%	82,810
2015	29,325,000	254,397	29,070,603	1.51%	**
2016	27,835,000	254,225	27,580,775	1.43%	**

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.

\*\* This information is not available for this District.



School District of the Chathams  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2016

Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></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
<b>School District the Chathams</b>			<u>\$ 27,580,775</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 27,580,775</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 2016

			Equalized valuation basis
	Chatham Borough	Chatham Township	Total
2016	\$ 2,407,716,713	\$ 3,435,967,433	\$ 5,843,684,146
2015	2,321,206,993	3,396,932,412	5,718,139,405
2014	2,273,787,397	3,316,958,488	5,590,745,885
	<u>\$ 7,002,711,103</u>	<u>\$ 10,149,858,333</u>	<u>\$ 17,152,569,436</u>
Average equalized valuation of taxable property			\$ 5,717,523,145
Debt limit (4% of average equalization value)			\$ 228,700,926 a
Total Net Debt Applicable to Limit			<u>27,580,775</u>
Legal debt margin			<u>\$ 201,120,151</u>

	Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 180,769,779	\$ 196,913,546	\$ 215,725,830	\$ 220,343,929	\$ 225,178,266	\$ 220,894,986	\$ 225,178,266	\$ 226,094,287	\$ 226,126,861	\$ 228,700,926
Total net debt applicable to limit	<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>	<u>29,070,603</u>	<u>27,580,775</u>
Legal debt margin	<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>	<u>\$ 197,056,258</u>	<u>\$ 201,120,151</u>
Total net debt applicable to the limit as a percentage of debt limit	22.74%	20.29%	18.02%	17.16%	16.30%	16.09%	15.24%	14.62%	12.86%	12.06%

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 <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
<b>Borough of Chatham</b>				
2007	8,201	\$ 561,727,495	\$ 68,495	2.50%
2008	8,171	590,036,081	72,211	2.30%
2009	8,171	609,850,756	74,636	2.99%
2010	8,196	577,949,136	70,516	5.20%
2011	8,960	652,108,800	72,780	5.20%
2012	8,996	685,441,224	76,194	5.10%
2013	9,004	708,551,772	78,693	5.30%
2014	9,026	713,902,444	79,094	2.90%
2015	9,020	746,946,200	82,810	3.70%
2016	8,993	**	**	3.30%
<b>Township of Chatham</b>				
2007	10,075	\$ 690,087,125	68,495	1.40%
2008	10,059	726,370,449	72,211	1.30%
2009	10,107	754,346,052	74,636	1.65%
2010	10,175	717,500,300	70,516	2.90%
2011	10,467	761,788,260	72,780	3.00%
2012	10,514	801,103,716	76,194	2.90%
2013	10,550	830,211,150	78,693	3.00%
2014	10,612	839,345,528	79,094	5.20%
2015	10,610	878,614,100	82,810	4.00%
2016	10,585	**	**	3.40%

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development.

<sup>o</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented.

<sup>c</sup> Per capita personal income by County (Morris) estimated based upon the regional economic information system,  
US Bureau of Economic Analysis, November 2014.

<sup>d</sup> 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>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
<b>TOWNSHIP OF CHATHAM</b>	*	*	Approx. 120	*
<b>BOROUGH OF CHATHAM</b>	114	*	115	*

\* 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Instruction</b>										
Regular	253.47	259.92	243.70	247.58	271.50	280.00	286.00	292.90	292.90	299.90
Special Education	56.00	48.80	69.30	73.00	84.20	89.30	95.30	120.30	127.80	133.90
<b>Support Services</b>										
Student & instruction related services	61.49	60.61	60.50	50.63	30.80	34.10	36.60	30.40	30.40	30.40
General administrative services	2.00	2.00	2.50	2.50	10.40	9.40	10.40	5.00	5.00	5.00
School administrative services	25.31	27.75	25.50	23.00	28.50	28.50	28.50	35.70	35.70	35.70
Business administrative services	9.50	9.00	9.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00
Plant operation & maintenance	46.50	46.00	51.00	42.00	42.90	42.90	42.90	44.00	45.00	45.00
Pupil transportation	0.60	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Total</b>	<b>454.87</b>	<b>454.58</b>	<b>462.50</b>	<b>446.71</b>	<b>476.30</b>	<b>493.20</b>	<b>508.70</b>	<b>537.30</b>	<b>545.80</b>	<b>558.90</b>

**Source:** District Personnel Records  
and 2016 budget support document.

School District of the Chathams  
 Operating Statistics  
 Last Ten Fiscal Years

Unaudited

Pupil/Teacher Ratio

Year Ended June 30,	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	4 Elementary Schools	1 Middle School	1 High School	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	3,492	\$ 50,092,236	\$ 14,345	18.96%	294.50	12.6:1	10.4:1	11.4:1	3,450	3,392	2.19%	98.32%
2008	3,582	51,912,969	14,493	1.03%	308.72	13.7:1	10.7:1	11.5:1	3,574	3,432	3.59%	96.03%
2009	3,718	52,245,296	14,052	-3.04%	313.00	13.7:1	10.7:1	11.5:1	3,704	3,555	3.62%	95.98%
2010	3,897	53,268,159	13,669	-2.73%	320.58	13.7:1	10.7:1	11.5:1	3,895	3,749	5.17%	96.25%
2011	3,976	56,405,318	14,186	3.79%	326.50	12.9:1	12.1:1	11.2:1	3,970	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%
2015	4,112	66,915,043	16,273	5.42%	358.90	11.9:1	11.4:1	11.1:1	4,118	3,969	-0.07%	96.38%
2016	4,152	68,901,640	16,595	1.98%	368.89	11.6:1	10.8:1	11.1:1	4,146	3,999	0.67%	96.45%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>District Building</b>										
<u>Elementary</u>										
Milton Avenue School (1948)										
Square Feet	34,728	34,728	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050
Capacity (students)	278	278	336	336	336	336	336	336	336	336
Enrollment	329	329	342	366	373	371	389	370	364	356
Southern Boulevard School (1928)										
Square Feet	51,983	51,983	76,890	76,890	76,890	76,890	76,890	76,890	76,890	76,890
Capacity (students)	416	416	615	615	615	615	615	615	615	615
Enrollment	526	484	490	502	493	491	463	452	456	464
Washington Avenue School (1952)										
Square Feet	40,293	40,293	62,100	62,100	62,100	62,100	62,100	62,100	62,100	62,100
Capacity (students)	322	322	497	497	497	497	497	497	497	497
Enrollment	327	387	401	446	455	448	444	457	433	428
Lafayette Avenue School (1954)										
Square Feet	68,294	68,294	72,690	72,690	72,690	72,690	72,690	72,690	72,690	72,690
Capacity (students)	546	546	582	582	582	582	582	582	582	582
Enrollment	556	597	636	637	598	635	695	709	680	652
<u>Middle School</u>										
Chatham Middle School (1957)										
Square Feet	144,445	144,445	144,445	144,445	191,720	191,720	191,720	191,720	191,720	191,720
Capacity (students)	1,078	1,078	1,078	1,078	1,431	1,431	1,431	1,431	1,431	1,431
Enrollment	793	831	849	891	958	962	961	941	991	1,054
<u>High School</u>										
Chatham High School (1962)										
Square Feet	168,977	168,977	220,065	220,065	220,065	237,730	237,730	237,730	237,730	237,730
Capacity (students)	1,119	1,119	1,457	1,457	1,457	1,574	1,574	1,574	1,574	1,574
Enrollment	909	954	999	1,054	1,056	1,146	1,157	1,201	1,188	1,198

Number of Schools at June 30, 2016  
 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
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
2015	351,973	280,780	110,306	70,195	110,306	80,223	1,003,783
2016	457,768	359,995	136,491	116,606	144,377	78,958	1,294,195
<b>Grand Total School Facilities</b>	<b>\$ 3,894,847</b>	<b>\$ 2,739,614</b>	<b>\$ 1,245,315</b>	<b>\$ 791,814</b>	<b>\$ 1,147,298</b>	<b>\$ 720,437</b>	<b>\$ 10,539,325</b>

\* 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, 2016

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
<b>School Commercial Package Policy - Zurich</b>		
Property - Blanket, building and contents	\$ 127,246,892	\$ 5,000
Business Income	5,000,000	
Commercial General Liability	2,000,000	
Electronic Data Processing	2,500,000	1,000
Educators Legal Liability	1,000,000	7,500
<b>Leased / Contractor Equipment - Zurich</b>	450,000	1,000
<b>Commercial Automotive Liability - Zurich</b>	1,000,000	1,000
<b>Workers Compensation - NJASBAIG</b>	2,000,000	
<b>Systems Breakdown - Boiler &amp; Machinery - Zurich</b>	50,000,000	1,000
<b>Pollution - Commerce &amp; Industry Ins. (AIG)</b>	1,000,000	10,000
<b>Umbrella Excess Liability - Zurich</b>	10,000,000	10,000
<b>Crime - Zurich</b>		
Employee Theft	400,000	1,000
Forgery / Fraud	50,000	1,000
Computer Fraud	50,000	1,000
<b>School District and Educators Legal Liability - Zurich</b>	1,000,000	7,500
<b>Volunteer Accident - Maskin</b>		
Maximum Amount Per Injury	5,000,000	
<b>Public Officials Bonds</b>		
Treasurer of School Monies - Selective Insurance	325,000	
Business Administrator - Selective Insurance	300,000	
Assistant Business Administrator - Selective Insurance	150,000	

Source: District Records and Insurance Company.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2016.

**Internal Control Over Financial Reporting**

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

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

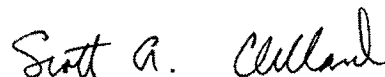
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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

December 1, 2016  
Livingston, New Jersey

Report on Compliance For Each Major Federal and State Program and on Internal  
Control Over Compliance Required by the Uniform Guidance and  
New Jersey OMB Circular 15-08

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 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, 2016. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New

Jersey OMB Circular 15-08 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 above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

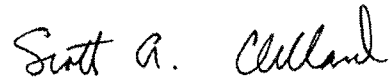
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, 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 the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Scott A. Clelland  
Licensed Public School Accountant  
No. 1049



WISS & COMPANY, LLP

December 1, 2016  
Livingston, New Jersey

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS**  
Schedule of Expenditures of Federal Awards, Schedule A  
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Award Identification Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance July 1, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2016		Due to Grantor
					From	To							(Accounts Receivable)	Unearned Revenue	
<b>Enterprise Fund:</b>															
U.S. Department of Agriculture Passed -															
Through State Department of Education:															
Food Donation Program (NC)	10.555	16161NJ304N1099	N/A	\$ 45,045	7/1/2015	6/30/2016			\$ 45,045	\$ 42,075				\$ 2,970	
Food Donation Program (NC)	10.555	16161NJ304N1099	N/A	36,477	7/1/2014	6/30/2015	\$ 1,939			1,939					
National School Lunch Program	10.555	16161NJ304N1099	N/A	45,536	7/1/2015	6/30/2016			41,135	45,536		\$ (4,401)			
National School Lunch Program	10.555	16161NJ304N1099	N/A	43,142	7/1/2014	6/30/2015	(3,508)		3,508	-					
Total U.S. Department of Agriculture Passed - Through State Department of Education							(1,569)		89,688	89,550		(4,401)		2,970	
<b>Special Revenue Fund:</b>															
U.S. Department of Education Passed -															
Through State Department of Education:															
N.C.L.B. Title I A	84.010A	S010A150030	N/A	58,164	7/1/2015	6/30/2016			37,434	42,140			(4,706)		
N.C.L.B. Title II A	84.367A	S367A150029	N/A	55,829	7/1/2015	6/30/2016			40,038	55,827			(15,789)		
N.C.L.B. Title III	84.365A	S365A150030	N/A	11,783	7/1/2015	6/30/2016			10,623	11,778			(1,155)		
I.D.E.I.A. Part B, Basic	84.027A	S027A150100	N/A	853,610	7/1/2015	6/30/2016			693,902	796,347			(102,445)		
I.D.E.I.A. Part B, Basic	84.027A	S027A150100	N/A	823,729	7/1/2014	6/30/2015	(11,753)		11,753						
I.D.E.I.A. Part B, Preschool	84.173A	S173A150114	N/A	23,381	7/1/2015	6/30/2016			23,381	23,381					
U.S. Department of Homeland Security Passed -															
Through State Department of Education:															
Federal Emergency Management Assistance	97.036	N/A	N/A	70,827	10/28/2012	6/30/2016	-	-	-	25,646	-	-	(25,646)	-	-
Total Special Revenue Funds							(11,753)	-	817,131	955,119	-	-	(149,741)	-	-
Total Federal Financial Assistance							\$ (13,322)	\$ -	\$ 906,819	\$ 1,044,669	\$ -	\$ -	\$ (154,142)	\$ 2,970	\$ -

NC - Non-cash expenditures



BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS

Schedule of Expenditures of State Financial Assistance, Schedule B  
Year Ended June 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Award Amount	Balance July 1, 2015	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2016			MEMO	
		From	To							(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Categorical Special Education Aid	16-495-034-5120-089	7/1/2015	6/30/2016	\$ 1,657,762			\$ 1,505,244	\$ 1,657,762					\$ (152,518)	\$ 1,657,762
Categorical Special Education Aid	15-495-034-5120-089	7/1/2014	6/30/2015	1,657,762	\$ (143,071)		143,071							
Transportation Aid	16-495-034-5120-014	7/1/2015	6/30/2016	151,760			137,798	151,760					(13,962)	151,760
Transportation Aid	15-495-034-5120-014	7/1/2014	6/30/2015	151,760	(13,097)		13,097							
Security Aid	16-495-034-5120-084	7/1/2015	6/30/2016	62,418			56,675	62,418					(5,743)	62,418
Security Aid	15-495-034-5120-084	7/1/2014	6/30/2015	62,418	(5,387)		5,387							
Additional Adjustment Aid	16-495-034-5120-085	7/1/2015	6/30/2016	1			1	1						1
PARCC Readiness Aid	16-495-034-5120-098	7/1/2015	6/30/2016	40,600			36,865	40,600					(3,735)	40,600
PARCC Readiness Aid	15-495-034-5120-098	7/1/2014	6/30/2015	40,600	(3,504)		3,504							
Per Pupil Growth Aid	16-495-034-5120-097	7/1/2015	6/30/2016	40,600			36,865	40,600					(3,735)	40,600
Per Pupil Growth Aid	15-495-034-5120-097	7/1/2014	6/30/2015	40,600	(3,504)		3,504							
Extraordinary Aid	16-100-034-5120-473	7/1/2015	6/30/2016	377,740				377,740	\$ (377,740)					377,740
Extraordinary Aid	15-100-034-5120-473	7/1/2014	6/30/2015	470,149	(470,149)		470,149							-
Non-Public Transportation Aid	16-495-034-5120-014	7/1/2015	6/30/2016	57,675				57,675		(57,675)				57,675
Non-Public Transportation Aid	15-495-034-5120-014	7/1/2014	6/30/2015	47,862	(47,862)		47,862							
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006/007	7/1/2015	6/30/2016	4,910,788			4,910,788	4,910,788						4,910,788
Reimbursed TPAF Social Security Contribution	16-495-034-5094-003	7/1/2015	6/30/2016	2,088,837			1,882,844	2,088,837		(205,993)				2,088,837
Reimbursed TPAF Social Security Contribution	15-495-034-5094-003	7/1/2014	6/30/2015	2,068,558	(202,828)		202,828							
Total General Funds					(889,402)		9,456,482	9,388,181		(641,408)			(179,693)	9,388,181
Special Revenue Fund:														
New Jersey Nonpublic Aid:														
Textbook Aid	16-100-034-5120-064	7/1/2015	6/30/2016	17,301			17,301	17,301						17,301
Auxiliary Services:														
Compensatory Education	16-100-034-5120-067	7/1/2015	6/30/2016	22,589			22,589	22,589						22,589
Compensatory Education	15-100-034-5120-067	7/1/2014	6/30/2015	19,708	5,644				\$ 5,644					
English as a Second Language	15-100-034-5120-067	7/1/2014	6/30/2015	914	914					914				
Handicapped Services:														
Examination and Classification	16-100-034-5120-066	7/1/2015	6/30/2016	37,160			37,160	36,819			\$ 341			36,819
Examination and Classification	15-100-034-5120-066	7/1/2014	6/30/2015	38,364	1					1				
Corrective Speech	16-100-034-5120-066	7/1/2015	6/30/2016	19,230			19,230	15,635				3,595		15,635
Corrective Speech	15-100-034-5120-066	7/1/2014	6/30/2015	26,505	12,457					12,457				
Supplementary Instruction	16-100-034-5120-066	7/1/2015	6/30/2016	28,069			28,069	27,104				965		27,104
Supplementary Instruction	15-100-034-5120-066	7/1/2014	6/30/2015	24,796	2,118					2,118				
Technology Initiative	16-100-034-5120-373	7/1/2015	6/30/2016	7,878			7,878	7,670				208		7,670
Technology Initiative	15-100-034-5120-373	7/1/2014	6/30/2015	9,984	192					192				
Home Instruction	n/a	7/1/2015	6/30/2016	840				840		(840)				840
Security Aid	16-100-034-5120-509	7/1/2015	6/30/2016	10,700			10,700	10,500				200		10,500
Nursing Services	16-100-034-5120-070	7/1/2015	6/30/2016	38,520			38,520	38,520						38,520
Total Special Revenue Funds					21,326		181,447	176,978		21,326	(840)		5,309	176,978
Capital Projects Fund:														
N.J. Economic Development Authority Educational Facilities Construction & Financing Act:														
N.J. Schools Development Authority	0785-030-14-G2II/1003	8/12/2014	Completion	71,280	(11,940)		71,280	59,340						59,340
N.J. Schools Development Authority	0785-070-14-G2IK/1005	8/12/2014	Completion	67,888	(10,085)		54,677	44,592						44,592
N.J. Schools Development Authority	0785-010-14-G2IH/1002	9/11/2015	Completion	131,483	-		-	110,957		(110,957)				110,957
Total Capital Project Funds					(22,025)		125,957	214,889		(110,957)				214,889
Enterprise Fund:														
State School Lunch Program	16-100-010-3350-023	7/1/2015	6/30/2016	3,876			3,504	3,876		(372)				3,876
State School Lunch Program	15-100-010-3350-023	7/1/2014	6/30/2015	3,974	(434)		434	-		-				-
Total Enterprise Fund					(434)		3,938	3,876		(372)				3,876
Total All Funds					(890,535)	\$ -	\$ 9,767,824	\$ 9,783,924	\$ 21,326	\$ (753,577)	\$ -	\$ 5,309	\$ (179,693)	\$ 9,783,924
State Financial Assistance Not Subject to Single Audit Determination:														
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006/007	7/1/2015	6/30/2016	4,910,788			4,910,788	4,910,788						4,910,788
Total State Financial Assistance Subject to Single Audit Determination					(890,535)	\$ -	\$ 4,857,036	\$ 4,873,136	\$ 21,326	\$ (753,577)	\$ -	\$ 5,309	\$ (179,693)	\$ 4,873,136

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

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

Year ended June 30, 2016

**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 are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some 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. The special revenue fund is presented in

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

Year ended June 30, 2016

**3. Relationship to Basic Financial Statements (continued)**

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 \$11,130 for the general fund and \$21,456 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:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund		\$ 9,377,051	\$ 9,377,051
Special Revenue Fund	\$ 955,119	176,978	1,132,097
Capital Projects Fund		214,889	214,889
Food Service Enterprise Fund	89,550	3,876	93,426
Total financial award revenues	\$ 1,044,669	\$ 9,772,794	\$10,817,463

**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, 2016.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2016 amounted to \$4,910,788. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey's OMB Circular 15-08, as directed by the funding agency.

**6. Indirect Costs**

The District did not use the 10% de minimis indirect cost rate.

School District of the Chathams  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2016

**Part I - Summary of Auditors' Results (continued)**

**Financial Statements**

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Are any material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	No
Are any significant deficiencies identified?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	None Reported
Is any noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	No

**Federal Awards**

Internal control over major federal programs:			
Are any material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	No
Are any significant deficiencies identified?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	None Reported
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	No

Identification of major federal programs:

CFDA Number(s)	FAIN Number	Name of Federal Program or Cluster
84.027,84.173	S027A150100/S173A150114	IDEA Part B, Basic and Preschool Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>		
Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> _____	Yes _____	No



School District of the Chathams  
Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Part II - Schedule of Financial Statement Findings**

No compliance or internal control over financial reporting findings noted that are required to be reported under *Government Auditing Standards*.

School District of the Chathams

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2016

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

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a) and New Jersey State OMB Circular 15-08.

School District of the Chathams  
Summary Schedule of Prior Year Audit Findings  
Year ended June 30, 2016

None.