

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, 2017*

School District of the Chathams

Chatham, New Jersey

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Prepared by

Business Office

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INTRODUCTORY SECTION



School District of the Chathams

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

Peter Daquila
Business Administrator/
Board Secretary

November 15, 2017

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

Dear Board Members and Constituents:

The comprehensive annual financial report of the School District of the Chathams (the "District") as of and for the year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and the fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements (as noted in the Table of Contents) and the results of operations and cash flows, where applicable, of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, consultants, independent auditor and advisors and a roster of officials. The financial section includes the Independent Auditors' Report, Management's discussion and analysis (immediately following the Independent Auditor's Report), the basic financial statements and notes providing an overview of the District's financial position and operating results and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Federal 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 pre-K through 12. These services include general and vocational as well as special education for students with disabilities. The District completed the 2016/2017 fiscal year with an average daily enrollment of 4,213 students, which is an increase of 67 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>
2016/2017	4,213	1.62%
2015/2016	4,146	0.68%
2014/2015	4,118	(0.07)%
2013/2014	4,121	0.27%
2012/2013	4,110	1.43%

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 \$5,914,514,000 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. *U.S. News and World Report* has 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. *New Jersey Monthly* has twice 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 financial assistance programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5. BUDGETARY CONTROLS:

In addition to internal controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the State Department of Education. 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, 2017.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect accounting principles generally accepted in the United States, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds and the government-wide financial statements 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, 2017, the District's outstanding debt issues are well below the legal debt margin. The District continues to be committed to providing the debt rating agencies and all other interested parties with annual audited financial statements and other pertinent credit information relevant to our outstanding securities.

8. FINANCIAL STATUS:

The business administrator and the finance committee continue to guide the district with fiscal prudence while working within the limitations imposed by the state's 2% cap on the annual increase of the tax revenue collected from Chatham Borough and Chatham Township. The business office utilizes purchasing co-operatives, state contacts and bids to purchase the materials needed to operate the district at the lowest possible price. The district has utilized the capital reserve balance to fund 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. The tax payers approved a \$15,864,000 referendum in September 2016. The referendum was for six (6) projects which include renovating the Chatham High School auditorium, renovating the Chatham Middle School auditorium, a STEM classroom addition at the Chatham Middle School, a four (4) classroom addition at the Milton Avenue School, various improvements at the Cougar Field complex and partial roof replacements at three (3) schools.

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 Federal Uniform Guidance and State Treasury Circular Letter NJ OMB 15-08. The auditor's report on the basic financial statements, required supplementary information and other supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

10. ACKNOWLEDGMENTS:

We would like to express our appreciation to the staff members of the School District of the Chathams for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff. We also would like to thank the members of the Board of Education for their support of the school system, the countless hours they spend working to guide the district and their efforts to ensure that the district continues to improve and that it remains as one of the top school districts in the state.

Respectfully submitted,

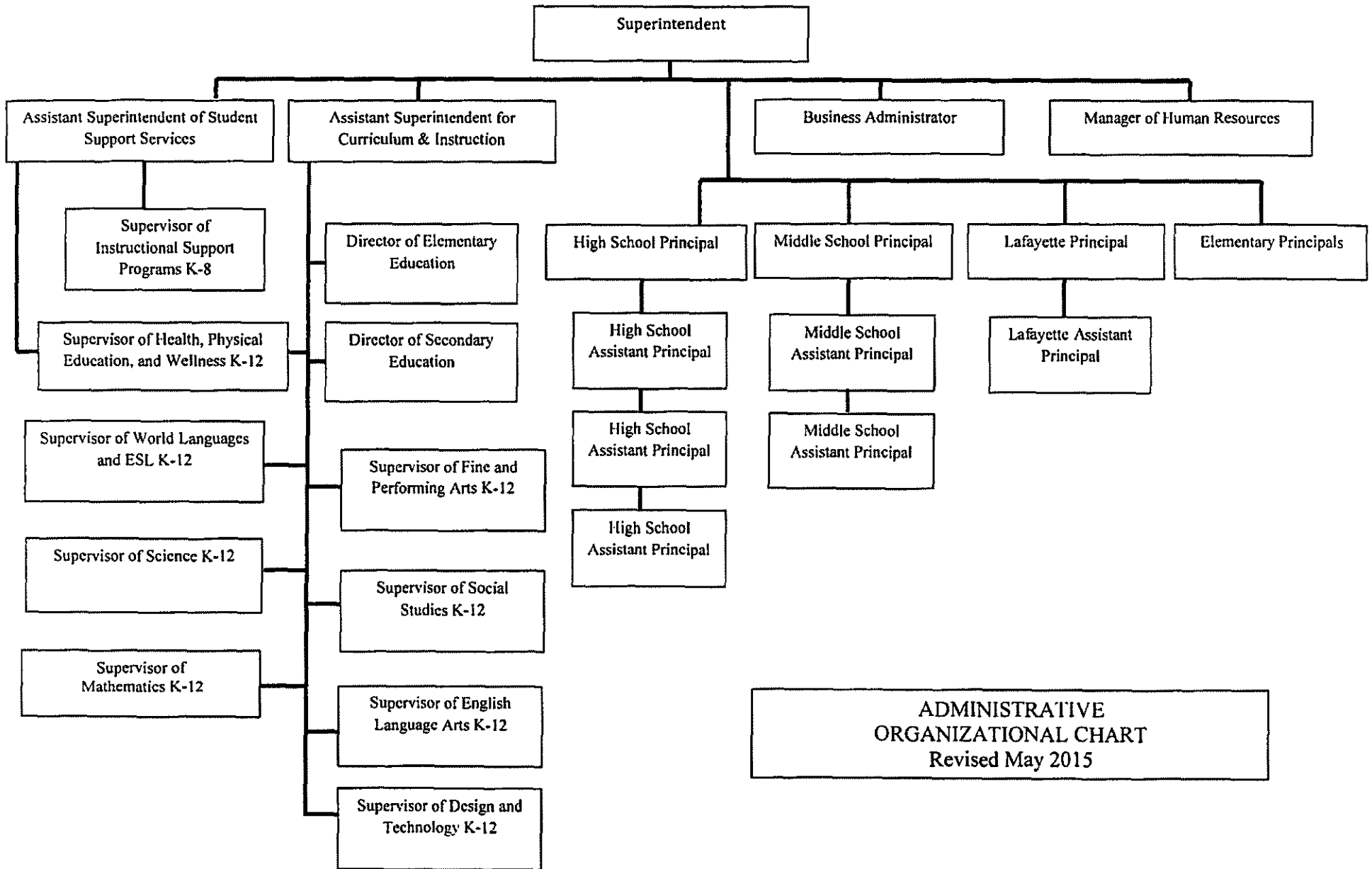


Dr. Michael LaSusa
Superintendent



Peter Daquila
Business Administrator/Board Secretary

SCHOOL DISTRICT
OF THE CHATHAMS
ADMINISTRATION



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

Roster of Officials

June 30, 2017

Members of the Board of Education

Expires

Jill Critchley Weber, President	2017
Matthew Gilfillan, Vice President	2019
Sal Arnuk	2019
Ann Ciccarelli	2018
Michelle Clark	2018
Richard Connors	2017
Kim Cronin	2017
Lata Kenney	2019
Michael Valenti	2019

Other Officers

Dr. Michael LaSusa, Superintendent of Schools

Peter Daquila, RSBA, Business Administrator/Board Secretary

Tatiana Gilbert, Assistant Business Administrator/Assistant Board Secretary

Annette M. Wells, Treasurer of School Monies

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

Consultants, Independent Auditor and Advisors

June 30, 2017

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

Legal Services – Bond Counsel

McManimon, Scotland and Baumann, LLC
75 Livingston Avenue
Roseland, NJ 07068

Official Depositories

PNC Bank
82 Floral Avenue
New Providence, NJ 07974

Investors Bank
101 JFK Parkway
Short Hills, NJ 07078

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, 2017, 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, 2017, 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

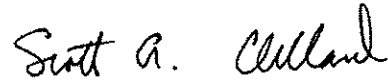
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance, 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 the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, 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, 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 November 15, 2017 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 15, 2017
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, 2017

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, 2017. 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 2016-2017 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2017.
- The State did not change the approved state aid to the District for 2016-2017 from the final amount awarded to the District in the 2017 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 \$30,452,463 at the close of fiscal 2017. The following table provides a summary of net position at June 30, 2017 and 2016 relating to the District's governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total School District	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Assets:						
Current and other assets	\$22,572,167	\$ 7,457,412	\$ 394,515	\$ 318,593	\$22,966,682	\$ 7,776,005
Capital assets, net	73,801,615	74,170,208	263,901	283,085	74,065,516	74,453,293
Total Assets	96,373,782	81,627,620	658,416	601,678	97,032,198	82,229,298
Deferred outflows of resources	8,739,085	4,688,314			8,739,085	4,688,314
Liabilities:						
Current and other liabilities	4,458,569	4,370,252	147,575	174,077	4,606,144	4,544,329
Net pension liability	21,658,593	15,690,718			21,658,593	15,690,718
Long-term liabilities outstanding	49,008,854	35,166,851			49,008,854	35,166,851
Total Liabilities	75,126,016	55,227,821	147,575	174,077	75,273,591	55,401,898
Deferred inflow of resources	45,229	309,664			45,229	309,664
Net Position:						
Net investment in capital assets	40,273,278	40,173,129	263,901	283,085	40,537,179	40,456,214
Restricted	4,186,701	3,638,133			4,186,701	3,638,133
Unrestricted (deficit)	(14,518,357)	(13,032,813)	246,940	144,516	(14,271,417)	(12,888,297)
Total Net Position	\$29,941,622	\$ 30,778,449	\$ 510,841	\$ 427,601	\$30,452,463	\$31,206,050

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 decreased \$753,587 during the current fiscal year, mostly as a result of increases to the net pension liability and related deferrals which are allocated to the District by the State, offset by current year operational performance.

Capital assets, net decreased due to depreciation expense exceeding capital asset acquisitions.

Long-term liabilities increased due to the school bond issuance of \$15,864,000 on January 25, 2017 offset by the scheduled \$1,725,391 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 \$548,568.

District Activities. The key elements of the District's changes in net position for the years ended June 30, 2017 and 2016 are as follows:

	Governmental Activities		Business-Type Activities		Total School District	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Revenues:						
Program Revenues:						
Charges for Services	\$ 323,077	\$ 312,371	\$ 1,166,780	\$ 1,127,623	\$ 1,489,857	\$ 1,439,994
Operating Grants and Contributions	1,260,716	1,368,133	88,231	93,426	1,348,947	1,461,559
Capital Grants and Contributions	265,746	248,586			265,746	248,586
General Revenue:						
Property Taxes	62,408,948	61,374,822			62,408,948	61,374,822
State Aid	23,730,833	17,551,011			23,730,833	17,551,011
Earnings on Investments	44,551	4,689			44,551	4,689
Miscellaneous	781,108	543,828			781,108	543,828
Total Revenue	88,814,979	81,403,440	1,255,011	1,221,049	90,069,990	82,624,489
Expenses:						
Instruction	54,942,382	49,759,786			54,942,382	49,759,786
Support services:						
Student and Instruction related services	13,252,401	11,589,155			13,252,401	11,589,155
Administration and Business	9,127,745	8,173,428			9,127,745	8,173,428
Maintenance and Operations	7,559,671	6,966,367			7,559,671	6,966,367
Transportation	2,886,516	2,705,793			2,886,516	2,705,793
Special Schools	318,195	290,374			318,195	290,374
Interest on long-term liabilities	1,564,896	1,186,504			1,564,896	1,186,504
Business-Type Activities			1,171,771	1,207,014	1,171,771	1,207,014
Total Expenses	8,651,806	80,671,407	1,171,771	1,207,014	90,823,577	81,878,421
Change in Net Position	(836,827)	732,033	83,240	14,035	(753,587)	746,068
Net position –beginning	30,778,449	30,046,416	427,601	413,566	31,206,050	30,459,982
Net position - ending	<u>\$ 29,941,622</u>	<u>\$ 30,778,449</u>	<u>\$ 510,841</u>	<u>\$ 427,601</u>	<u>\$ 30,452,463</u>	<u>\$ 31,206,050</u>

Revenue Sources. The District's total revenue for the 2016/17 school year was \$90,069,990. Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$62,408,948 of the total, or 69.29 percent. Another 26.35 percent came from federal and state aids not restricted for specific programs, 1.50 percent from operating and capital grants and contributions, 1.65 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 2016/17 to 2017/18 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 \$1,130,079, while the total fund balance was \$6,096,909. The net change in total fund balance for the General Fund was an increase in \$789,706, 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 an increase of \$124,632 attributable mostly to an increase in expenditures of local, State and Federal grants. IDEA continues to be the largest grant in the special revenue fund, with expenditures in the current fiscal year of \$858,308.

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 approved a bond referendum on January 25, 2017 and issued school bonds in the amount of \$15,864,000 for school building improvements and renovations. The District incurred \$266,108 of expenditures from the referendum projects and \$908,578 of expenditures from the Energy Savings Improvement Program project.

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 \$115,184, 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, \$76,216 has been designated for use in the 2017-2018 budget and \$38,968 will be designated for use in the 2018-2019 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, 2017, and the increases in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2016</u>	<u>Percent of Increase</u>
Local Sources	\$ 63,875,024	84.74%	\$ 1,369,581	2.19%
State Sources	10,524,009	13.96%	969,980	10.15%
Federal Sources	978,150	1.30%	23,031	2.41%
	<u>\$ 75,377,183</u>	<u>100.00%</u>	<u>\$ 2,362,592</u>	<u>3.24%</u>

The increase in local sources is mainly attributable to an increase in the tax levy of \$1,034,126.

The increase of \$969,980 or 10.15% of State sources in FY 2017 is mainly the result of a \$872,493 increase in the TPAF Pension benefits paid for by the State of New Jersey on behalf of the District as well as a \$12,813 increase in the TPAF FICA payroll taxes paid for by the State of New Jersey on behalf of the District.

The increase of \$23,031 or 2.41% of Federal sources in FY 2017 is mainly the result of an increase in IDEA revenue of \$38,580 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, 2017 and the increases and decreases in relation to the prior year.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) Increase from 2016</u>	<u>Percent of (Decrease) Increase</u>
Current Expenditures:				
Instruction	\$ 29,542,038	39.52%	\$ (358,462)	(1.20)%
Undistributed	40,194,172	53.77%	1,369,039	3.53%
Special Schools	173,744	0.23%	(2,263)	(1.29)%
Capital Outlay	1,780,700	2.38%	885,235	98.86%
Debt Service:				
Principal	1,725,391	2.31%	235,391	15.80%
Interest	1,346,458	1.80%	152,707	12.79%
	<u>\$74,762,503</u>	<u>100.00%</u>	<u>\$ 2,281,647</u>	<u>3.15%</u>

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 increase in capital outlay is a result of an increase in capital projects.

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 2017 fiscal year by \$83,240. 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 regular programs – instruction decreased from the original budget by approximately \$312,000 or 1% as a result of the decreases in salaries of teachers and general supplies due to budget constraints in the current year.
- The modified budget for unallocated benefits decreased from the original budget by \$354,000 or 4% as a result of negotiated savings for health benefits costs and the increased employee contributions to offset the cost of health benefits.

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 \$233,000 or 43% as a result of a refund of prior year expenditures of approximately \$163,000 as well as additional unbudgeted rental fee income of approximately \$11,000 and miscellaneous revenues of approximately \$409,000.

Expenditures

- The actual amounts expended for regular programs – instruction were less than the final budget by approximately \$326,000 or 2% as a result of the timing of expenditures incurred for general supplies. The District had open purchase orders of approximately \$20,000 at June 30, 2017 for general supplies.
- The actual amounts expended for undistributed expenditures – operation and maintenance of plant services were less than the final budget by approximately \$400,000 or 9% 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, 2017 and 2016, the District had capital assets, net of accumulated depreciation, of \$74,065,516 and \$74,453,293, respectively, including land, construction in progress, building and building improvements, land improvements and machinery and equipment noted as follows:

	Governmental Activities		Business-Type Activities		Total School District	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Land	\$11,616,511	\$ 11,616,511			\$ 11,616,511	\$ 11,616,511
Construction in Progress	505,573	4,570,020			505,573	4,570,020
Buildings and Building Improvements	56,646,705	52,907,459	\$ 35,719	\$ 36,559	56,682,424	52,944,018
Land Improvements	3,428,615	3,437,266			3,428,615	3,437,266
Machinery and Equipment	1,604,211	1,638,952	228,182	246,526	1,832,393	1,885,478
Total Capital Assets						
Net of Depreciation	<u>\$73,801,615</u>	<u>\$ 74,170,208</u>	<u>\$ 263,901</u>	<u>\$ 283,085</u>	<u>\$ 74,065,516</u>	<u>\$ 74,453,293</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, 2017 and 2016 are as follows for the governmental activities:

	2016/17	2015/16
General Obligation Bonds	\$ 42,414,000	\$ 27,835,000
Premium on Bonds	3,503,447	3,607,262
Compensated Absences	402,490	416,877
Capital leases	4,949,609	5,390,000
Sub-total	51,269,546	37,249,139
Net pension liability	21,658,593	15,690,718
Total District long-term liabilities	<u>\$ 72,928,139</u>	<u>\$ 52,939,857</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 2017-2018 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 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 2017-2018 budget, the District continued to utilize banked cap, and plans to continue to utilize it in the 2018-2019 budget. 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 2017-2018 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 2018-2019 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 an expansion of 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, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,241,162	\$ 371,367	\$ 2,612,529
Receivables	1,189,054	15,006	1,204,060
Inventory		8,142	8,142
Restricted assets:			
Cash and cash equivalents	19,141,951		19,141,951
Capital assets, non-depreciable	12,122,084		12,122,084
Capital assets, depreciable, net	<u>61,679,531</u>	<u>263,901</u>	<u>61,943,432</u>
Total Assets	<u>96,373,782</u>	<u>658,416</u>	<u>97,032,198</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of debt	1,775,048		1,775,048
Pension deferrals	<u>6,964,037</u>		<u>6,964,037</u>
Total Deferred Outflows of Resources	<u>8,739,085</u>		<u>8,739,085</u>
LIABILITIES			
Accounts payable	1,027,110	78,919	1,106,029
Accrued interest payable	751,764		751,764
Payable to state government	8,675		8,675
Unearned revenue	410,328	68,656	478,984
Net pension liability	21,658,593		21,658,593
Noncurrent liabilities:			
Due within one year	2,260,692		2,260,692
Due beyond one year	<u>49,008,854</u>	<u>-</u>	<u>49,008,854</u>
Total Liabilities	<u>75,126,016</u>	<u>147,575</u>	<u>75,273,591</u>
DEFERRED INFLOW OF RESOURCES			
Pension deferrals	<u>45,229</u>		<u>45,229</u>
NET POSITION			
Net investment in capital assets	40,273,278	263,901	40,537,179
Restricted for:			
Capital projects	34,221		34,221
Other purposes	4,152,480		4,152,480
Unrestricted (deficit)	<u>(14,518,357)</u>	<u>246,940</u>	<u>(14,271,417)</u>
Total Net Position	<u>\$ 29,941,622</u>	<u>\$ 510,841</u>	<u>\$ 30,452,463</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction:							
Regular	\$ 38,725,877	\$ 165,429	\$ 376,296	\$ 265,746	\$ (37,918,406)		\$ (37,918,406)
Special education	12,635,970		821,229		(11,814,741)		(11,814,741)
Other instruction	3,580,535				(3,580,535)		(3,580,535)
Support services:							
Student and instruction related services	13,252,401		63,191		(13,189,210)		(13,189,210)
School administration services	5,142,705				(5,142,705)		(5,142,705)
General and business administration services	3,985,040				(3,985,040)		(3,985,040)
Operation and maintenance of plant services	7,559,671				(7,559,671)		(7,559,671)
Pupil transportation	2,886,516	157,648			(2,728,868)		(2,728,868)
Special schools	318,195				(318,195)		(318,195)
Interest and other costs on long-term debt	1,564,896	-	-	-	(1,564,896)		(1,564,896)
Total governmental activities	<u>89,651,806</u>	<u>323,077</u>	<u>1,260,716</u>	<u>265,746</u>	<u>(87,802,267)</u>		<u>(87,802,267)</u>
Business-type activities:							
Food Service	1,171,771	1,166,780	88,231	-	-	\$ 83,240	83,240
Total business-type activities	<u>1,171,771</u>	<u>1,166,780</u>	<u>88,231</u>	<u>-</u>	<u>-</u>	<u>83,240</u>	<u>83,240</u>
Total primary government	<u>\$ 90,823,577</u>	<u>\$ 1,489,857</u>	<u>\$ 1,348,947</u>	<u>\$ 265,746</u>	<u>(87,802,267)</u>	<u>83,240</u>	<u>(87,719,027)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					60,147,138		60,147,138
Property taxes, levied for debt service					2,261,810		2,261,810
State aid not restricted					23,730,833		23,730,833
Investment Earnings					44,551		44,551
Miscellaneous Income					781,108		781,108
Total general revenues					<u>86,965,440</u>		<u>86,965,440</u>
Change in Net Position					(836,827)	83,240	(753,587)
Net Position—beginning					<u>30,778,449</u>	<u>427,601</u>	<u>31,206,050</u>
Net Position—ending					<u>\$ 29,941,622</u>	<u>\$ 510,841</u>	<u>\$ 30,452,463</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
ASSETS					
Cash and cash equivalents	\$ 1,945,936	\$ 189,821		\$ 105,405	\$ 2,241,162
Intergovernmental Accounts Receivable					
State	663,632				663,632
Federal		160,188			160,188
Other	354,604				354,604
Interfunds receivable	10,630		\$ 44,000	9,779	64,409
Restricted cash and cash equivalents	3,578,280	-	15,563,671		19,141,951
Total Assets	<u>\$ 6,553,082</u>	<u>\$ 350,009</u>	<u>\$ 15,607,671</u>	<u>\$ 115,184</u>	<u>\$ 22,625,946</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 322,821	\$ 20,358			\$ 343,179
Interfunds payable	44,000		\$ 9,779		53,779
Payable to state government		8,675			8,675
Unearned revenue	89,352	320,976			410,328
Total Liabilities	<u>456,173</u>	<u>350,009</u>	<u>9,779</u>		<u>815,961</u>
Fund Balances:					
Restricted for:					
Excess surplus - current year	280,533				280,533
Excess surplus - designated for subsequent year's expenditures	293,667				293,667
Capital reserve	3,578,280				3,578,280
Capital projects			15,597,892		15,597,892
Debt service				\$ 115,184	115,184
Assigned to:					
Other Purposes	314,350				314,350
Designated for Subsequent Year's Expenditures	500,000				500,000
Unassigned Fund Balance Reported In:					
General fund	1,130,079				1,130,079
Total Fund Balances	<u>6,096,909</u>	<u>-</u>	<u>15,597,892</u>	<u>115,184</u>	<u>21,809,985</u>
Total Liabilities and Fund Balances	<u>\$ 6,553,082</u>	<u>\$ 350,009</u>	<u>\$ 15,607,671</u>	<u>\$ 115,184</u>	<u>22,625,946</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 \$107,023,050 and the accumulated depreciation is \$33,221,435. See Note 5.	73,801,615
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. See Note 6.	(\$1,269,546)
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.	(751,764)
Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds.	1,775,048
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	6,918,808
Accrued pension contributions for the June 30, 2017 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.	(683,931)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(21,658,593)
Net position of governmental activities	<u>\$ 29,941,622</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
REVENUES					
Local sources:					
Local tax levy	\$ 60,147,138			\$ 2,261,810	\$ 62,408,948
Tuition charges	165,429				165,429
Transportation fees	157,648				157,648
Interest earned on investments	5,583		\$ 38,968		44,551
Miscellaneous	<u>781,108</u>	<u>\$ 356,308</u>	<u>-</u>	<u>-</u>	<u>1,137,416</u>
Total - Local Sources	61,256,906	356,308	38,968	2,261,810	63,913,992
State sources	10,332,005	192,004			10,524,009
Federal sources	<u>-</u>	<u>978,150</u>	<u>-</u>	<u>-</u>	<u>978,150</u>
Total Revenues	<u>71,588,911</u>	<u>1,526,462</u>	<u>38,968</u>	<u>2,261,810</u>	<u>75,416,151</u>
EXPENDITURES					
Current:					
Regular instruction	21,052,132	376,296			21,428,428
Special education instruction	5,204,423	821,229			6,025,652
Other instruction	2,087,958				2,087,958
Support services and undistributed costs:					
Tuition	2,207,411				2,207,411
Attendance/social work	63,418				63,418
Health services	610,623				610,623
Other support services	4,523,503	63,191			4,586,694
Improvement of instruction	768,984				768,984
School library	887,674				887,674
Instructional staff training	620,128				620,128
General administration services	1,012,292				1,012,292
School administration services	2,808,740				2,808,740
Central services	858,155				858,155
Administrative information technology	569,597				569,597
Required maintenance of school facility	468,246				468,246
Operations of plant services	4,143,277				4,143,277
Care and upkeep of grounds	222,214				222,214
Security	319,620				319,620
Pupil transportation services	2,866,750				2,866,750
Unallocated benefits	9,295,418				9,295,418
On-behalf TPAF social security and pension contributions	7,884,931				7,884,931
Debt service:					
Principal	440,391			1,285,000	1,725,391
Interest	191,639			1,154,819	1,346,458
Cost of issuance			221,666		221,666
Special schools	173,744				173,744
Capital outlay	<u>1,514,954</u>	<u>265,746</u>	<u>1,110,826</u>	<u>-</u>	<u>2,891,526</u>
Total Expenditures	<u>70,796,222</u>	<u>1,526,462</u>	<u>1,332,492</u>	<u>2,439,819</u>	<u>76,094,995</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>792,689</u>		<u>(1,293,524)</u>	<u>(178,009)</u>	<u>(678,844)</u>
OTHER FINANCING SOURCES AND (USES)					
Bonds issued			15,864,000		15,864,000
Premium on bonds issued			157,806		157,806
Transfers in			2,983	38,968	41,951
Transfers (out)	<u>(2,983)</u>		<u>(38,968)</u>	<u>-</u>	<u>(41,951)</u>
Total Other Financing Sources and (Uses)	<u>(2,983)</u>		<u>15,985,821</u>	<u>38,968</u>	<u>16,021,806</u>
Net change in fund balances	789,706		14,692,297	(139,041)	15,342,962
Fund Balance—July 1	<u>5,307,203</u>	<u>-</u>	<u>905,595</u>	<u>254,225</u>	<u>6,467,023</u>
Fund Balance—June 30	<u>\$ 6,096,909</u>	<u>\$ -</u>	<u>\$ 15,597,892</u>	<u>\$ 115,184</u>	<u>\$ 21,809,985</u>

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, 2017

Total net change in fund balances - governmental funds (from B-2) **\$ 15,342,962**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense exceeded capital asset (capital outlay) additions in the period.

Depreciation expense	\$	(2,476,162)	
Capital additions		<u>2,107,569</u>	(368,593)

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. 1,285,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 440,391

Issuance of Long-term debt (bonds) provide current financial resources to governmental funds, which the repayment of the principal of the long term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. (15,864,000)

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		261,621	
Premium on bond issue		(157,806)	

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)	
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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. (103,853)

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. 14,387

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>(1,532,396)</u>	
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Change in net position of governmental activities (A-2) **\$ (836,827)**

PROPRIETARY FUND

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Proprietary Fund
Statement of Net Position
June 30, 2017**

	Major Enterprise Fund <u>Food Service</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 371,367
Accounts receivable:	
State	389
Federal	4,263
Other	10,354
Inventories	<u>8,142</u>
Total Current Assets	<u>394,515</u>
Noncurrent assets:	
Capital assets:	
Furniture, machinery and equipment	531,130
Less accumulated depreciation	<u>(267,229)</u>
Total Capital Assets, net	<u>263,901</u>
Total Assets	<u>658,416</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	78,919
Unearned revenue	<u>68,656</u>
Total Current Liabilities	<u>147,575</u>
NET POSITION	
Net investment in capital assets	263,901
Unrestricted	<u>246,940</u>
Total Net Position	<u>\$ 510,841</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2017**

	Major Enterprise Fund Food Service
Operating Revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 327,367
Daily sales - non-reimbursable programs	<u>839,413</u>
Total Operating Revenues	<u>1,166,780</u>
Operating Expenses:	
Cost of sales - reimbursable programs	400,295
Cost of sales - non-reimbursable programs	145,619
Salaries	347,885
Employee benefits	71,186
Other purchased services	34,165
Management fee	84,420
Supplies and materials	59,931
Miscellaneous	2,506
Depreciation	<u>25,764</u>
Total Operating Expenses	<u>1,171,771</u>
Operating (Loss)	<u>(4,991)</u>
Nonoperating Revenues:	
State sources:	
State school lunch program	3,986
Federal sources:	
National school lunch program	44,916
Food donation program	<u>39,329</u>
Total Nonoperating Revenues	<u>88,231</u>
Change in Net Position	83,240
Total Net Position—Beginning	<u>427,601</u>
Total Net Position—Ending	<u>\$ 510,841</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, 2017**

	Major Enterprise Fund <u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,177,537
Payments to employees	(347,885)
Payments for employee benefits	(71,186)
Payments to suppliers	<u>(767,042)</u>
Net cash (used for) operating activities	<u>(8,576)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	3,969
Federal sources	45,054
Food donation program	<u>39,329</u>
Net cash provided by noncapital financing activities	<u>88,352</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(6,580)</u>
Net cash (used for) capital and related financing activities	<u>(6,580)</u>
Net increase in cash and cash equivalents	73,196
Cash and cash equivalents, beginning of year	<u>298,171</u>
Cash and cash equivalents, end of year	<u>\$ 371,367</u>
Reconciliation of operating (loss) to net cash (used for) operating activities:	
Operating (loss)	\$ (4,991)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation	25,764
Changes in assets and liabilities:	
(Increase) in inventories	(2,235)
(Increase) in other accounts receivable	(612)
Increase in unearned revenue	10,757
(Decrease) in accounts payable	<u>(37,259)</u>
Total adjustments	<u>(3,585)</u>
Net cash (used for) operating activities	<u>\$ (8,576)</u>

Noncash noncapital financing activities:

The District received \$39,329 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2017.

FIDUCIARY FUNDS

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017**

	Unemployment Compensation Trust Fund	Private Purpose Scholarship Fund	Agency Fund
ASSETS			
Cash and cash equivalents	\$ 273,811	\$ 36,454	\$ 543,958
Total Assets	<u>273,811</u>	<u>36,454</u>	<u>\$ 543,958</u>
LIABILITIES			
Interfund payable			\$ 10,630
Payroll deductions and withholdings payable			118,051
Unemployment claims payable	14,203		
Due to student groups	<u>-</u>		<u>415,277</u>
Total Liabilities	<u>14,203</u>		<u>\$ 543,958</u>
NET POSITION			
Held in trust for unemployment claims	<u>\$ 259,608</u>		
Held in trust for scholarships		<u>\$ 36,454</u>	

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017**

	Unemployment Compensation Trust <u>Fund</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Employee	\$ 100,093	\$ 7,250
Total Contributions	<u>100,093</u>	<u>7,250</u>
Investment earnings:		
Interest	130	20
Total investment earnings	<u>130</u>	<u>20</u>
Total Additions	<u>100,223</u>	<u>7,270</u>
DEDUCTIONS		
Unemployment claims	75,726	
Scholarships awarded	<u>-</u>	<u>7,500</u>
Total Deductions	<u>75,726</u>	<u>7,500</u>
Change in Net Position	<u>24,497</u>	<u>(230)</u>
Net Position—beginning	<u>235,111</u>	<u>36,684</u>
Net Position—ending	<u>\$ 259,608</u>	<u>\$ 36,454</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies

The financial statements of the Board of Education (the "Board") of the School District of the Chathams ("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 non-fiduciary 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, 2017

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 aid 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, 2017

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 and reports the financial resources that are restricted, committed or assigned for the payment of 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. The unemployment compensation trust fund and private-purpose scholarship trust funds are accounted for using the economic resources measurement focus. 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, 2017

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 enterprise fund distinguishes operating revenues and expenses from non-operating 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. 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 non-operating 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, 2017

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, 2017

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, 2017, the District had inventories in the Food Service Enterprise Fund in the amount of \$8,142, of which, the portion of unused Food Donation Program commodities in the amount of \$1,700 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, 2017

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 periods 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, 2017, a liability existed for compensated absences in the government-wide financial statements in the amount of \$402,490 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, 2017 amounted to \$154,540. As of June 30, 2017, the District has an unamortized balance of \$1,775,048 recorded as a deferred outflow of resources.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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. Unearned revenue in the enterprise fund consists of unused donated food commodities and student deposits for future food purchases.

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, 2017

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 \$6,096,909 of fund balances in the General Fund, \$314,350 of encumbrances is assigned to other purposes, \$500,000 has been designated for subsequent year's expenditures, \$280,533 has been restricted for excess surplus-current year, \$293,667 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$3,578,280 has been restricted for the capital reserve, and \$1,130,079 is classified as unassigned. The District also has \$15,597,892 of fund balance in the Capital Projects Fund, which is restricted for capital projects and \$115,184 in the Debt Service Fund, which is restricted for debt service. Of this amount, \$76,216 has been appropriated in the 2017-18 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, 2017

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 \$13,398,828 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, 2017 was \$574,200. Of this amount, \$293,667 has been appropriated in the 2017/18 budget and the remaining \$280,533 will be appropriated in the 2018/19 budget.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

R. GASB Pronouncements

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 77, *Tax Abatement Disclosures* in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. As the District is not a taxing government, the Statement did not result in a change in the District's assets, revenues or fund balance. However, certain required disclosures were included in Note 18.

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and 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 requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of the Statement on the financial statements.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2017 and November 15, 2017, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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 \$51,269,546 difference are as follows:

Bonds payable	\$ 42,414,000
Premium on bonds	3,503,447
Obligation under capital lease	4,949,609
Compensated absences payable	<u>402,490</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 51,269,546</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.

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

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Deposits and Investments (continued)

insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits

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

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

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

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

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

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2017, the carrying amount of the District's deposits was \$22,608,703, which includes restricted cash held with fiscal agents in the amount of \$15,563,671 related to bond proceeds not yet expended, and the bank balance was \$23,722,793. Of the bank balance, \$500,000 of the District's cash deposits on June 30, 2017 was secured by federal depository insurance company. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$7,108,211. \$491,351 held in the District agency accounts and the funds held with fiscal agents are not covered by GUDPA.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Deposits and Investments (continued)

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

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

Investments

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

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

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, 2017.

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, 2017.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. The District did not have any investments at June 30, 2017.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$ 3,070,739
Deposits:	
Approved by Board Resolution at the June 19, 2017 meeting	1,440,000
Withdrawal:	
Budgeted Withdrawal	<u>(932,459)</u>
Ending balance, June 30, 2017	<u>\$ 3,578,280</u>

\$2,100,000 of this amount was appropriated in the 2017-18 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, 2017 balance of local support costs of uncompleted projects was in excess of the amount held in the capital reserve account.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

5. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2017:

	Beginning Balance	Increases	Reallocation/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,616,511			\$ 11,616,511
Construction in progress	4,570,020	\$ 505,573	\$ (4,570,020)	505,573
Total capital assets, not being depreciated	16,186,531	505,573	(4,570,020)	12,122,084
Capital assets, being depreciated:				
Buildings and building improvements	76,983,810	975,743	4,570,020	82,529,573
Land improvements	7,657,932	327,524		7,985,456
Machinery, equipment and vehicles and intangible assets	4,087,208	298,729		4,385,937
Total capital assets being depreciated	88,728,950	1,601,996	4,570,020	94,900,966
Less accumulated depreciation for:				
Buildings and building improvements	(24,076,351)	(1,806,517)		(25,882,868)
Land improvements	(4,220,666)	(336,175)		(4,556,841)
Machinery, equipment and vehicles and intangible assets	(2,448,256)	(333,470)		(2,781,726)
Total accumulated depreciation	(30,745,273)	(2,476,162)	-	(33,221,435)
Total capital assets, being depreciated, net	57,983,677	(874,166)	4,570,020	61,679,531
Governmental activities capital assets, net	\$ 74,170,208	\$ (368,593)	\$ -	\$ 73,801,615

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

5. Capital Assets (continued)

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

Instruction	
Regular	\$ 1,113,414
Special education	313,091
Other	108,490
Support services	
Student and instruction related services	391,647
School administration services	145,941
General and business administration services	126,784
Operation and maintenance of plant services	267,767
Special schools	9,028
Total depreciation expense – governmental activities	<u>\$ 2,476,162</u>

The following schedule is a summarization of business-type activity changes in capital assets for the year ended June 30, 2017:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
Capital assets, being depreciated:			
Building improvements	\$ 42,022		\$ 42,022
Machinery and equipment	482,528	\$ 6,580	489,108
Total capital assets, being depreciated	524,550	6,580	531,130
Less accumulated depreciation for:			
Building improvements	(5,463)	(840)	(6,303)
Machinery and equipment	(236,002)	(24,924)	(260,926)
Total accumulated depreciation	(241,465)	(25,764)	(267,229)
Total business-type activities capital assets, net	\$ 283,085	\$ (19,184)	\$ 263,901

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable	\$ 27,835,000	\$ 15,864,000	\$ (1,285,000)	\$ 42,414,000	\$ 1,325,000
Premium on bonds	3,607,262	157,806	(261,621)	3,503,447	267,799
Compensated absences payable	416,877	21,276	(35,663)	402,490	81,430
Obligations under capital lease	5,390,000		(440,391)	4,949,609	586,463
Sub-total	37,249,139	15,885,276	(2,022,675)	51,269,546	2,260,692
Net pension liability	15,690,718	5,967,875		21,658,593	
Governmental activities long-term liabilities	<u>\$ 52,939,857</u>	<u>\$ 21,853,151</u>	<u>\$ (2,022,675)</u>	<u>\$ 72,928,139</u>	<u>\$ 2,260,692</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.

On January 25, 2017, the District issued \$15,864,000 of school bonds as a result of a referendum that was approved by the voters on September 27, 2016. The bond proceeds are being used to fund facilities improvements and upgrades throughout the District.

Bonds payable at June 30, 2017 are comprised of the following issues:

\$16,275,000, Series 2014A refunding bonds, due in annual installments ranging from \$365,000 to \$2,695,000 through July 2030 at interest rates ranging from 3.00% to 5.00%. There is no defeased debt still outstanding at June 30, 2017.

\$12,270,000, Series 2014B refunding bonds, due in annual installments ranging from \$960,000 to \$1,385,000 through January 2026 at interest rates ranging from 3.00% to 5.00%. There is no defeased debt still outstanding at June 30, 2017.

\$15,864,000, Series 2017 school bonds, due in annual installments ranging from \$600,000 to \$1,200,000 through January 2037 at interest rates ranging from 2.00% to 3.25%.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Long-Term Liabilities (continued)

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

	Principal	Interest	Total
Fiscal year ending June 30:			
2018	\$ 1,325,000	\$ 1,538,958	\$ 2,863,958
2019	1,970,000	1,511,170	3,481,170
2020	2,044,000	1,457,855	3,501,855
2021	2,160,000	1,380,175	3,540,175
2022	2,280,000	1,296,275	3,576,275
2023-2027	12,910,000	4,985,150	17,895,150
2028-2032	13,725,000	2,129,550	15,854,550
2033-2036	6,000,000	571,500	6,571,500
	\$ 42,414,000	\$ 14,870,633	\$ 57,284,633

Obligation Under Capital Lease

The District has a capital lease outstanding for an Energy Savings Improvement Plan lease which has an interest 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, 2017:

	Amount
Fiscal year ending June 30:	
2018	\$ 701,659
2019	357,601
2020	384,261
2021	374,427
2022	327,160
2023-2027	1,758,255
2028-2032	1,980,056
Total minimum lease payment	5,883,419
Less amount representing interest	(933,810)
Present value of net future minimum lease payments	\$ 4,949,609

Capital assets paid for with proceeds from the capital lease totaled \$5,011,352, with accumulated depreciation of \$4,886,068 as of June 30, 2017.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

7. Operating Leases

The District has commitments to lease copiers, mail equipment and other equipment under operating leases which expire in the 2022 fiscal year. Total operating lease payments made during the year ended June 30, 2017 were \$135,540. Future lease payments are as follows:

Year ending June 30:	
2018	\$ 135,525
2019	129,001
2020	92,658
2021	54,239
2022	7,460
Total lease payments	<u>\$ 418,883</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, 2017

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, 2017

8. Pension Plans (continued)

determined contribution includes funding for noncontributory death benefits, disability insurance and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2017, the State of New Jersey contributed \$5,783,281 to the TPAF for on-behalf medical, disability insurance 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 \$2,101,650 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2017, 2016 and 2015 were \$649,664, \$600,936, and \$579,208 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, 2017, the District reported a liability of \$21,658,593 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.0731285958 percent, which was an increase of 0.0032305186 percent from its proportion measured as of June 30, 2015.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$2,182,060 in the government-wide financial statements. At June 30, 2017, the District reported deferred outflows of resources and a deferred inflow of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 402,784	
Changes of assumptions	4,486,504	
Net difference between projected and actual earnings on pension plan investments	825,862	
Changes in proportion and differences between District contributions and proportionate share of contributions	564,956	\$ 45,229
District contributions subsequent to the measurement date	683,931	
	<u>\$ 6,964,037</u>	<u>\$ 45,229</u>

\$683,931 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:

Year ended June 30:	
2018	\$ 1,400,201
2019	1,400,201
2020	1,596,182
2021	1,364,683
2022	473,610
	<u>\$ 6,234,877</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.08%
Salary increases	
Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of formers members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 combined to produce the long-term expected rate of return by weighting the expected 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, 2016 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2016 calculated using the discount rate as disclosed above 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 (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 26,540,078	\$ 21,658,593	\$ 17,628,504

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, 2016 are as follows:

Deferred outflows of resources	\$ 8,685,338,380
Deferred inflows of resources	\$ 870,133,595
Net pension liability	\$ 29,617,131,759

District's Proportion 0.0731285958%

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.57 years and 5.72 years for the measurement period ended June 30, 2015.

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, 2016 was \$220,250,059. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the State's proportionate share of the TPAF net pension liability associated with the District was 0.2799799553 percent, which was an increase of 0.0100894230 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$16,548,727 for contributions incurred by the State.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

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	7.65%

Mortality Rates

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

Long-Term Expected Rate of Return (continued)

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	100.00%	

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

8. Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State contributed 30% of the 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, 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 (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's proportionate share of the net pension liability associated with the District	\$ 263,027,791	\$ 220,250,059	\$ 185,316,520

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, 2017

8. Pension Plans (continued)

Additional Information

Collective balances of the Local Group at June 30, 2016 are as follows:

Deferred outflows of resources	\$	17,440,003,201
Deferred inflows of resources	\$	195,027,919
Net pension liability	\$	78,666,367,052
State's proportionate share associated with the District		0.2799799553%

Collective pension expense-Local Group for the plan for the measurement period ended June 30, 2016 is \$5,915,082,656.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 8.3 years.

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, 2017

9. Post-Retirement Benefits (continued)

Funding Policy

P.L. 1987, chapter 384 and P.L. 1990, chapter 6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the state contributed \$1.37 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 employer paid 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016. The State Employees Health Benefits Program (SEHBP) Act is found in the 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 Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website.

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 medical benefits on behalf of the District for the years ended June 30, 2017, 2016 and 2015 were \$2,624,581, \$2,669,160, and \$2,316,364 respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2017 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 10,630	\$ 44,000
Capital Projects Fund	44,000	9,779
Debt Service Fund	9,779	
Student Activity Agency Fund		10,630
	\$ 64,409	\$ 64,409

The interfund payable from the capital projects fund to the debt service fund represents interest earned on bond proceeds due to the debt service fund to pay off related debt service where the cash was not moved as of June 30, 2017. The interfund between the student activity agency fund and the general fund represents expenditures paid for by the general fund which were not yet reimbursed from the associated student activity accounts as of June 30, 2017. All interfund balances are expected to be repaid within one year.

11. Transfers

The following presents a reconciliation of transfers during the 2017 fiscal year:

	Transfers In	Transfers Out
General Fund		\$ 2,983
Capital Projects Fund	\$ 2,983	38,968
Debt Service Fund	38,968	
	\$ 41,951	\$ 41,951

The transfer out of the general fund to the capital projects fund represents additional funding to complete a project which started in the prior fiscal year. The transfer out of the capital projects fund to the debt service fund was to transfer interest earned on bond proceeds as required by statute.

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.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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, 2017 may be impaired.

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

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

14. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage or destruction of assets; errors or omissions; employee health and accident claims; and natural disasters.

Property, Liability and Health Benefits

The District maintains commercial insurance coverage for property, liability, health, 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, 2017

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 and 2017 School Building Improvements and Renovation projects.

17. Commitments

The District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$314,350 and in the capital projects fund, \$5,026,247 is recorded as part of the fund balance restricted for capital projects in the amount of \$15,597,892.

18. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

18. Tax Abatements (continued)

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provision at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

Chatham Township and the Borough of Chatham have not entered into any long-term tax exemptions as of June 30, 2017, therefore there are no tax abatements effecting the District as of June 30, 2017.

Required Supplementary Information - Part II

School District of the Chautauks
 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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	0.0698823190%	0.0702593563%	0.0698980773%	0.0731283938%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 13,355,900	\$ 13,154,473	\$ 15,690,718	\$ 21,638,593
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
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	278.10%	270.74%	317.71%	431.50%
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	48.72%	52.08%	47.93%	40.14%

N/A - Information not available

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

School District of the Chishams
Schedule of District Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	\$ 370,254	\$ 429,331	\$ 555,911	\$ 598,747	\$ 554,343	\$ 526,349	\$ 579,208	\$ 600,936	\$ 649,664	\$ 683,931
Contributions in relation to the contractually required contribution	(370,254)	(429,331)	(555,911)	(598,747)	(554,343)	(526,349)	(579,208)	(600,936)	(649,664)	(683,931)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,377,545	\$ 4,944,140	\$ 4,949,405	\$ 4,854,652	\$ 4,865,059	\$ 4,802,510	\$ 4,858,775	\$ 4,938,645	\$ 5,019,368	\$ 5,096,528
Contributions as a percentage of covered-employee payroll	8.54%	8.86%	11.23%	12.33%	11.40%	10.96%	11.92%	12.17%	12.94%	13.42%

* 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	2017
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.2632288497%	0.2660515944%	0.2698905323%	0.2799799553%
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	\$ 220,250,059
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>	<u>\$ 220,250,059</u>
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%	22.33%

* 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 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016.

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, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 60,147,138		\$ 60,147,138	\$ 60,147,138	
Tuition	124,500		124,500	165,429	\$ 40,929
Transportation Fees	100,000		100,000	157,648	57,648
Interest Earned on Investments	5,010		5,010	5,583	573
Miscellaneous	548,108		548,108	781,108	233,000
Total - Local Sources	<u>60,924,756</u>		<u>60,924,756</u>	<u>61,256,906</u>	<u>332,150</u>
State Sources:					
Categorical Special Education Aid	1,638,810		1,638,810	1,638,810	
Transportation Aid	171,366		171,366	171,366	
Security Aid	71,443		71,443	71,443	
Additional Adjustment Aid	1		1	1	
PARCC Readiness Aid	40,600		40,600	40,600	
Per Pupil Growth Aid	40,600		40,600	40,600	
Professional Learning Community Aid	40,670		40,670	40,670	
Non-Public Transportation Aid				59,812	59,812
Extraordinary Aid	400,000		400,000	392,097	(7,903)
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				3,149,899	3,149,899
TPAF Post-Retirement Medical (On-Behalf - Non-Budgeted)				2,624,581	2,624,581
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				8,801	8,801
TPAF Social Security (Reimbursed - Non-Budgeted)	-		-	2,101,650	2,101,650
Total State Sources	<u>2,403,490</u>		<u>2,403,490</u>	<u>10,340,330</u>	<u>7,936,840</u>
Total Revenues	<u>63,328,246</u>		<u>63,328,246</u>	<u>71,597,236</u>	<u>\$ 8,268,990</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	491,094	\$ (8,550)	482,544	481,212	1,332
Grades 1-5 - Salaries of Teachers	7,158,862	42,828	7,201,690	7,105,195	96,495
Grades 6-8 - Salaries of Teachers	4,927,717	(164,646)	4,763,071	4,749,521	13,550
Grades 9-12 - Salaries of Teachers	6,660,464	96,338	6,756,802	6,752,075	4,727
Regular Programs - Home Instruction					
Salaries of Teachers	48,000	14,925	62,925	62,925	
Purchased Professional-Educational Services	30,000	8,550	38,550	35,354	3,196
Other Purchased Services	500		500	500	
General Supplies	500		500	500	
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	390,687	(51,514)	339,173	311,831	27,342
Purchased Professional-Educational Services	10,750	5,000	15,750	14,542	1,208
Cleaning, Repair and Maintenance Services	32,515		32,515	21,581	10,934
Rentals	331,680	(69,702)	261,978	235,166	26,812
Other Purchased Services	24,400		24,400	22,772	1,628
Travel	1,600		1,600	39	1,561
General Supplies	1,449,008	(174,145)	1,274,863	1,172,156	102,707
Textbooks	82,137	(8,832)	73,305	62,058	11,247
Other Objects	49,973	(1,900)	48,073	25,705	22,368
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>21,689,887</u>	<u>(311,648)</u>	<u>21,378,239</u>	<u>21,052,132</u>	<u>326,107</u>
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities					
Salaries of Teachers	62,276	(2,211)	60,065	55,224	4,841
General Supplies	4,508	4	4,512	2,936	1,576
Total Learning and/or Language Disabilities	<u>66,784</u>	<u>(2,207)</u>	<u>64,577</u>	<u>58,160</u>	<u>6,417</u>
Visual Impairments					
Purchased Professional-Educational Services	4,000	63.00	4,063	-	4,063
Total Visual Impairments	<u>4,000</u>	<u>63.00</u>	<u>4,063</u>	<u>-</u>	<u>4,063</u>

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2017

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
Behavioral Disabilities					
Salaries of Teachers	\$ 140,663	\$ 4,545	\$ 145,208	\$ 145,208	
Other Salaries for Instruction	78,949	(14,320)	64,629	61,948	\$ 2,681
Total Behavioral Disabilities	<u>219,612</u>	<u>(9,775)</u>	<u>209,837</u>	<u>207,156</u>	<u>2,681</u>
Multiple Disabilities					
Salaries of Teachers	128,051	3,307	131,358	131,358	
Other Salaries for Instruction	351,906	(60,446)	291,460	290,885	575
General Supplies	2,452	-	2,452	1,367	1,085
Total Multiple Disabilities	<u>482,409</u>	<u>(57,139)</u>	<u>425,270</u>	<u>423,610</u>	<u>1,660</u>
Resource Room/Resource Center					
Salaries of Teachers	3,292,391	27,911	3,320,302	3,317,370	2,932
Other Salaries for Instruction	756,571	116,083	872,654	871,843	811
General Supplies	8,959	-	8,959	7,485	1,474
Textbooks	1,500	-	1,500	1,422	78
Total Resource Room/Resource Center	<u>4,059,421</u>	<u>143,994</u>	<u>4,203,415</u>	<u>4,198,120</u>	<u>5,295</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	227,013	(21,763)	205,250	203,602	1,648
Other Salaries for Instruction	109,237	3,027	112,264	111,215	1,049
General Supplies	1,595	-	1,595	1,525	70
Total Preschool Disabilities - Part-Time	<u>337,845</u>	<u>(18,736)</u>	<u>319,109</u>	<u>316,342</u>	<u>2,767</u>
Preschool Disabilities - Full-Time					
Other Salaries for Instruction	15,384	(3,027)	12,357		12,357
General Supplies	1,195	-	1,195	1,035	160
Total Preschool Disabilities - Full-Time	<u>16,579</u>	<u>(3,027)</u>	<u>13,552</u>	<u>1,035</u>	<u>12,517</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>5,186,650</u>	<u>53,173</u>	<u>5,239,823</u>	<u>5,204,423</u>	<u>35,400</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	787,731	(16,582)	771,149	747,950	23,199
General Supplies	975	-	975	838	137
Total Basic Skills/Remedial - Instruction	<u>788,706</u>	<u>(16,582)</u>	<u>772,124</u>	<u>748,788</u>	<u>23,336</u>
Bilingual Education - Instruction					
Salaries of Teachers	182,736	2,310	185,046	185,046	
Total Bilingual Education - Instruction	<u>182,736</u>	<u>2,310</u>	<u>185,046</u>	<u>185,046</u>	
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	333,000	15,286	348,286	348,286	
Purchased Services	1,000	(30)	970	735	235
Supplies and Materials	24,800	-	24,800	23,522	1,278
Other Objects	10,000	8,295	18,295	18,295	-
Total School-Spon. Cocurricular Actvts. - Inst.	<u>368,800</u>	<u>23,551</u>	<u>392,351</u>	<u>390,838</u>	<u>1,513</u>
School-Spon. Athletics					
Salaries	479,744	11,242	490,986	469,353	21,633
Purchased Services	104,486	(9,406)	95,080	81,297	13,783
Cleaning, Repair and Maintenance Services	13,960	(2,251)	11,709	10,115	1,594
Insurance	47,512	2,775	50,287	50,287	
Supplies and Materials	67,577	10,777	78,354	62,262	16,092
Other Objects	104,494	(1,144)	103,350	89,972	13,378
Total School-Spon. Athletics	<u>817,773</u>	<u>11,993</u>	<u>829,766</u>	<u>763,286</u>	<u>66,480</u>
Total Instruction	<u>29,034,552</u>	<u>(237,203)</u>	<u>28,797,349</u>	<u>28,344,513</u>	<u>452,836</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Special	\$ 17,971		\$ 17,971		\$ 17,971
Tuition to County Voc. School Dist. - Regular	22,000		22,000	\$ 12,436	9,564
Tuition to CSSD & Regional Day Schools	67,885		67,885	67,150	735
Tuition to Private Schools for the Disabled - Within State	2,262,388	\$ (290,674)	1,971,714	1,869,047	102,667
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	255,500	45,793	301,293	258,778	42,515
Total Undistributed Expenditures - Instruction	<u>2,625,744</u>	<u>(244,881)</u>	<u>2,380,863</u>	<u>2,207,411</u>	<u>173,452</u>
Undistributed Expend. - Attend. & Social Work					
Salaries	65,624		65,624	63,418	2,206
Total Undistributed Expend. - Attend. & Social Work	<u>65,624</u>		<u>65,624</u>	<u>63,418</u>	<u>2,206</u>
Undist. Expend. - Health Services					
Salaries	555,977	18,819	574,796	571,845	2,951
Salaries of Secretarial and Clerical Assistants	7,400	(4,760)	2,640	1,568	1,072
Purchased Professional and Technical Services	22,890	4,380	27,270	25,245	2,025
Cleaning, Repair and Maintenance Services	950		950	368	582
Supplies and Materials	18,746	(5,240)	13,506	11,597	1,909
Total Undistributed Expenditures - Health Services	<u>605,963</u>	<u>13,199</u>	<u>619,162</u>	<u>610,623</u>	<u>8,539</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	658,720	19,230	677,950	677,615	335
Purchased Professional - Educational Services	75,425	47,365	122,790	89,446	33,344
Supplies and Materials	5,167	-	5,167	5,136	31
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	<u>739,312</u>	<u>66,595</u>	<u>805,907</u>	<u>772,197</u>	<u>33,710</u>
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Salaries	169,621	(9,225)	160,396	154,566	5,830
Other Salaries for Instruction	481,655	(49,146)	432,509	425,571	6,938
Purchased Professional - Educational Services	160,000	84,458	244,458	229,966	14,492
Supplies and Materials	12,500	-	12,500	5,561	6,939
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.	<u>823,776</u>	<u>26,087</u>	<u>849,863</u>	<u>815,664</u>	<u>34,199</u>
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	1,196,749	15,098	1,211,847	1,208,600	3,247
Salaries of Secretarial and Clerical Assistants	130,968	1,248	132,216	131,153	1,063
Purchased Professional - Educational Services	20,000	808	20,808	20,808	
Other Purchased Prof. and Tech. Services	12,600	(815)	11,785	8,088	3,697
Supplies and Materials	12,721	568	13,289	10,375	2,914
Other Objects	11,485	-	11,485	11,076	409
Total Undist. Expend. - Guidance	<u>1,384,523</u>	<u>16,907</u>	<u>1,401,430</u>	<u>1,390,100</u>	<u>11,330</u>
Undist. Expend. - Child Study Team					
Salaries of Other Professional Staff	1,307,768	31,770	1,339,538	1,328,696	10,842
Salaries of Secretarial and Clerical Assistants	167,409	(14,037)	153,372	153,372	
Purchased Prof. - Educational Services	7,500	12,200	19,700	18,263	1,437
Other Purchased Prof. and Tech. Services	20,000		20,000	17,255	2,745
Other Purchased Services	3,576		3,576	3,576	
Miscellaneous Purchased Services	3,000		3,000	2,937	63
Supplies and Materials	31,436	760	32,196	19,528	12,668
Other Objects	3,600	-	3,600	1,915	1,685
Total Undist. Expend. - Child Study Team	<u>1,544,289</u>	<u>30,693</u>	<u>1,574,982</u>	<u>1,545,542</u>	<u>29,440</u>
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	740,569	28,414	768,983	767,984	999
Supplies and Materials	500		500	500	
Other Objects	500	-	500	500	-
Total Undist. Expend. - Improvement of Inst. Serv.	<u>741,569</u>	<u>28,414</u>	<u>769,983</u>	<u>768,984</u>	<u>999</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	\$ 682,201	\$ 30,763	\$ 712,964	\$ 706,275	\$ 6,689
Other Purchased Services	90,480		90,480	83,791	6,689
Supplies and Materials	70,370	1,371	71,741	69,097	2,644
Other Objects	<u>28,966</u>	<u>-</u>	<u>28,966</u>	<u>28,511</u>	<u>455</u>
Total Undist. Expend. - Edu. Media Serv./Sch. Library	<u>872,017</u>	<u>32,134</u>	<u>904,151</u>	<u>887,674</u>	<u>16,477</u>
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors of Instruction	542,325		542,325	542,325	
Other Salaries	26,700	(17,037)	9,663		9,663
Purchased Professional - Educational Services	29,650		29,650	11,226	18,424
Other Purchased Services	65,915	1,300	67,215	37,237	29,978
Supplies and Materials	13,000		13,000	6,121	6,879
Other Objects	<u>21,375</u>	<u>3,190</u>	<u>24,565</u>	<u>23,219</u>	<u>1,346</u>
Total Undist. Expend. - Instructional Staff Training Serv.	<u>698,965</u>	<u>(12,547)</u>	<u>686,418</u>	<u>620,128</u>	<u>66,290</u>
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	594,197	(2,279)	591,918	551,314	40,604
Legal Services	165,000	67,500	232,500	217,310	15,190
Audit Fees	60,000		60,000	59,900	100
Architectural/Engineering Services	45,000	19,000	64,000	9,507	54,493
Other Purchased Professional Services	22,923		22,923	13,524	9,399
Purchased Technical Services	10,895	7,279	18,174	18,174	
Other Purchased Professional and Technical Services	3,500		3,500		3,500
Insurance	2,155		2,155	2,155	
Communications/Telephone	100,399	(20,834)	79,565	50,244	29,321
Travel	12,120		12,120	8,304	3,816
Board of Education Other Purchased Services	5,000		5,000	1,635	3,365
Miscellaneous Purchased Services	5,000		5,000	1,760	3,240
General Supplies	13,895	250	14,145	1,768	12,377
Board of Education In-House Training/Meeting Supplies	12,200		12,200		12,200
Miscellaneous Expenditures	28,852	8,000	36,852	32,372	4,480
Board of Education Dues and Fees	<u>44,357</u>	<u>-</u>	<u>44,357</u>	<u>44,325</u>	<u>32</u>
Total Undist. Expend. - Supp. Serv. - General Admin.	<u>1,125,493</u>	<u>78,916</u>	<u>1,204,409</u>	<u>1,012,292</u>	<u>192,117</u>
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	2,047,336	(23,064)	2,024,272	2,024,272	
Salaries of Secretarial and Clerical Assistants	755,479	7,313	762,792	743,208	19,584
Other Purchased Services	25,380		25,380	18,014	7,366
Travel	6,090	101	6,191	2,167	4,024
Supplies and Materials	13,781	4,600	18,381	11,830	6,551
Other Objects	<u>22,056</u>	<u>(3,500)</u>	<u>18,556</u>	<u>9,249</u>	<u>9,307</u>
Total Undist. Expend. - Support Serv. - School Admin.	<u>2,870,122</u>	<u>(14,550)</u>	<u>2,855,572</u>	<u>2,808,740</u>	<u>46,832</u>
Undist. Expend. - Central Services					
Salaries	731,282	(9,050)	722,232	721,481	751
Purchased Professional Services	48,332		48,332	46,224	2,108
Purchased Technical Services	15,000	15,000	30,000	21,123	8,877
Cleaning, Repair and Maintenance Services	300		300		300
Rentals	11,532		11,532	7,800	3,732
Other Purchased Services		600	600	600	
Travel	5,000		5,000	1,145	3,855
Miscellaneous Purchased Services	31,700	3,200	34,900	32,667	2,233
Supplies and Materials	28,032	54	28,086	15,333	12,753
Miscellaneous Expenditures	<u>6,860</u>	<u>6,246</u>	<u>13,106</u>	<u>11,782</u>	<u>1,324</u>
Total Undist. Expend. - Central Services	<u>878,038</u>	<u>16,050</u>	<u>894,088</u>	<u>858,155</u>	<u>35,933</u>
Undist. Expend. - Technology Admin.					
Salaries	569,997	(40,944)	529,053	521,003	8,050
Cleaning, Repair and Maintenance Services	53,160	(20,000)	33,160	8,247	24,913
Travel	4,920	28	4,948	2,120	2,828
Supplies and Materials	49,050	4,521	53,571	37,702	15,869
Other Objects	<u>600</u>	<u>-</u>	<u>600</u>	<u>525</u>	<u>75</u>
Total Undist. Expend. - Technology Admin.	<u>677,727</u>	<u>(56,395)</u>	<u>621,332</u>	<u>569,597</u>	<u>51,735</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2017**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
Undist. Expend. - Required Maint. for Sch. Facil.					
Salaries	\$ 579,387	\$ 9,166	\$ 588,553	\$ 588,277	\$ 276
Cleaning, Repair and Maintenance Services	290,000	35,288	325,288	302,072	23,216
Travel	6,500	(3,249)	3,251	3,199	52
General Supplies	199,700	19,913	219,613	204,763	14,850
Other Objects	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>1,965</u>	<u>35</u>
Total Undist. Expend. - Required Maint. for Sch. Facil.	<u>1,077,587</u>	<u>61,118</u>	<u>1,138,705</u>	<u>1,100,276</u>	<u>38,429</u>
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	1,739,956	(18,266)	1,721,690	1,718,671	3,019
Salaries of Non-Instructional Aides	59,107	8,806	67,913	66,522	1,391
Cleaning, Repair and Maintenance Services	284,850	49,334	334,184	312,728	21,456
Rental of Land & Buildings other than Leases	50,000	4,000	54,000	53,333	667
Other Purchased Property Services	108,630	3,227	111,857	110,272	1,585
Insurance	266,132	17,788	283,920	283,871	49
General Supplies	174,775	(23,666)	151,109	140,498	10,611
Gasoline	27,000		27,000	10,444	16,556
Natural Gas	528,456	1,211	529,667	255,799	273,868
Electricity	599,686	29,144	628,830	559,109	69,721
Interest on Energy Savings Improvement Program Bonds	191,639		191,639	191,639	
Principal on Energy Savings Improvement Program Bonds	440,391		440,391	440,391	
Other Objects	<u>5,000</u>	<u>(4,460)</u>	<u>540</u>	<u>-</u>	<u>540</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>4,475,622</u>	<u>67,118</u>	<u>4,542,740</u>	<u>4,143,277</u>	<u>399,463</u>
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	98,418	3,207	101,625	96,624	5,001
Cleaning, Repair and Maintenance Services	74,950	17,750	92,700	92,647	53
General Supplies	<u>38,000</u>	<u>(2,750)</u>	<u>35,250</u>	<u>32,943</u>	<u>2,307</u>
Total Undist. Expend. - Care and Upkeep of Grounds	<u>211,368</u>	<u>18,207</u>	<u>229,575</u>	<u>222,214</u>	<u>7,361</u>
Undist. Expend. - Security					
Salaries	245,699	(10,041)	235,658	234,806	852
Cleaning, Repair and Maintenance Services	82,800	(12,618)	70,182	67,444	2,738
General Supplies	<u>20,350</u>	<u>15,751</u>	<u>36,101</u>	<u>17,370</u>	<u>18,731</u>
Total Undist. Expend. - Security	<u>348,849</u>	<u>(6,908)</u>	<u>341,941</u>	<u>319,620</u>	<u>22,321</u>
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Between Home & School) - Regular	30,671	(5,671)	25,000	25,000	
Management Fees - ESC & CTSA Transportation Programs	12,100	622	12,722	12,722	
Other Purchased Professional and Technical Services	5,000	187	5,187	5,113	74
Contracted Services Aid In Lieu of Payment for Non-public School Students	174,400	28,039	202,439	192,157	10,282
Contracted Services (Between Home and School) - Vendors	761,191	(8,282)	752,909	745,309	7,600
Contracted Services (Other than Between Home and School) - Vendors	356,485	18,024	374,509	325,619	48,890
Contracted Services (Regular Students) - ESCs	136,631		136,631	122,376	14,255
Contracted Services (Special Education Students) - ESCs	1,239,572	193,746	1,433,318	1,432,649	669
Miscellaneous Purchased Services - Transportation	<u>6,000.00</u>	<u>-</u>	<u>6,000</u>	<u>5,805</u>	<u>195</u>
Total Undist. Expend. - Student Transportation Serv.	<u>2,722,050</u>	<u>226,665</u>	<u>2,948,715</u>	<u>2,866,750</u>	<u>81,965</u>
Unallocated Benefits					
Social Security Contributions	870,000	214	870,214	827,580	42,634
Other Retirement Contributions - Regular	752,500	4,065	756,565	727,097	29,468
Workmen's Compensation	183,463	14,251	197,714	196,460	1,254
Health Benefits	7,677,080	(272,097)	7,404,983	7,328,115	76,868
Tuition Reimbursement	165,000		165,000	147,482	17,518
Other Employee Benefits	<u>190,000</u>	<u>(100,000)</u>	<u>90,000</u>	<u>68,684</u>	<u>21,316</u>
Total Unallocated Benefits	<u>9,838,043</u>	<u>(353,567)</u>	<u>9,484,476</u>	<u>9,295,418</u>	<u>189,058</u>
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				3,149,899	(3,149,899)
TPAF Post-Retirement Medical (On-Behalf - Non-Budgeted)				2,624,581	(2,624,581)
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				8,801	(8,801)
Reimbursed TPAF Social Security Contributions (non-budgeted)				<u>2,101,650</u>	<u>(2,101,650)</u>
Total On-behalf Contributions				<u>7,884,931</u>	<u>(7,884,931)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>34,326,681</u>	<u>(6,745)</u>	<u>34,319,936</u>	<u>40,763,011</u>	<u>(6,443,075)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>63,361,233</u>	<u>(243,948)</u>	<u>63,117,285</u>	<u>69,107,524</u>	<u>(5,990,239)</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures:					
Instruction	\$ 56,000	\$ 123,007	\$ 179,007	\$ 170,418	\$ 8,589
Regular Programs-Instruction:					
Grades 1-5	-	49,804	49,804	-	49,804
Total Equipment	<u>56,000</u>	<u>172,811</u>	<u>228,811</u>	<u>170,418</u>	<u>58,393</u>
Central Services					
Central Services Equipment		12,034	12,034	12,034	
Total Central Services		<u>12,034</u>	<u>12,034</u>	<u>12,034</u>	
Required Maintenance for School Facilities					
Non-Instructional equipment		128,834	128,834	96,234	32,600
Total Required Maintenance for School Facilities		<u>128,834</u>	<u>128,834</u>	<u>96,234</u>	<u>32,600</u>
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		301,200	301,200	301,200	
Construction Services	820,000	189,750	1,009,750	822,609	187,141
Other Objects - Debt Service Assessment	112,459	-	112,459	112,459	-
Total Facilities Acquisition and Construction Services	<u>932,459</u>	<u>490,950</u>	<u>1,423,409</u>	<u>1,236,268</u>	<u>187,141</u>
TOTAL CAPITAL OUTLAY	<u>988,459</u>	<u>804,629</u>	<u>1,793,088</u>	<u>1,514,954</u>	<u>278,134</u>
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	17,040		17,040	16,034	1,006
General Supplies	1,200	-	1,200	1,040	160
Total Summer School - Instruction	<u>18,240</u>	<u>-</u>	<u>18,240</u>	<u>17,074</u>	<u>1,166</u>
Total Summer School	<u>18,240</u>	<u>-</u>	<u>18,240</u>	<u>17,074</u>	<u>1,166</u>
Instructional Alternative Education Programs - Instruction					
Salaries of Teachers	165,000	(4,525)	160,475	155,254	5,221
General Supplies	1,500	-	1,500	1,416	84
Total Instructional Alternative Education Programs - Instruction	<u>166,500</u>	<u>(4,525)</u>	<u>161,975</u>	<u>156,670</u>	<u>5,305</u>
Total Instructional Alternative Education Programs	<u>166,500</u>	<u>(4,525)</u>	<u>161,975</u>	<u>156,670</u>	<u>5,305</u>
TOTAL SPECIAL SCHOOLS	<u>184,740</u>	<u>(4,525)</u>	<u>180,215</u>	<u>173,744</u>	<u>6,471</u>
TOTAL EXPENDITURES	<u>64,534,432</u>	<u>556,156</u>	<u>65,090,588</u>	<u>70,796,222</u>	<u>(5,705,634)</u>
(Deficiency) Excess of Revenues					
(Under) Over Expenditures	(1,206,186)	(556,156)	(1,762,342)	801,014	2,563,356
Other Financing (Uses):					
Transfer Out	-	(2,983)	(2,983)	(2,983)	-
Total Other Financing (Uses)	<u>-</u>	<u>(2,983)</u>	<u>(2,983)</u>	<u>(2,983)</u>	<u>-</u>
(Deficiency) Excess of Revenues					
(Under) Over Expenditures and Other Financing (Uses)	(1,206,186)	(559,139)	(1,765,325)	798,031	2,563,356
Fund Balance, July 1	<u>5,486,896</u>	<u>-</u>	<u>5,486,896</u>	<u>5,486,896</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,280,710</u>	<u>\$ (559,139)</u>	<u>\$ 3,721,571</u>	<u>\$ 6,284,927</u>	<u>\$ 2,563,356</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
General Fund
Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation of (Deficiency) Excess of Revenues and					
Other Financing (uses) (Under) Over Expenditures:					
Adjustment for Prior Year Encumbrances		\$ (559,139)	\$ (559,139)	\$ (559,139)	
Budgeted Fund Balance	\$ (273,727)		(273,727)	1,152,612	\$ 1,426,339
Increase in Capital Reserve				1,440,000	1,440,000
Withdrawal from Capital Reserve	(932,459)		(932,459)	(932,459)	-
Transfer from Capital Outlay to Capital Projects Fund	-	-	-	(302,983)	(302,983)
Total	<u>\$ (1,206,186)</u>	<u>\$ (559,139)</u>	<u>\$ (1,765,325)</u>	<u>\$ 798,031</u>	<u>\$ 2,563,356</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				\$ 293,667	
Excess Surplus-current year				280,533	
Capital Reserve				3,578,280	
Assigned to:					
Designated for Subsequent Year's Expenditures				500,000	
Year End Encumbrances				314,350	
Unassigned Fund Balance				<u>1,318,097</u>	
				<u>\$ 6,284,927</u>	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Fund Balance				\$ 6,284,927	
Last State Aid Payments Not Recognized on GAAP Basis				<u>(188,018)</u>	
Fund balance per Government Funds (GAAP)				<u>\$ 6,096,909</u>	

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
(Budgetary Basis)
Special Revenue Fund
Year Ended June 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 176,939	\$ 23,740	\$ 200,679	\$ 192,004	\$ (8,675)
Federal Sources	812,232	224,084	1,036,316	978,150	(58,166)
Local Sources	-	673,896	673,896	518,411	(155,485)
Total Revenues	<u>\$ 989,171</u>	<u>\$ 921,720</u>	<u>\$ 1,910,891</u>	<u>\$ 1,688,565</u>	<u>\$ (222,326)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 44,732	\$ 44,386	\$ 89,118	\$ 87,501	\$ 1,617
Other Salaries		468	468		468
Purchased Professional and Educational Services	141,060	19,789	160,849	145,495	15,354
Other Purchased Services		1,500	1,500	1,500	
Tuition	711,000	110,229	821,229	821,229	
Travel		3,084	3,084	584	2,500
Supplies and Materials	10,000	(10,000)			
General Supplies	65,078	303,976	369,054	278,534	90,520
Textbooks	17,301	7,484	24,785	24,785	-
Total Instruction	<u>989,171</u>	<u>480,916</u>	<u>1,470,087</u>	<u>1,359,628</u>	<u>110,459</u>
Support Services					
Personnel Services - Employee Benefits		6,680	6,680	6,680	
Purchased Professional and Technical Services		56,767	56,767	47,383	9,384
Other Purchased Services		2,560	2,560	2,328	232
General Supplies	-	19,601	19,601	6,800	12,801
Total Support Services	<u>-</u>	<u>85,608</u>	<u>85,608</u>	<u>63,191</u>	<u>22,417</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	-	292,504	292,504	203,054	89,450
Construction Services	-	62,692	62,692	62,692	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>355,196</u>	<u>355,196</u>	<u>265,746</u>	<u>89,450</u>
Total Expenditures	<u>989,171</u>	<u>921,720</u>	<u>1,910,891</u>	<u>1,688,565</u>	<u>222,326</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Note to Required Supplementary Information
Budget to GAAP Reconciliation
Year Ended June 30, 2017**

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 71,597,236	\$ 1,688,565
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		(176,367)
Prior Year, net		14,264
State aid payments from prior year recognized in prior year for budgetary purposes, and recognized for GAAP statements in the current fiscal year.	179,693	
State aid payments recognized in current year for budgetary purposes, not recognized for GAAP statements.	<u>(188,018)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2).	<u>\$ 71,588,911</u>	<u>\$ 1,526,462</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 70,796,222	\$ 1,688,565
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>(162,103)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 70,796,222</u>	<u>\$ 1,526,462</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, 2017

	<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES				
State Sources	\$ 192,004	\$ 192,004		
Federal Sources	978,150		\$ 978,150	
Local Sources	<u>518,411</u>	<u>-</u>	<u>-</u>	<u>\$ 518,411</u>
Total Revenues	<u>\$ 1,688,565</u>	<u>\$ 192,004</u>	<u>\$ 978,150</u>	<u>\$ 518,411</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	\$ 87,501		\$ 86,133	\$ 1,368
Purchased Professional and Educational Services	145,495	\$ 134,995		10,500
Other Purchased Services	1,500			1,500
Tuition	821,229		821,229	
Travel	584			584
General Supplies	278,534	32,224	17,009	229,301
Textbooks	<u>24,785</u>	<u>24,785</u>	<u>-</u>	<u>-</u>
Total Instruction	<u>1,359,628</u>	<u>192,004</u>	<u>924,371</u>	<u>243,253</u>
Support Services:				
Personnel Services - Employee Benefits	6,680		6,680	
Purchased Professional and Technical Services	47,383		39,383	8,000
Other Purchased Services	2,328		1,978	350
General Supplies	<u>6,800</u>		<u>-</u>	<u>6,800</u>
Total Support Services	<u>63,191</u>		<u>48,041</u>	<u>15,150</u>
Facilities Acquisition and Const. Serv.:				
Instructional Equipment	203,054		5,738	197,316
Construction Services	<u>62,692</u>		<u>-</u>	<u>62,692</u>
Total Facilities Acquisition and Const. Serv.	<u>265,746</u>		<u>5,738</u>	<u>260,008</u>
Total Expenditures	<u>1,688,565</u>	<u>192,004</u>	<u>978,150</u>	<u>518,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
Year Ended June 30, 2017**

	Total	N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Technology Initiative	N.J. Nonpublic Nursing Services	N.J. Nonpublic Security Aid
REVENUES							
State Sources	\$ 192,004	\$ 24,785	\$ 12,470	\$ 83,825	\$ 11,024	\$ 38,700	\$ 21,200
Total State Revenues	<u>\$ 192,004</u>	<u>\$ 24,785</u>	<u>\$ 12,470</u>	<u>\$ 83,825</u>	<u>\$ 11,024</u>	<u>\$ 38,700</u>	<u>\$ 21,200</u>
EXPENDITURES:							
Instruction:							
Purchased Professional and Educational Services	\$ 134,995		\$ 12,470	\$ 83,825		\$ 38,700	
General Supplies	32,224				\$ 11,024		\$ 21,200
Textbooks	24,785	\$ 24,785	-	-	-	-	-
Total Instruction	<u>192,004</u>	<u>24,785</u>	<u>12,470</u>	<u>83,825</u>	<u>11,024</u>	<u>38,700</u>	<u>21,200</u>
Total Expenditures	<u>192,004</u>	<u>24,785</u>	<u>12,470</u>	<u>83,825</u>	<u>11,024</u>	<u>38,700</u>	<u>\$ 21,200</u>
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	<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, 2017**

	N.C.L.B.					I.D.E.I.A.	
	<u>Total</u>	<u>Title I</u>	<u>Title II-A</u>	<u>Title III</u>	<u>Title III Immigrant</u>	<u>Basic</u>	<u>Preschool</u>
REVENUES							
Federal Sources	\$ 978,150	\$ 50,103	\$ 52,649	\$ 11,864	\$ 5,226	\$ 834,607	\$ 23,701
Total Federal Revenues	<u>\$ 978,150</u>	<u>\$ 50,103</u>	<u>\$ 52,649</u>	<u>\$ 11,864</u>	<u>\$ 5,226</u>	<u>\$ 834,607</u>	<u>\$ 23,701</u>
EXPENDITURES:							
Instruction:							
Salaries of Teachers	\$ 86,133	\$ 33,150	\$ 48,393		\$ 4,590		
Tuition	821,229					\$ 797,528	\$ 23,701
General Supplies	17,009	7,213	-	\$ 9,556	240	-	-
Total Instruction	<u>924,371</u>	<u>40,363</u>	<u>48,393</u>	<u>9,556</u>	<u>4,830</u>	<u>797,528</u>	<u>23,701</u>
Support Services:							
Employee Benefits	6,680	2,582	3,702		396		
Purchased Professional and Technical Services	39,383		554	1,750		37,079	
Other Purchased Services	1,978	1,420	-	558	-	-	
Total Support Services	<u>48,041</u>	<u>4,002</u>	<u>4,256</u>	<u>2,308</u>	<u>396</u>	<u>37,079</u>	
Facilities Acquisition and Const. Serv.:							
Instructional Equipment	5,738	5,738					
Total Facilities Acquisition and Const. Serv.	<u>5,738</u>	<u>5,738</u>					
Total Expenditures	<u>\$ 978,150</u>	<u>\$ 50,103</u>	<u>\$ 52,649</u>	<u>\$ 11,864</u>	<u>5,226</u>	<u>\$ 834,607</u>	<u>\$ 23,701</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<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, 2017

REVENUES	
Interest earned	\$ 38,968
Total Revenues	<u>38,968</u>
 EXPENDITURES	
Architectural / Engineering Services	126,893
Construction Services	983,933
Cost of issuance	<u>379,472</u>
Total Expenditures	<u>1,490,298</u>
 Deficiency of Revenues (under) Expenditures	<u>(1,451,330)</u>
 OTHER FINANCING SOURCES (USES)	
Proceeds from Bond Issuance	15,864,000
Premium on Bonds Issued	157,806
Transfer in	2,983
Transfer out	<u>(38,968)</u>
Total Other Financing Sources (Uses)	<u>15,985,821</u>
 Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	14,534,491
 Fund Balance - July 1	<u>905,595</u>
Fund Balance - June 30	<u>\$ 15,440,086</u>

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, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Proceeds from capital leases	\$ 5,390,000		\$ 5,390,000	\$ 5,390,000
Transfer from capital outlay	-	\$ 2,983	2,983	2,983
Total Revenues	<u>5,390,000</u>	<u>2,983</u>	<u>5,392,983</u>	<u>5,392,983</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services	74,558		74,558	74,558
Architectural / Engineering Services	279,691	24,575	304,266	304,266
Construction Services	<u>4,130,156</u>	<u>884,003</u>	<u>5,014,159</u>	<u>5,014,159</u>
Total Expenditures and Other Financing Uses	<u>4,484,405</u>	<u>908,578</u>	<u>5,392,983</u>	<u>5,392,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 905,595</u>	<u>\$ (905,595)</u>	<u>\$ -</u>	
ADDITIONAL PROJECT INFORMATION				
Project Number				NA
Grant Date				6/30/2016
Bond Authorization Date				NA
Bonds Authorized				NA
Bonds Issued				NA
Original Authorized Cost	\$ 5,390,000			
Additional Authorized Cost		2,983		
Revised Authorized Cost	\$ 5,392,983			
Percentage (Decrease) over Original Authorized Cost				NA
Percentage Completed				100%
Original Target Completion Date				6/30/2017
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 Building Improvements and Renovations
From Inception and for the Year Ended June 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Bond proceeds and transfers		\$ 15,864,000	\$ 15,864,000	\$ 15,864,000
Premium on bonds		157,806	157,806	
Total Revenues		<u>16,021,806</u>	<u>16,021,806</u>	<u>15,864,000</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services		221,666	221,666	63,860
Architectural / Engineering Services		102,318	102,318	102,318
Construction Services	-	99,930	99,930	99,930
Total Expenditures and Other Financing Uses	<u>-</u>	<u>423,914</u>	<u>423,914</u>	<u>266,108</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 15,597,892</u>	<u>\$ 15,597,892</u>	

ADDITIONAL PROJECT INFORMATION

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	1/12/2017
Bonds Authorized	\$ 15,864,000
Bonds Issued	15,864,000
Authorized Cost	\$ 15,864,000

Percentage Increase over Original Authorized Cost	0%
Percentage Completed	3%
Original Target Completion Date	Summer 2018
Revised Target Completion Date	Summer 2018

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Capital Projects Fund**

**Summary Schedule of Project Expenditures
Year Ended June 30, 2017**

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 6/30/2017
			Prior Years	Current Year	
School Building Improvements and Renovations	1/12/2017	\$ 15,864,000		\$ 266,108	\$ 15,597,892
School Energy Savings Program (ESIP)	8/5/2015	<u>5,392,983</u>	<u>\$ 4,484,405</u>	<u>908,578</u>	-
Totals		<u>\$ 21,256,983</u>	<u>\$ 4,484,405</u>	<u>\$ 1,174,686</u>	<u>\$ 15,597,892</u>
Bond proceeds - 2017 Referendum		\$ 15,864,000			
Transfer From Capital Outlay		2,983			
Proceeds from Capital Lease		<u>5,390,000</u>			
Total		<u>\$ 21,256,983</u>			

FIDUCIARY FUNDS

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Trust and Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2017**

	Trust			Agency		
	Unemployment Compensation	Private - Purpose Scholarship Funds	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and cash equivalents	\$ 273,811	\$ 36,454	\$ 310,265	\$ 425,907	\$ 118,051	\$ 543,958
Total assets	<u>273,811</u>	<u>36,454</u>	<u>310,265</u>	<u>\$ 425,907</u>	<u>\$ 118,051</u>	<u>\$ 543,958</u>
Liabilities						
Accounts payable	14,203		14,203			
Payroll deductions and withholdings payable					\$ 118,051	\$ 118,051
Interfund payable				\$ 10,630		10,630
Due to student groups				415,277		415,277
Total liabilities	<u>14,203</u>	<u>-</u>	<u>14,203</u>	<u>\$ 425,907</u>	<u>\$ 118,051</u>	<u>\$ 543,958</u>
Net Position						
Held in trust	259,608	36,454	296,062			
Total net position	<u>\$ 259,608</u>	<u>\$ 36,454</u>	<u>\$ 296,062</u>			

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Student Activity Agency Fund
Schedule of Cash Receipts and Cash Disbursements
Year Ended June 30, 2017**

<u>Schools</u>	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
Elementary Schools:				
Southern Boulevard	\$ 1,793	\$ 171	\$ 255	\$ 1,709
Milton Avenue	2,653	493	693	2,453
Lafayette Avenue	43,673	1,350	6,401	38,622
Washington Avenue	185	660	200	645
Middle School:				
Activity	49,388	76,119	76,513	48,994
High School:				
Activity	337,727	582,370	597,790	322,307
Athletic	5,577	31,478	25,878	11,177
	<u>\$ 440,996</u>	<u>\$ 692,641</u>	<u>\$ 707,730</u>	<u>\$ 425,907</u>
Interfund payable	<u>\$ -</u>	<u>\$ 10,630</u>	<u>\$ -</u>	<u>\$ 10,630</u>
Due to Student Groups				<u>\$ 415,277</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Payroll Agency Fund
Schedule of Cash Receipts and Cash Disbursements
Year Ended June 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 146,381	\$ 42,361,957	\$ 42,390,287	\$ 118,051
Total Assets	<u>\$ 146,381</u>	<u>\$ 42,361,957</u>	<u>\$ 42,390,287</u>	<u>\$ 118,051</u>
LIABILITIES:				
Salaries and Wages Payable		\$ 23,972,017	\$ 23,972,017	
Payroll Deductions and Withholdings Payable	\$ 146,381	<u>18,389,940</u>	<u>18,418,270</u>	\$ 118,051
Total Liabilities	<u>\$ 146,381</u>	<u>\$ 42,361,957</u>	<u>\$ 42,390,287</u>	<u>\$ 118,051</u>

LONG-TERM DEBT

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Long - Term Debt
Schedule of Serial Bonds Payable
Year Ended June 30, 2017**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2017</u>			<u>Balance July 1, 2016</u>	<u>Increased</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>				
School Improvements	7/26/2005	\$ 20,525,000				\$ 375,000		\$ 375,000	
Refunding Bonds - Series 2014A	11/7/2014	16,275,000	7/15/2017	\$ 365,000	3.000%	16,245,000		30,000	\$ 16,215,000
			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	1/15/2018	960,000	3.000%	11,215,000		880,000	10,335,000
			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%				
			School Bonds - Series 2017	1/12/2017	15,864,000		1/15/2019		
1/15/2020	629,000	2.000%							
1/15/2021	680,000	2.000%							
1/15/2022	730,000	2.000%							
1/15/2023	750,000	2.000%							
1/15/2024	750,000	2.000%							
1/15/2025	750,000	2.250%							
1/15/2026	750,000	3.000%							
1/15/2027	605,000	3.000%							
1/15/2028	605,000	3.000%							
1/15/2029	605,000	3.000%							
1/15/2030	605,000	3.000%							
1/15/2031	610,000	3.000%							
1/15/2032	1,195,000	3.000%							
1/15/2033	1,200,000	3.000%							
1/15/2034	1,200,000	3.000%							
1/15/2035	1,200,000	3.125%							
1/15/2036	1,200,000	3.250%							
1/15/2037	1,200,000	3.250%							
						\$ 27,835,000	\$ 15,864,000	\$ 1,285,000	\$ 42,414,000

BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Long - Term Debt
Schedule of Obligations Under Capital Leases
Year Ended June 30, 2017

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Original Issue</u>	<u>Balance July 1, 2016</u>	<u>Retired</u>	<u>Balance June 30, 2017</u>
School Energy Savings (ESIP)	2.40%	\$ 5,390,000	<u>\$ 5,390,000</u>	<u>\$ 440,391</u>	<u>\$ 4,949,609</u>
			<u>\$ 5,390,000</u>	<u>\$ 440,391</u>	<u>\$ 4,949,609</u>

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS
Budgetary Comparison Schedule
Debt Service Fund
Year Ended June 30, 2017**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,261,810		\$ 2,261,810	\$ 2,261,810	
Total Revenues	<u>2,261,810</u>		<u>2,261,810</u>	<u>2,261,810</u>	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	1,285,000		1,285,000	1,285,000	
Interest on Bonds	<u>1,154,819</u>		<u>1,154,819</u>	<u>1,154,819</u>	
Total Regular Debt Service	<u>2,439,819</u>		<u>2,439,819</u>	<u>2,439,819</u>	
Total Expenditures	<u>2,439,819</u>		<u>2,439,819</u>	<u>2,439,819</u>	
(Deficiency) of Revenues (Under) Expenditures	<u>(178,009)</u>		<u>(178,009)</u>	<u>(178,009)</u>	
Other Financing Sources:					
Transfers in	<u>38,968</u>		<u>38,968</u>	<u>38,968</u>	
Total other financing sources	<u>38,968</u>		<u>38,968</u>	<u>38,968</u>	
Deficiency of revenues and other financing sources under expenditures	(139,041)		(139,041)	(139,041)	
Fund Balance, July 1	<u>254,225</u>	<u>-</u>	<u>254,225</u>	<u>254,225</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 115,184</u>	<u>\$ -</u>	<u>\$ 115,184</u>	<u>\$ 115,184</u>	<u>\$ -</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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
		(as restated)		(as restated)						
Governmental activities										
Net investment in capital assets	\$ 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	\$ 40,273,278
Restricted	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	4,186,701
Unrestricted (deficit)	(1,883,651)	(1,649,525)	430,767	411,914	756,430	590,645	3,388,935	(12,503,280)	(13,032,813)	(14,518,357)
Total governmental activities net position	\$ 30,978,769	\$ 32,179,490	\$ 34,796,568	\$ 37,087,317	\$ 39,600,790	\$ 42,392,069	\$ 42,828,533	\$ 30,046,416	\$ 30,778,449	\$ 29,941,622
Business-type activities										
Net investment in capital assets	\$ 71,218	\$ 87,525	\$ 161,450	\$ 174,608	\$ 187,573	\$ 200,539	\$ 213,504	\$ 206,588	\$ 283,085	\$ 263,901
Unrestricted	113,137	130,381	42,218	35,346	81,725	94,843	131,301	206,978	144,516	246,940
Total business-type activities net position	\$ 184,355	\$ 217,906	\$ 203,668	\$ 209,954	\$ 269,298	\$ 295,382	\$ 344,805	\$ 413,566	\$ 427,601	\$ 510,841
Government-wide										
Net investment in capital assets	\$ 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	\$ 40,537,179
Restricted	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	4,186,701
Unrestricted (deficit)	(1,770,514)	(1,519,144)	472,985	447,260	838,155	685,488	3,520,236	(12,296,302)	(12,888,297)	(14,271,417)
Total government-wide net position	\$ 31,163,124	\$ 32,397,396	\$ 35,000,236	\$ 37,297,271	\$ 39,870,088	\$ 42,687,451	\$ 43,173,338	\$ 30,459,982	\$ 31,206,050	\$ 30,452,463

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
		(as restated)		(as restated)						
Expenses										
Governmental activities										
Instruction	\$ 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	\$ 54,942,382
Support services:										
Student & instruction related services	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	13,252,401
School administration services	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	5,142,705
General and Business administration services	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	3,985,040
Operation and Maintenance of Plant Services	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	7,559,671
Student transportation services	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	2,886,516
Special Schools	78,748	87,400	99,470	117,587	150,240	172,554	240,248	250,999	290,374	318,195
Charter Schools					11,223	9,821	20,005			
Interest and other costs on long term debt	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	1,564,896
Total governmental activities	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	89,651,806
Business-type activities:										
Food service	699,032	819,534	906,257	930,380	982,242	956,075	1,060,277	1,078,795	1,207,014	1,171,771
Cougar Cubs			29,918	68,299						
Total business-type activities expense	699,032	819,534	936,175	998,679	982,242	956,075	1,060,277	1,078,795	1,207,014	1,171,771
Total government-wide expenses	\$ 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	\$ 90,823,577
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 12,347	\$ 16,301	\$ 5,000	\$ 60,500	\$ 43,900	\$ 174,243	\$ 238,138	\$ 251,032	\$ 179,845	\$ 165,429
Pupil transportation	63,811	77,660	95,654	102,737	98,468	117,344	128,015	134,560	132,526	157,648
Operating grants and contributions	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	1,260,716
Capital grants and contributions	639,500	61,571	327,043	63,241	276,089	2,997	76,981	68,753	248,586	265,746
Total governmental activities program revenues	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	1,849,539
Business-type activities:										
Charges for services:										
Food service	696,027	767,061	835,552	895,670	948,046	891,004	1,018,241	1,063,569	1,127,623	1,166,780
Cougar Cubs		34,535	24,664	39,018						
Operating grants and contributions	40,613	50,251	61,721	70,277	93,540	91,155	91,459	83,987	93,426	88,231
Total business type activities program revenues	736,640	851,847	921,937	1,004,965	1,041,586	982,159	1,109,700	1,147,556	1,221,049	1,255,011
Total government-wide program revenues	\$ 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	\$ 3,104,550
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (87,802,267)
Business-type activities	37,608	32,313	(14,238)	6,286	59,344	26,084	49,423	68,761	14,035	83,240
Total government-wide net (expense)/revenue	\$ (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)	\$ (87,719,027)

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

(accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position		(as restated)								
Governmental activities:										
Property taxes levied for general purposes	\$ 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	\$ 60,147,138
Taxes levied for debt service	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	2,261,810
Unrestricted grants and contributions	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	23,730,833
Investment earnings	148,834	14,644	17,334	14,064	9,600	8,148	6,137	4,086	4,689	44,551
Miscellaneous income	139,476	244,540	294,945	296,104	417,024	1,105,493	366,796	434,592	543,828	781,108
Total governmental activities	\$ 54,841,332	\$ 56,531,542	\$ 57,761,006	\$ 59,382,328	\$ 62,043,087	\$ 65,534,980	\$ 66,307,464	\$ 75,372,443	\$ 79,474,350	\$ 86,965,440
Business-type activities:										
Investment earnings	8,769	1,238	-	-	-	-	-	-	-	-
Total business-type activities	8,769	1,238	-	-	-	-	-	-	-	-
Total district-wide	\$ 54,850,101	\$ 56,532,780	\$ 57,761,006	\$ 59,382,328	\$ 62,043,087	\$ 65,534,980	\$ 66,307,464	\$ 75,372,443	\$ 79,474,350	\$ 86,965,440
Change in Net Position										
Governmental activities	\$ 123,923	\$ 1,200,721	\$ 2,617,078	\$ 2,290,749	\$ 2,513,473	\$ 2,791,279	\$ 436,464	\$ 573,783	\$ 732,033	\$ (836,827)
Business-type activities	46,377	33,551	(14,238)	6,286	59,344	26,084	49,423	68,761	14,035	83,240
Total district	\$ 170,300	\$ 1,234,272	\$ 2,602,840	\$ 2,297,035	\$ 2,572,817	\$ 2,817,363	\$ 485,887	\$ 642,544	\$ 746,068	\$ (753,587)

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,129,118	\$ 2,022,567	\$ 2,966,886							
Unreserved	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	\$ 4,152,480
Assigned				533,174	884,234	465,868	3,281,687	594,228	559,139	814,350
Unassigned				1,345,112	1,050,698	985,978	1,120,590	1,238,291	1,109,931	1,130,079
Total general fund	<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>	<u>\$ 6,096,909</u>
All Other Governmental Funds										
Reserved	\$ 100,000	\$ 932,255	\$ 96,798							
Unreserved, reported in:										
Capital projects fund (deficit)	341,009	52,943	392,506							
Debt service fund	1	1	2							
Restricted				\$ 1,197,940	\$ 627,866	\$ 230,250	\$ 297,840	\$ 506,327	\$ 1,159,820	\$ 15,713,076
Total all other governmental funds	<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>	<u>\$ 15,713,076</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 Chula Vista
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years

(modified accrual basis of accounting)
 Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue										
Local sources:										
Local tax levy	\$ 46,623,391	\$ 49,793,222	\$ 50,753,021	\$ 54,289,371	\$ 55,524,892	\$ 56,734,233	\$ 58,611,994	\$ 60,397,848	\$ 61,374,822	\$ 62,408,948
Transportation fees	63,811	77,660	95,654	102,737	98,468	117,344	128,015	134,560	132,526	157,648
Tuition charges	12,347	16,301	5,000	60,300	43,900	174,243	238,138	251,032	179,845	165,429
Interest earned	148,834	14,644	17,334	14,664	9,600	8,148	6,137	4,086	4,689	44,551
Miscellaneous	336,629	412,971	412,752	503,988	624,027	1,419,598	577,470	759,473	813,561	1,137,416
Total local sources	47,187,062	50,314,798	51,288,761	54,970,666	56,300,887	58,455,566	61,546,999	62,905,443	63,913,992	65,913,992
State sources	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	10,534,009
Federal sources	773,644	771,600	1,376,853	1,230,170	1,036,102	972,428	889,684	927,131	955,119	978,150
Total revenue	57,029,527	57,860,897	59,894,912	61,205,509	63,737,855	67,259,249	67,958,249	71,047,048	73,229,480	75,416,151
Expenditures										
Current	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	29,542,038
Support services	2,245,509	2,297,823	2,210,229	2,338,936	2,386,067	1,922,832	2,393,463	2,437,142	2,614,988	2,287,411
Tuition	56,867	60,304	67,715	65,223	58,185	58,734	59,499	62,764	63,922	63,418
Attendance/social work	504,508	538,244	533,086	565,778	586,778	626,641	643,896	646,778	581,817	610,623
Health services	2,924,526	3,233,644	3,113,076	3,525,735	3,892,517	4,002,657	4,121,873	4,391,402	4,430,431	4,586,694
Other support services	937,453	855,941	697,162	627,673	647,573	688,774	684,763	681,907	710,791	768,984
Improvement of instruction	856,013	844,372	776,079	825,710	993,541	933,129	872,837	870,424	872,894	887,674
Education media library	220,741	133,312	109,854	103,611	130,569	189,761	589,223	590,801	633,067	620,128
Other support/instructional staff	1,686,817	1,076,374	947,810	921,756	839,783	873,580	940,291	1,097,073	1,014,515	1,012,292
General administration services	2,421,735	2,456,224	2,514,209	2,624,611	2,676,125	2,683,329	2,775,092	2,708,155	2,706,121	2,808,740
School administration services	672,910	744,412	632,285	675,431	682,780	753,992	764,217	765,841	820,190	858,155
Control services	66,379	67,788	482,876	413,660	443,972	533,903	515,039	554,949	570,112	569,597
Administrative information technology services	893,832	874,508	967,041	1,490,447	977,535	1,083,783	1,294,195	1,003,783	1,294,195	468,246
Required maintenance of plant services	4,236,567	4,446,882	3,921,013	3,942,246	3,709,037	3,830,926	3,711,271	3,448,907	3,349,202	4,143,277
Operation and maintenance of plant services			138,864	177,534	201,217	222,293	198,345	181,119	196,180	222,214
Care and upkeep of grounds			60,419	84,656	79,863	59,091	318,926	266,094	280,096	319,620
Security	1,937,315	2,038,321	2,109,563	2,331,366	2,309,451	2,228,574	2,452,391	2,556,692	2,689,556	2,866,750
Student transportation	10,508,614	9,285,799	9,718,513	11,851,211	13,407,010	13,529,741	15,222,766	15,222,766	15,907,046	17,180,349
Unallocated benefits and On-behalf TPAF Contributions	58,210	67,440	74,264	89,747	107,902	122,377	172,110	157,266	176,007	173,744
Special schools			452	9,555	20,005	9,821	20,005			
Charter schools	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	2,891,526
Capital outlay										
Debt services:										
Principal	1,682,983	1,838,891	1,841,898	1,462,608	1,497,837	1,367,152	1,270,000	1,515,000	1,490,000	1,725,391
Interest	1,818,207	1,704,609	1,706,302	1,630,490	1,600,417	1,536,590	1,467,760	1,039,879	1,193,751	1,346,458
Cost of issuance										
Total expenditures	60,471,060	56,849,084	58,597,338	60,744,783	64,023,093	65,299,520	68,071,209	74,084,904	77,506,929	76,094,995
Excess (deficiency) of revenues over (under) expenditures	(3,441,533)	1,011,813	1,297,554	460,726	(285,238)	1,959,729	(89,960)	(3,037,856)	(4,277,449)	(678,844)
Other financing sources (uses)										
Refunding bonds issued										
Bonds issued										
Payment to bond escrow agent										
Capital lease issuance	331,067	761,632	564,226	472,599					5,390,000	15,864,000
Equity contribution										
Premium on bonds issued										
Additional proceeds	250,000	783,049	56	818,250	474,525	80,738	80,738	362,436	328,757	157,896
Transfers in	(240,000)	(783,049)	(56)	(818,250)	(474,525)	(80,738)	(80,738)	(362,436)	(328,757)	(157,896)
Transfers out										
Insurance Recovery Related to Other Costs of Super Storm Sandy										
Total other financing sources (uses)	331,067	761,632	564,226	472,599	21,398	21,398	202,200	202,200	5,390,000	15,021,806
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(3,110,466)	1,773,445	1,861,780	933,325	(285,238)	1,981,127	(89,960)	(2,835,656)	(1,112,551)	15,342,962
Fund balance July 1	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
Fund balance June 30	\$ 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	\$ 21,809,985
Debt service as a percentage of noncapital expenditures	6.31%	6.55%	6.41%	5.20%	5.10%	4.54%	4.12%	3.67%	3.75%	4.20%

Source: District records
 Note: Noncapital expenditures are total expenditures less capital outlay and debt service.

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	Energy Savings Rebates	Legal Settlement	Transportation Fees	Annual Totals
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
2017	165,429	5,583	11,000	162,348	326,526	\$ 281,234		157,648	1,109,768

Source: District records

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

Unaudited

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Public Utilities ^a	Total Assessed Value	Less : Tax Exempt Property	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
Borough of Chatham													
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	1.180
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	1.200
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	1.210
2016	9,445,600	1,797,232,200	None	200,000	205,235,400	21,861,200	39,173,700	1,140,307	2,074,288,407	143,250,900	1,931,037,507	2,407,716,713	1.218
2017	8,929,200	1,806,178,600	None	200,000	204,706,600	21,583,800	38,946,200	1,115,479	2,081,659,879	143,286,300	1,938,373,579	2,465,015,414	1.256
Township of Chatham													
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
2017	26,831,600	2,933,199,800	10,677,800	172,500	120,530,400	1,285,800	51,680,000	1,290,785	3,145,668,685	192,949,600	2,952,719,085	3,513,441,057	1.175

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 ^a	General Obligation Debt Service ^b	(From J-6) Total Direct School Tax Rate	Municipality	Morris County	
Borough of Chatham						
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
2017	1.21	0.04	1.26	0.42	0.31	1.98
Township of Chatham						
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
2017	1.13	0.04	1.18	0.30	0.27	1.75

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

	2017		2008	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
<u>Chatham Borough</u>				
KRE 500 Manila Associates/Seaview, LLC	\$ 11,794,800	0.57%	Morehouse Estates LLC	\$ 14,025,700 0.69%
26 Main Street Chatham LLC	11,000,000	0.53%	One Main Street Associates	13,176,400 0.65%
MHP Chatham Portfolio LLC	10,004,500	0.49%	B/K Jefferson/Hamilton LLC	11,794,800 0.58%
One Main Street Associates	9,091,700	0.44%	J. Apgar & J. Volker	10,904,500 0.54%
Chatham Project, LLC	7,310,000	0.35%	Foursome Associates	8,830,200 0.43%
Levin Properties, LP	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%
97 Main Street LLC	4,621,600	0.22%	Kapian Elbert & Associates	4,261,100 0.21%
Weill, Maurice M Trustee	4,127,500	0.20%	Maher, Baroukh & Vilma	4,079,600 0.20%
Total	\$ 77,500,900	3.76%	Total	\$ 88,656,500 4.36%
<u>Township of Chatham*</u>				
Home Poperties Chatham Hill, LLC	*	*	Home Poperties Chatham Hill, LLC	\$ 44,680,000 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.	*	*	Reckson 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	\$ 181,591,800 6.59%

Source: District CAFR & Municipal Tax Assessor.

* This information was not provided by the Township of Chatham.

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

Unaudited

Year Ended June 30,	Taxes Levied for the Fiscal Year - School District of the Chathams	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	-
2017	62,408,948	62,408,948	100.00%	-

Year Ended December 31,	Taxes Levied for the Fiscal Year - Borough of Chatham	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2016	40,239,670	39,883,859	99.12%	355,811

Year Ended December 31,	Taxes Levied for the Fiscal Year - Township of Chatham	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2016	53,408,511	52,764,058	98.79%	644,453

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 Collectors. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount certified prior to the end of the school year.

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

Unaudited

Governmental Activities

Year Ended June 30,	General Obligation Bonds	Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita Income ^a
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	*	*
2017	42,414,000	4,949,609	47,363,609	*	*

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 ^a of Property	Per Capita ^b
	General Obligation Bonds	Energy Lease	Deductions			
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%	86,582
2016	27,835,000	\$5,390,000	254,225	32,970,775	1.71%	**
2017	42,414,000	4,949,609	115,184	47,248,425	2.44%	**

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, 2017

Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Chatham Township		Not Available	
Chatham Borough		Not Available	
Morris County General Obligation Debt		Not Available	
Subtotal, overlapping debt			Not Available
School District the Chathams			\$ 47,248,425
School District the Chathams			\$ 47,248,425

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 2017

			Equalized valuation basis
	Chatham Borough	Chatham Township	Total
2017	\$ 2,465,015,414	\$ 3,513,441,057	\$ 5,978,456,471
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
	<u>\$ 7,193,939,120</u>	<u>\$ 10,346,340,902</u>	<u>\$ 17,540,280,022</u>
Average equalized valuation of taxable property			<u>\$ 5,846,760,007</u>
Debt limit (4% of average equalization value)			\$ 233,870,400 ^a
Total Net Debt Applicable to Limit			<u>47,248,425</u>
Legal debt margin			<u>\$ 186,621,975</u>

	Year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	\$ 233,870,400
Total net debt applicable to limit	<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>32,970,775</u>	<u>47,248,425</u>
Legal debt margin	<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>\$ 195,730,151</u>	<u>\$ 186,621,975</u>
Total net debt applicable to the limit as a percentage of debt limit	20.29%	18.02%	17.16%	16.30%	16.09%	15.24%	14.62%	12.86%	14.42%	20.20%

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

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

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

Unaudited

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
Borough of Chatham				
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	778,631,926	86,582	3.30%
2017	8,977	**	**	2.80%
Township of Chatham				
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	916,470,470	86,582	3.40%
2017	10,466	**	**	3.10%

Source:

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

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

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

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

** This information is not available from State.

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

Unaudited

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
TOWNSHIP OF CHATHAM	*	*	Approx. 120	*
BOROUGH OF CHATHAM	Approx. 115	*	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>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>	<u>2017</u>
Instruction										
Regular	259.92	243.70	247.58	271.50	280.00	286.00	292.90	292.90	299.90	302.40
Special Education	48.80	69.30	73.00	84.20	89.30	95.30	120.30	127.80	133.90	135.40
Support Services										
Student & instruction related services	60.61	60.50	50.63	30.80	34.10	36.60	30.40	30.40	30.40	31.40
General administrative services	2.00	2.50	2.50	10.40	9.40	10.40	5.00	5.00	5.00	6.00
School administrative services	27.75	25.50	23.00	28.50	28.50	28.50	35.70	35.70	35.70	35.70
Business administrative services	9.00	9.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00
Plant operation & maintenance	46.00	51.00	42.00	42.90	42.90	42.90	44.00	45.00	45.00	45.00
Pupil transportation	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	454.58	462.50	446.71	476.30	493.20	508.70	537.30	545.80	558.90	564.90

Source: District Personnel Records
and 2017 budget support document.

School District of the Chathams
 Operating Statistics
 Last Ten Fiscal Years

Unaudited

Year Ended June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						4 Elementary Schools	1 Middle School	1 High School				
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%
2017	4,203	69,909,954	16,633	0.23%	374.00	10.9:1	11.6:1	11.5:1	4,213	4,056	1.62%	96.27%

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).

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

Unaudited

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District Building										
<u>Elementary</u>										
Milton Avenue School (1948)										
Square Feet	34,728	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050
Capacity (students)	278	336	336	336	336	336	336	336	336	336
Enrollment	329	342	366	373	371	389	370	364	356	356
Southern Boulevard School (1928)										
Square Feet	51,983	76,890	76,890	76,890	76,890	76,890	76,890	76,890	76,890	76,890
Capacity (students)	416	615	615	615	615	615	615	615	615	615
Enrollment	484	490	502	493	491	463	452	456	464	464
Washington Avenue School (1952)										
Square Feet	40,293	62,100	62,100	62,100	62,100	62,100	62,100	62,100	62,100	62,100
Capacity (students)	322	497	497	497	497	497	497	497	497	497
Enrollment	387	401	446	455	448	444	457	433	428	397
Lafayette Avenue School (1954)										
Square Feet	68,294	72,690	72,690	72,690	72,690	72,690	72,690	72,690	72,690	72,690
Capacity (students)	546	582	582	582	582	582	582	582	582	582
Enrollment	597	636	637	598	635	695	709	680	652	691
<u>Middle School</u>										
Chatham Middle School (1957)										
Square Feet	144,445	144,445	144,445	191,720	191,720	191,720	191,720	191,720	191,720	191,720
Capacity (students)	1,078	1,078	1,078	1,431	1,431	1,431	1,431	1,431	1,431	1,431
Enrollment	831	849	891	958	962	961	941	991	1,054	1,086
<u>High School</u>										
Chatham High School (1962)										
Square Feet	168,977	220,065	220,065	220,065	237,730	237,730	237,730	237,730	237,730	243,790
Capacity (students)	1,119	1,457	1,457	1,457	1,574	1,574	1,574	1,574	1,574	1,574
Enrollment	954	999	1,054	1,056	1,146	1,157	1,201	1,188	1,198	1,239

Number of Schools at June 30, 2017

- 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
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
2017	389,178	306,054	116,039	67,127	122,744	99,134	1,100,276
Grand Total School Facilities	\$ 3,880,648	\$ 2,837,692	\$ 1,247,209	\$ 799,934	\$ 1,156,864	\$ 749,923	\$ 10,672,270

* 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, 2017

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Multi Peril Package Policy - Utica		
Property - Blanket, building and contents	\$ 176,708,626	\$ 5,000.00
Property - Equipment Breakdown	176,708,626	2,500.00
Business Income	5,000,000	
Commercial General Liability	3,000,000 (aggregate)	
Electronic Data Processing	2,500,000	1,000.00
Educators Legal Liability	1,000,000	7,500.00
	3,000,000 (aggregate)	
Leased / Contractor Equipment - Utica	50,000	1,000.00
Commercial Automotive Liability - Utica	1,000,000	1,000.00
Workers Compensation - NJSIG	2,000,000	
Pollution - Commerce & Industry Ins. - Beazley	1,000,000	10,000.00
Umbrella Excess Liability - Utica	10,000,000	10,000.00
Crime - Utica		
Employee Theft	400,000	1,000.00
Forgery / Alteration	50,000	1,000.00
Computer Fraud	50,000	1,000.00
School District and Educators Legal Liability - Zurich	1,000,000	7,500.00
	3,000,000 (aggregate)	
CAP	50,000,000	
Student Accident - Bollinger & Zurich		
Maximum Benefit	500,000	
Public Officials Bonds - Selective		
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2017.

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.

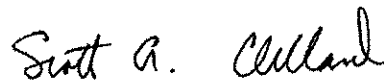
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

November 15, 2017
Livingston, New Jersey

Report on Compliance For Each Major Federal and State Program and Report 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, 2017. 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, 2017.

Report on Internal Control Over Compliance

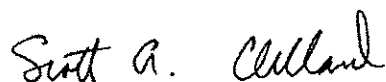
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

November 15, 2017
Livingston, New Jersey

**BOARD OF EDUCATION
SCHOOL DISTRICT OF THE CHATHAMS**
Schedule of Expenditures of Federal Awards, Schedule A
Year Ended June 30, 2017

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, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2017		
					From	To							(Accounts Receivable)	Unearned Revenue	Due to Grantor
Enterprise Fund:															
U.S. Department of Agriculture Passed -															
Through State Department of Agriculture:															
Child Nutrition Program Cluster															
Food Donation Program (NC)	10.555	171NJ304N1099	N/A	\$ 38,059	7/1/2016	6/30/2017			\$ 38,059	\$ 36,359				\$ 1,700	
Food Donation Program (NC)	10.555	16161NJ304N1099	N/A	45,045	7/1/2015	6/30/2016	\$ 2,970			2,970					
National School Lunch Program	10.555	171NJ304N1099	N/A	39,013	7/1/2016	6/30/2017			35,328	39,013			\$ (3,685)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	39,823	7/1/2015	6/30/2016	(3,854)		3,854						
Federal PB Lunch - Healthy Hunger-Free Kids Act of 2010	10.555	171NJ304N1099	N/A	5,903	7/1/2016	6/30/2017			5,325	5,903			(578)		
Federal PB Lunch - Healthy Hunger-Free Kids Act of 2010	10.555	16161NJ304N1099	N/A	5,713	7/1/2015	6/30/2016	(547)		547						
Total U.S. Department of Agriculture Passed -															
Through State Department of Agriculture and Child Nutrition Program Cluster							(1,431)		83,113	84,245			(4,253)	1,700	
Special Revenue Fund:															
U.S. Department of Education Passed -															
Through State Department of Education:															
N.C.L.B. Title I A															
N.C.L.B. Title I A	84.010A	S010A160030	N/A	70,819	7/1/2016	6/30/2017			42,719	50,103			(7,384)		
N.C.L.B. Title I A	84.010A	S010A150030	N/A	58,164	7/1/2015	6/30/2016	(4,706)		4,706						
N.C.L.B. Title II A															
N.C.L.B. Title II A	84.367A	S367A160029	N/A	52,649	7/1/2016	6/30/2017			43,553	52,649			(9,096)		
N.C.L.B. Title II A	84.367A	S367A150029	N/A	55,829	7/1/2015	6/30/2016	(15,789)		15,789						
Language Instruction for English Learners and Immigrant Students															
N.C.L.B. Title III	84.365A	S365A160030	N/A	12,331	7/1/2016	6/30/2017			9,822	11,864			(2,042)		
N.C.L.B. Title III	84.365A	S365A150030	N/A	11,783	7/1/2015	6/30/2016	(1,155)		1,155						
N.C.L.B. Title III - Supplemental Immigrant Student Aid	84.365A	S365A160030	N/A	8,017	7/1/2016	6/30/2017			3,915	5,226			(1,311)		
Subtotal Language Instruction for English Learners and Immigrant Students							(1,155)		14,892	17,090			(3,353)		
Special Education Cluster:															
I.D.E.A. Part B, Basic															
I.D.E.A. Part B, Basic	84.027A	H027A160100	N/A	868,799	7/1/2016	6/30/2017			865,181	834,607			(139,426)		
I.D.E.A. Part B, Basic	84.027A	H027A150100	N/A	853,810	7/1/2015	6/30/2016	(102,445)		102,445						
I.D.E.A. Preschool	84.173A	H173A160114	N/A	23,701	7/1/2016	6/30/2017			22,772	23,701			(929)		
Subtotal of Special Education Cluster							(102,445)		820,398	858,308			(140,355)		
U.S. Department of Homeland Security Passed -															
Through State Department of Education:															
Federal Emergency Management Assistance															
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							(149,741)	-	967,703	978,150			(160,188)	-	
Total expenditures of Federal Awards							\$ (151,172)	\$ -	\$ 1,050,816	\$ 1,062,395	\$ -	\$ -	\$ (164,451)	\$ 1,700	

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, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Award Amount	Balance July 1, 2016	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2017			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	17-495-034-5120-089	7/1/2016	6/30/2017	\$ 1,638,810			\$ 1,485,016	\$ 1,638,810					\$ (153,794)	\$ 1,638,810
Categorical Special Education Aid	18-495-034-5120-089	7/1/2015	6/30/2016	1,657,762	\$ (152,518)		152,518							
Transportation Aid	17-495-034-5120-014	7/1/2016	6/30/2017	171,366			155,284	171,366					(16,082)	171,366
Transportation Aid	18-495-034-5120-014	7/1/2015	6/30/2016	151,780	(13,962)		13,962							
Security Aid	17-495-034-5120-084	7/1/2016	6/30/2017	71,443			64,738	71,443					(6,705)	71,443
Security Aid	18-495-034-5120-084	7/1/2015	6/30/2016	62,418	(5,743)		5,743							
Additional Adjustment Aid	17-485-034-5120-085	7/1/2016	6/30/2017	1			1	1						1
PARCC Readiness Aid	17-485-034-5120-098	7/1/2016	6/30/2017	40,600			36,790	40,600					(3,810)	40,600
PARCC Readiness Aid	16-485-034-5120-098	7/1/2015	6/30/2016	40,600	(3,735)		3,735							
Per Pupil Growth Aid	17-485-034-5120-097	7/1/2016	6/30/2017	40,600			36,790	40,600					(3,810)	40,600
Per Pupil Growth Aid	16-485-034-5120-097	7/1/2015	6/30/2016	40,600	(3,735)		3,735							
Professional Learning Comm Aid	17-485-034-5120-101	7/1/2016	6/30/2017	40,670			36,853	40,670					(3,817)	40,670
Extraordinary Aid	17-100-034-5120-473	7/1/2016	6/30/2017	392,097			392,097		\$ (392,097)					392,097
Extraordinary Aid	16-100-034-5120-473	7/1/2015	6/30/2016	377,740	(377,740)		377,740							-
Non-Public Transportation Aid	17-495-034-5120-014	7/1/2016	6/30/2017	59,812				59,812		(59,812)				59,812
Non-Public Transportation Aid	16-495-034-5120-014	7/1/2015	6/30/2016	57,675	(57,675)		57,675							
On-Behalf Teachers' Pension and Annuity Fund	17-495-034-5094-002	7/1/2016	6/30/2017	3,149,899			3,149,899	3,149,899						3,149,899
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	17-495-034-5095-001	7/1/2016	6/30/2017	2,624,581			2,624,581	2,624,581						2,624,581
On-Behalf Teachers' Pension and Annuity Fund - Non-contributory Insurance	17-495-034-5094-004	7/1/2016	6/30/2017	8,801			8,801	8,801						8,801
Reimbursed TPAF Social Security Contribution	17-495-034-5094-003	7/1/2016	6/30/2017	2,101,650			1,989,927	2,101,650		(211,723)				2,101,650
Reimbursed TPAF Social Security Contribution	16-495-034-5094-003	7/1/2015	6/30/2016	2,088,837	(205,993)		205,993							
Total General Funds					(821,101)		10,309,781	10,340,330		(663,632)			(188,018)	10,340,330
Special Revenue Fund:														
New Jersey Nonpublic Aid:														
Textbook Aid	17-100-034-5120-064	7/1/2016	6/30/2017	24,785			24,785	24,785						24,785
Auxiliary Services:														
Compensatory Education	17-100-034-5120-067	7/1/2016	6/30/2017	15,229			15,229	11,556			\$ 3,673			11,556
English as a Second Language	17-100-034-5120-067	7/1/2016	6/30/2017	914			914	914						914
Handicapped Services:														
Examination and Classification	17-100-034-5120-066	7/1/2016	6/30/2017	41,966			41,966	41,966						41,966
Examination and Classification	16-100-034-5120-066	7/1/2015	6/30/2016	37,160	341				\$ 341					
Corrective Speech	17-100-034-5120-066	7/1/2016	6/30/2017	19,083			19,083	17,847				1,236		17,847
Corrective Speech	16-100-034-5120-066	7/1/2015	6/30/2016	19,230	3,595				3,595					
Supplementary Instruction	17-100-034-5120-066	7/1/2016	6/30/2017	27,622			27,622	24,012				3,610		24,012
Supplementary Instruction	16-100-034-5120-066	7/1/2015	6/30/2016	28,069	965				965					
Technology Initiative	17-100-034-5120-373	7/1/2016	6/30/2017	11,180			11,180	11,024				156		11,024
Technology Initiative	16-100-034-5120-373	7/1/2015	6/30/2016	7,878	208				208					
Home Instruction	n/a	7/1/2015	6/30/2016	840	(840)		840							
Security Aid	17-100-034-5120-509	7/1/2016	6/30/2017	21,200			21,200	21,200						21,200
Security Aid	16-100-034-5120-508	7/1/2015	6/30/2016	10,700	200				200					
Nursing Services	17-100-034-5120-070	7/1/2016	6/30/2017	38,700			38,700							38,700
Total Special Revenue Funds					4,469		291,519	192,904		5,308			8,675	192,904
Capital Projects Fund:														
N.J. Economic Development Authority Educational Facilities Construction & Financing Act:														
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					(110,957)		110,957							110,957
Enterprise Fund:														
State School Lunch Program	16-100-010-3350-023	7/1/2016	6/30/2017	3,986			3,597	3,986			(389)			3,986
State School Lunch Program	15-100-010-3350-023	7/1/2015	6/30/2016	3,876	(372)		372							
Total Enterprise Fund					(372)		3,969	3,986			(389)			3,986
Total All Funds					\$ (927,961)	\$ -	\$ 10,626,226	\$ 10,536,320	\$ 5,309	\$ (664,021)	\$ -	\$ 8,675	\$ (188,018)	\$ 10,647,277
State Financial Assistance Not Subject to Single Audit Determination:														
On-Behalf Teachers' Pension and Annuity Fund	17-495-034-5094-002	7/1/2016	6/30/2017	3,149,899			3,149,899	3,149,899						3,149,899
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	17-495-034-5095-001	7/1/2016	6/30/2017	2,624,581			2,624,581	2,624,581						2,624,581
On-Behalf Teachers' Pension and Annuity Fund - Non-contributory Insurance	17-495-034-5094-004	7/1/2016	6/30/2017	8,801			8,801	8,801						8,801
Total State Financial Assistance Subject to Single Audit Determination					\$ (927,961)	\$ -	\$ 4,842,945	\$ 4,783,038	\$ 5,309	\$ (664,021)	\$ -	\$ 8,675	\$ (188,018)	\$ 4,863,996

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

Year ended June 30, 2017

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, 2017

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 \$8,325 for the general fund and \$162,103 for the special revenue fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general fund, special revenue fund and enterprise fund. Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		\$ 10,332,005	\$ 10,332,005
Special Revenue Fund	\$ 978,150	192,004	1,170,154
Food Service Enterprise Fund	84,245	3,986	88,231
Total financial award revenues	\$ 1,062,395	\$ 10,527,995	\$ 11,590,390

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, 2017.

The post retirement pension, disability insurance and medical benefits received on-behalf of the District for the year ended June 30, 2017 amounted to \$5,783,281. Since on-behalf post retirement pension, disability insurance and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 15-08, however, they are reported on the Schedule of Expenditures of State Financial Assistance, 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, 2017

Part I - Summary of Auditors' Results (continued)

Financial Statements

Type of report the auditors issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Are any material weakness(es) identified?

_____ Yes ✓ No

Are any significant deficiency(ies) identified?

_____ Yes ✓ None Reported

Is any noncompliance material to financial statements noted?

_____ Yes ✓ No

Federal Awards

Internal control over major federal programs:

Are any material weakness(es) identified?

_____ Yes ✓ No

Are any significant deficiency(ies) identified?

_____ Yes ✓ None Reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes ✓ No

Identification of major federal programs:

CFDA Number(s)	FAIN Number	Name of Federal Program or Cluster
84.027,84.173	H027A160100/H173A160114	IDEA Part B, Basic and Preschool (Special Education Cluster)

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

\$750,000

Auditee qualified as low-risk auditee?

 ✓ Yes _____ No

School District of the Chathams

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

Part I - Summary of Auditors' Results (continued)

State Awards

Internal control over major state programs:

Are any material weakness(es) identified? _____ Yes ✓ No

Are any significant deficiency(ies) identified? _____ Yes ✓ None Reported

Type of auditors' report on compliance for major state programs: _____ Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? _____ Yes ✓ No

Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
17-495-034-5094-003	Reimbursed TPAF Social Security Contributions

Dollar threshold used to distinguish between Type A and Type B programs: _____ \$750,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

School District of the Chathams

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

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, 2017

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

No compliance or internal control over compliance 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, 2017

None.