

# 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, 2018*

**School District of the Chathams**

**Chatham, New Jersey**

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2018

Prepared by

Business Office

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INTRODUCTORY SECTION





## School District of the Chathams

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

Peter Daquila  
Business Administrator/  
Board Secretary

February 12, 2019

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 (CAFR) of the School District of the Chathams (the "District") as of and for the year ended June 30, 2018, 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 CAFR 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Nonprofit Organizations*, 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 2017/2018 fiscal year with an average daily enrollment of 4,164 students, which is a decrease of 49 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>
2017/2018	4,164	(1.2)%
2016/2017	4,213	1.6%
2015/2016	4,145	0.1%
2014/2015	4,118	(0.7)%
2013/2014	4,121	0.3%

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 \$4,940,243,158 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 accounting principles generally accepted in the United States of America (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state awards

programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

#### 5. BUDGETARY CONTROLS:

In addition to internal controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board and New Jersey Department of Education. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. The legal level of budgetary control is at the line-item level in each fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2018.

#### 6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds 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, 2018, the District's outstanding debt issues are well below the legal debt margin. The District continues to be committed to providing the debt rating agencies and all other interested parties with annual audited financial statements and other pertinent credit information relevant to our outstanding securities.

#### 8. FINANCIAL STATUS:

The business administrator and the finance committee continue to guide the district with fiscal prudence while working within the limitations imposed by the state's 2% cap on the annual increase of the tax revenue collected from Chatham Borough and Chatham Township. The business office utilizes purchasing co-operatives, state contracts and bids to purchase the materials needed to operate the district at the lowest possible price. The district has utilized the capital reserve balance to fund capital improvements at all of the schools instead of incurring additional debt. The capital reserve balance is also used in conjunction with the funding from the Schools Development Authority (SDA) for capital projects to maintain our aging school buildings. The tax payers approved a \$15,864,300 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.

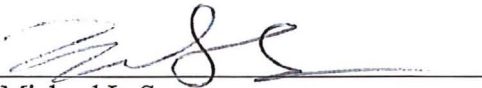
9. OTHER INFORMATION:

*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.

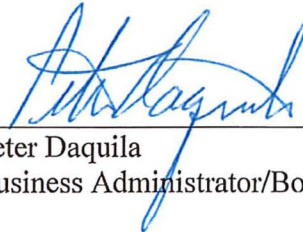
10. ACKNOWLEDGMENTS:

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,

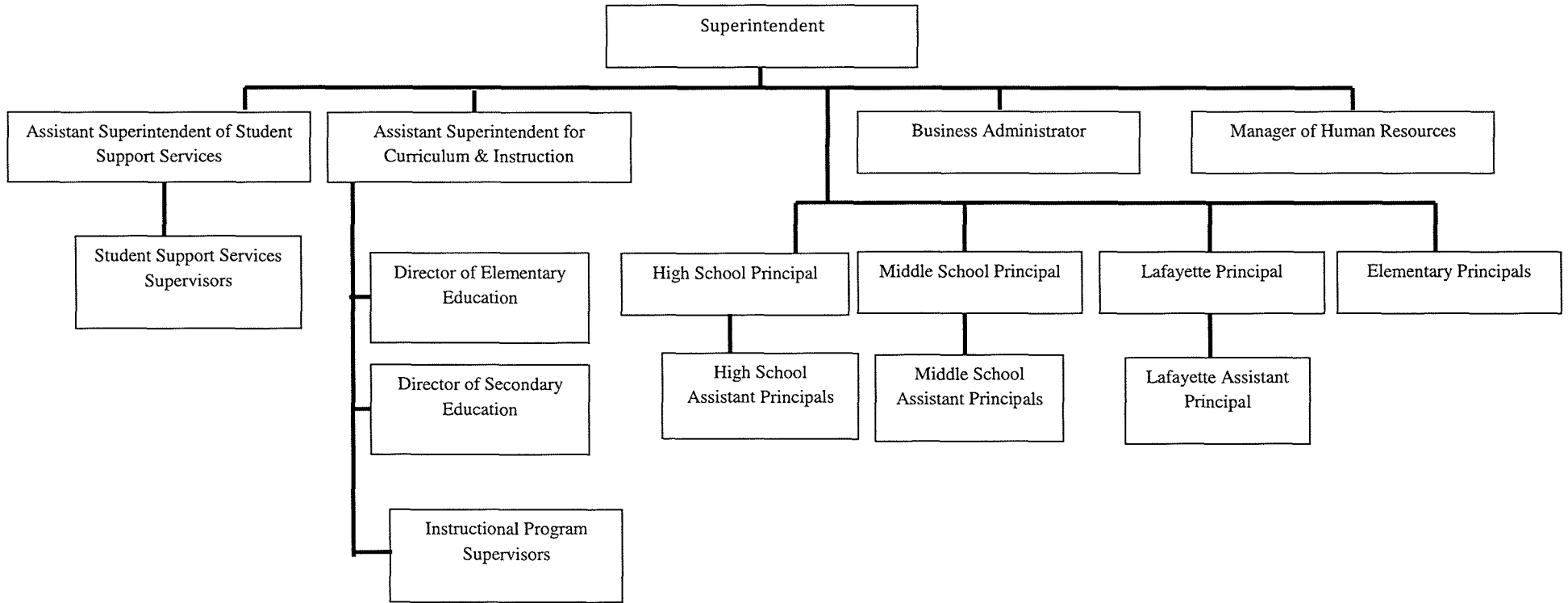


Dr. Michael LaSusa  
Superintendent



Peter Daquila  
Business Administrator/Board Secretary

SCHOOL DISTRICT  
OF THE CHATHAMS  
ADMINISTRATION



ADMINISTRATIVE  
ORGANIZATIONAL CHART  
Revised 10/1/18

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

**Roster of Officials**

**June 30, 2018**

**Members of the Board of Education**

**Expires**

Jill Critchley Weber, President	2020
Matthew Gilfillan, Vice President	2019
Sal Arnuk	2019
Mary Chambers	2020
Ann Ciccarelli	2018
Michelle Clark	2018
Lata Kenney	2018
Michael Ryan	2020
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, 2018**

**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  
233 Main Street  
Madison, NJ 07940

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, 2018, 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, 2018, 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 pension contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF, schedule of the State's proportionate share of the net OPEB liability and changes in the total OPEB liability and related ratios – PERS and 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***

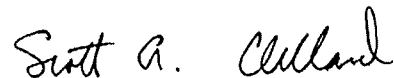
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining and individual fund financial statements, long-term debt schedules and the schedules 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 February 12, 2019 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

February 12, 2019  
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, 2018

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, 2018. 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 outflows and inflows 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 31-69 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 70-95 of this report.

## **Financial Highlights**

Key financial highlights for the 2017-2018 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2018.
- The State did not change the approved state aid to the District for 2017-2018 from the final amount awarded to the District in the 2018 fiscal year.
- During the 2018 fiscal year, the District implemented GASB No. 75 resulting in the recording of revenue and expense in the amount of \$4,904,932 relating to post-employment benefits paid by the State on behalf of the district.



## 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 \$30,890,355 at the close of fiscal 2018. The following table provides a summary of net position at June 30, 2018 and 2017 relating to the District's governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total School District	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
<b>Assets:</b>						
Current and other assets	\$12,861,669	\$22,572,167	\$492,665	\$394,515	\$13,354,334	\$22,966,682
Capital assets, net	83,600,899	73,801,615	249,847	263,901	83,850,746	74,065,516
Total Assets	<u>96,462,568</u>	<u>96,373,782</u>	<u>742,512</u>	<u>658,416</u>	<u>97,205,080</u>	<u>97,032,198</u>
Deferred outflows of resources	<u>6,895,033</u>	<u>8,739,085</u>			<u>6,895,033</u>	<u>8,739,085</u>
<b>Liabilities:</b>						
Current and other liabilities	5,749,627	4,458,569	129,587	147,575	5,879,214	4,606,144
Net pension liability	17,185,813	21,658,593			17,185,813	21,658,593
Long-term liabilities outstanding	<u>46,662,005</u>	<u>49,008,854</u>			<u>46,662,005</u>	<u>49,008,854</u>
Total Liabilities	<u>69,597,445</u>	<u>75,126,016</u>	<u>129,587</u>	<u>147,575</u>	<u>69,727,032</u>	<u>75,273,591</u>
Deferred inflow of resources	<u>3,482,726</u>	<u>45,229</u>			<u>3,482,726</u>	<u>45,229</u>
<b>Net Position:</b>						
Net investment in capital assets	41,337,096	40,273,278	249,847	263,901	41,586,943	40,537,179
Restricted	3,096,012	4,186,701			3,096,012	4,186,701
Unrestricted (deficit)	<u>(14,155,678)</u>	<u>(14,518,357)</u>	<u>363,078</u>	<u>246,940</u>	<u>(13,792,600)</u>	<u>(14,271,417)</u>
Total Net Position	<u>\$30,277,430</u>	<u>\$29,941,622</u>	<u>\$612,925</u>	<u>\$510,841</u>	<u>\$30,890,355</u>	<u>\$30,452,463</u>

The largest portion of the District's net position is its net investment in capital assets (e.g., land, construction-in progress, buildings and improvements, and machinery, equipment, and vehicles), less any related debt (bonds payable and capital leases) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (namely, property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

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

The total net position of the District increased \$437,892 during the current fiscal year, mostly as a result of decreases 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 increased due to capital asset acquisitions exceeding depreciation expense.

Long-term liabilities decreased due to the scheduled \$1,911,463 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 decreased mainly due to the net decrease in the capital reserve account of \$1,044,000.

**District Activities.** The key elements of the District's changes in net position for the years ended June 30, 2018 and 2017 are as follows:

	Governmental Activities		Business-Type Activities		Total School District	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Revenues:						
Program Revenues:						
Charges for Services	\$ 282,206	\$ 323,077	\$ 1,248,527	\$ 1,166,780	\$ 1,530,733	\$ 1,489,857
Operating Grants and Contributions	1,444,997	1,260,716	88,314	88,231	1,533,311	1,348,947
Capital Grants and Contributions	168,898	265,746			168,898	265,746
General Revenue:						
Property Taxes	64,622,959	62,408,948			64,622,959	62,408,948
Federal and State Aid	29,062,101	23,730,833			29,062,101	23,730,833
Earnings on Investments	147,304	44,551			147,304	44,551
Miscellaneous	471,789	781,108			471,789	781,108
<b>Total Revenue</b>	<b>96,200,254</b>	<b>88,814,979</b>	<b>1,336,841</b>	<b>1,255,011</b>	<b>97,537,095</b>	<b>90,069,990</b>
Expenses:						
Instruction	58,612,675	54,942,382			58,612,675	54,942,382
Support services:						
Student and Instruction related services	14,664,694	13,252,401			14,664,694	13,252,401
Administration and Business	9,939,937	9,127,745			9,939,937	9,127,745
Maintenance and Operations	7,854,496	7,559,671			7,854,496	7,559,671
Transportation	2,958,287	2,886,516			2,958,287	2,886,516
Special Schools	306,429	318,195			306,429	318,195
Interest on long-term liabilities	1,527,928	1,564,896			1,527,928	1,564,896
<b>Business-Type Activities</b>			<b>1,234,757</b>	<b>1,171,771</b>	<b>1,234,757</b>	<b>1,171,771</b>
<b>Total Expenses</b>	<b>95,864,446</b>	<b>8,651,806</b>	<b>1,234,757</b>	<b>1,171,771</b>	<b>97,099,203</b>	<b>90,823,577</b>
Change in Net Position	335,808	(836,827)	102,084	83,240	437,892	(753,587)
Net position –beginning	29,941,622	30,778,449	510,841	427,601	30,452,463	31,206,050
Net position - ending	<u>\$ 30,277,430</u>	<u>\$ 29,941,622</u>	<u>\$ 612,925</u>	<u>\$ 510,841</u>	<u>\$ 30,890,355</u>	<u>\$ 30,452,463</u>

*Revenue Sources.* The District's total revenue for the 2017/18 school year was \$97,537,095. Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$64,622,959 of the total, or 66.25 percent. Another 29.80 percent came from federal and state aids not restricted for specific programs, 1.74 percent from operating and capital grants and contributions, 1.57 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, and retirees' post-employment benefits paid by the State. The increase from 2016/17 to 2017/18 can be attributed to the District's implementation of GASB 75 for the year ended June 30, 2018 as well as an increase in the amount contributed by the State on behalf of the District to the TPAF.

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 \$1,245,562, while the total fund balance was \$6,146,353. The net change in total fund balance for the General Fund was an increase in \$49,444, 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 \$87,433 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 \$850,151.

*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 \$10,794,409 of expenditures from the referendum projects.

*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 \$168,464, 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, \$38,969 has been designated for use in the 2018-2019 budget and \$129,495 will be designated for use in the 2019-2020 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, 2018, and the increases and decreases in relation to the prior year.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2017</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$ 65,923,342	83.62%	\$ 2,048,318	3.21%
State Sources	12,002,024	15.22%	1,478,015	14.04%
Federal Sources	918,151	1.16%	(59,999)	(6.13)%
	<u>\$ 78,843,517</u>	<u>100.00%</u>	<u>\$ 3,466,334</u>	<u>4.60%</u>

The increase in local sources is mainly attributable to an increase in the tax levy of \$2,214,011.

The increase of \$1,478,215 or 14.04% of State sources in FY 2018 is mainly the result of a \$1,213,658 increase in the TPAF Pension benefits paid for by the State of New Jersey on behalf of the District as well as a \$11,357 increase in the TPAF FICA payroll taxes paid for by the State of New Jersey on behalf of the District.

The decrease of \$59,999 or 6.13% of Federal sources in FY 2018 is mainly the result of a decrease in IDEA revenue of \$8,157 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, 2018 and the increases and decreases in relation to the prior year.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2017</u>	<u>Percent of Increase (Decrease)</u>
Current Expenditures:				
Instruction	\$ 30,053,391	38.10%	\$ 511,353	1.73%
Undistributed	43,221,891	54.81%	3,027,719	7.53%
Special Schools	157,722	0.20%	(16,022)	(9.22)%
Capital Outlay	1,871,667	2.37%	90,967	5.11%
Debt Service:				
Principal	1,911,463	2.42%	186,072	10.78%
Interest	1,654,154	2.10%	307,696	22.85%
	<u>\$ 78,870,288</u>	<u>100.00%</u>	<u>\$ 4,107,785</u>	<u>5.49%</u>

The increase in undistributed expenditures is attributable mostly to an increase in on-behalf contributions of approximately \$1,214,000 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 2018 fiscal year by \$102,084. This increase is primarily the result of continued profitability in the food service program.

## **General Fund Budgetary Highlights**

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

Described 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 unallocated benefits decreased from the original budget by \$564,821 or 5% 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**

- No material revenue variations required explanation in the current year.

### **Expenditures**

- The actual amounts expended for regular programs – instruction were less than the final budget by approximately \$473,000 or 2% as a result of the timing of expenditures incurred for general supplies. The District had open purchase orders of approximately \$155,000 at June 30, 2018 for general supplies.
- The actual amounts expended for undistributed expenditures – operation and maintenance of plant services were less than the final budget by approximately \$286,000 or 7% as a result of the District's continued conservation of energy based on rates negotiated with vendors and less than anticipated demands.
- Total facilities acquisition and construction services - a positive variance of \$1,604,415 or 53.4% which is mainly attributable to construction projects not being completed.

## Capital Assets

As of June 30, 2018 and 2017, the District had capital assets, net of accumulated depreciation, of \$83,850,746 and \$74,065,516 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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Land	\$ 11,616,511	\$ 11,616,511			\$ 11,616,511	\$ 11,616,511
Construction in Progress	10,545,708	505,573			10,545,708	505,573
Buildings and Building Improvements	56,460,945	56,646,705	\$ 34,879	\$ 35,719	56,495,824	56,682,424
Land Improvements	3,375,656	3,428,615			3,375,656	3,428,615
Machinery and Equipment	1,602,079	1,604,211	214,968	228,182	1,817,047	1,832,393
Total Capital Assets						
Net of Depreciation	<u>\$ 83,600,899</u>	<u>\$ 73,801,615</u>	<u>\$ 249,847</u>	<u>\$ 263,901</u>	<u>\$ 83,850,746</u>	<u>\$ 74,065,516</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, 2018 and 2017 are as follows for the governmental activities:

	2017/18	2016/17
General Obligation Bonds	\$ 41,089,000	\$ 42,414,000
Premium on Bonds	3,235,648	3,503,447
Compensated Absences	514,285	402,490
Capital leases	4,363,146	4,949,609
Sub-total	49,202,079	51,269,546
Net pension liability	17,185,813	21,658,593
Total District long-term liabilities	<u>\$ 66,387,892</u>	<u>\$ 72,928,139</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 2018-2019 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 2018-2019 budget, the District continued to utilize banked cap, and plans to continue to utilize it in the 2019-2020 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 2018-2019 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 2019-2020 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, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,997,932	\$ 476,431	\$ 4,474,363
Receivables	804,700	11,066	815,766
Inventories		5,168	5,168
Restricted assets:			
Cash and cash equivalents	8,059,037		8,059,037
Capital assets, non-depreciable	22,162,219		22,162,219
Capital assets, depreciable, net	<u>61,438,680</u>	<u>249,847</u>	<u>61,688,527</u>
Total Assets	<u>96,462,568</u>	<u>742,512</u>	<u>97,205,080</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding of debt	1,620,508		1,620,508
Pension deferrals	<u>5,274,525</u>		<u>5,274,525</u>
Total Deferred Outflows of Resources	<u>6,895,033</u>		<u>6,895,033</u>
<b>LIABILITIES</b>			
Accounts payable	2,221,517	53,754	2,275,271
Accrued interest payable	738,797		738,797
Payable to state government	54,899		54,899
Unearned revenue	194,340	75,833	270,173
Noncurrent liabilities:			
Net pension liability	17,185,813		17,185,813
Due within one year	2,540,074		2,540,074
Due beyond one year	<u>46,662,005</u>	<u>-</u>	<u>46,662,005</u>
Total Liabilities	<u>69,597,445</u>	<u>129,587</u>	<u>69,727,032</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension deferrals	<u>3,482,726</u>		<u>3,482,726</u>
<b>NET POSITION</b>			
Net investment in capital assets	41,337,096	249,847	41,586,943
Restricted for:			
Excess Surplus	561,732		561,732
Capital reserve	2,534,280		2,534,280
Unrestricted (deficit)	<u>(14,155,678)</u>	<u>363,078</u>	<u>(13,792,600)</u>
Total Net Position	<u>\$ 30,277,430</u>	<u>\$ 612,925</u>	<u>\$ 30,890,355</u>

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Statement of Activities  
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 41,184,983	\$ 109,908	\$ 480,828	\$ 168,898	\$ (40,425,349)		\$ (40,425,349)
Special education	13,568,196		850,151		(12,718,045)		(12,718,045)
Other instruction	3,859,496				(3,859,496)		(3,859,496)
Support services:							
Student and instruction related services	14,664,694		114,018		(14,550,676)		(14,550,676)
School administration services	5,645,887				(5,645,887)		(5,645,887)
General and business administration services	4,294,050				(4,294,050)		(4,294,050)
Operation and maintenance of plant services	7,854,496				(7,854,496)		(7,854,496)
Pupil transportation	2,958,287	172,298			(2,785,989)		(2,785,989)
Special schools	306,429				(306,429)		(306,429)
Interest and other costs on long-term debt	1,527,928	-	-	-	(1,527,928)		(1,527,928)
Total governmental activities	95,864,446	282,206	1,444,997	168,898	(93,968,345)		(93,968,345)
Business-type activities:							
Food Service	1,234,757	1,248,527	88,314	-	-	\$ 102,084	102,084
Total business-type activities	1,234,757	1,248,527	88,314	-	-	102,084	102,084
Total primary government	\$ 97,099,203	\$ 1,530,733	\$ 1,533,311	\$ 168,898	(93,968,345)	102,084	(93,866,261)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					61,921,960		61,921,960
Property taxes, levied for debt service					2,700,999		2,700,999
State aid not restricted					29,062,101		29,062,101
Investment Earnings					147,304		147,304
Miscellaneous Income					471,789		471,789
Total general revenues					94,304,153		94,304,153
Change in Net Position					335,808	102,084	437,892
Net Position—beginning					29,941,622	510,841	30,452,463
Net Position—ending					\$ 30,277,430	\$ 612,925	\$ 30,890,355

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Balance Sheet  
Governmental Funds  
June 30, 2018

	Major Funds				
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,815,450	\$ 22,511		\$ 159,971	\$ 3,997,932
Intergovernmental Accounts Receivable					
State	494,656				494,656
Federal		187,120			187,120
Other	118,845	4,079			122,924
Interfunds receivable				8,493	8,493
Restricted cash and cash equivalents	2,534,280		\$ 5,524,757		8,059,037
Total Assets	<u>\$ 6,963,231</u>	<u>\$ 213,710</u>	<u>\$ 5,524,757</u>	<u>\$ 168,464</u>	<u>\$ 12,870,162</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 746,337	\$ 35,012	\$ 712,781		\$ 1,494,130
Interfunds payable			8,493		8,493
Payable to state government		54,899			54,899
Unearned revenue	70,541	123,799			194,340
Total Liabilities	<u>816,878</u>	<u>213,710</u>	<u>721,274</u>		<u>1,751,862</u>
Fund Balances:					
Restricted for:					
Excess surplus - current year	281,199				281,199
Excess surplus - designated for subsequent year's expenditures	280,533				280,533
Capital reserve	2,534,280				2,534,280
Capital projects			4,803,483		4,803,483
Debt service				\$ 168,464	168,464
Assigned to:					
Other Purposes	1,804,779				1,804,779
Unassigned Fund Balance Reported In:					
General fund	1,245,562				1,245,562
Total Fund Balances	<u>6,146,353</u>	<u>-</u>	<u>4,803,483</u>	<u>168,464</u>	<u>11,118,300</u>
Total Liabilities and Fund Balances	<u>\$ 6,963,231</u>	<u>\$ 213,710</u>	<u>\$ 5,524,757</u>	<u>\$ 168,464</u>	<u>12,870,162</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 \$119,521,190 and the accumulated depreciation is \$35,920,291. See Note 5.	83,600,899
Long-term liabilities, including bonds payable, obligations under capital leases 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.	(49,202,079)
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.	(738,797)
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 bonds are deferred and amortized over the life of the bonds.	1,620,508
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	1,791,799
Accrued pension contributions for the June 30, 2018 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.	(727,387)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(17,185,813)
Net position of governmental activities	<u>\$ 30,277,430</u>

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>REVENUES</b>					
Local sources:					
Local tax levy	\$ 61,921,960			\$ 2,700,999	\$ 64,622,959
Tuition charges	109,908				109,908
Transportation fees	172,298				172,298
Interest earned on investments	17,809		\$ 129,495		147,304
Miscellaneous	471,789	\$ 528,579	-	-	1,000,368
Total - Local Sources	62,693,764	528,579	129,495	2,700,999	66,052,837
State sources	11,748,116	167,165		86,743	12,002,024
Federal sources	-	918,151	-	-	918,151
Total Revenues	74,441,880	1,613,895	129,495	2,787,742	78,973,012
<b>EXPENDITURES</b>					
Current:					
Regular instruction	21,404,066	480,828			21,884,894
Special education instruction	5,172,521	850,151			6,022,672
Other instruction	2,145,825				2,145,825
Support services and undistributed costs:					
Tuition	2,599,310				2,599,310
Attendance/social work	61,346				61,346
Health services	644,130				644,130
Other support services	4,808,002	114,018			4,922,020
Improvement of instruction	736,096				736,096
School library	888,716				888,716
Instructional staff training	645,905				645,905
General administration services	946,483				946,483
School administration services	2,908,717				2,908,717
Central services	906,739				906,739
Administrative information technology	640,308				640,308
Required maintenance of school facility	1,035,271				1,035,271
Operations of plant services	3,416,857				3,416,857
Care and upkeep of grounds	255,715				255,715
Security	357,376				357,376
Pupil transportation services	2,933,629				2,933,629
Unallocated benefits	10,224,484				10,224,484
On-behalf TPAF social security and pension contributions	9,098,789				9,098,789
Debt service:					
Principal	586,463			1,325,000	1,911,463
Interest	115,197			1,538,957	1,654,154
Special schools	157,722				157,722
Capital outlay	1,702,769	168,898	10,794,409	-	12,666,076
Total Expenditures	74,392,436	1,613,895	10,794,409	2,863,957	89,664,697
Excess (Deficiency) of revenues over (under) expenditures	49,444	-	(10,664,914)	(76,215)	(10,691,685)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Transfers in				129,495	129,495
Transfers (out)			(129,495)	-	(129,495)
Total Other Financing Sources and (Uses)	-	-	(129,495)	129,495	-
Net change in fund balances	49,444	-	(10,794,409)	53,280	(10,691,685)
Fund Balance—July 1	6,096,909	-	15,597,892	115,184	21,809,985
Fund Balance—June 30	\$ 6,146,353	\$ -	\$ 4,803,483	\$ 168,464	\$ 11,118,300

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, 2018**

**Total net change in fund balances - governmental funds (from B-2)** **\$ (10,691,685)**

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

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

Depreciation expense	\$	(2,708,756)	
Capital additions		12,509,140	9,800,384

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. 1,325,000

Loss on disposition of assets (1,100)

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. 586,463

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. 267,799

Amortization of premium			267,799
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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. (154,540)

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 an increase in the reconciliation. 12,967

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. (111,795)

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. (697,685)

Pension expense			(697,685)
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**Change in net position of governmental activities (A-2)** **\$ 335,808**



PROPRIETARY FUND

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Proprietary Fund  
Statement of Net Position  
June 30, 2018**

	<b>Major Enterprise Fund <u>Food Service</u></b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 476,431
Accounts receivable:	
State	347
Federal	3,065
Other	7,654
Inventories	<u>5,168</u>
Total Current Assets	<u>492,665</u>
Noncurrent assets:	
Capital assets:	
Depreciable:	
Furniture, machinery and equipment	544,641
Less accumulated depreciation	<u>(294,794)</u>
Total Capital Assets, net	<u>249,847</u>
Total Assets	<u>742,512</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	53,754
Unearned revenue	<u>75,833</u>
Total Current Liabilities	<u>129,587</u>
<b>NET POSITION</b>	
Investment in capital assets	249,847
Unrestricted	<u>363,078</u>
Total Net Position	<u>\$ 612,925</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, 2018**

	<b>Major Enterprise Fund Food Service</b>
Operating Revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 324,620
Daily sales - non-reimbursable programs	<u>923,907</u>
Total Operating Revenues	<u>1,248,527</u>
Operating Expenses:	
Cost of sales - reimbursable programs	294,571
Cost of sales - non-reimbursable programs	323,367
Salaries	367,723
Employee benefits	55,048
Other purchased services	24,220
Management fee	85,680
Supplies and materials	42,419
Miscellaneous	14,164
Depreciation	<u>27,565</u>
Total Operating Expenses	<u>1,234,757</u>
Operating Income	<u>13,770</u>
Nonoperating Revenues:	
State sources:	
State school lunch program	4,818
Federal sources:	
National school lunch program	44,724
Food donation program	<u>38,772</u>
Total Nonoperating Revenues	<u>88,314</u>
Change in Net Position	102,084
Total Net Position—Beginning	<u>510,841</u>
Total Net Position—Ending	<u>\$ 612,925</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Proprietary Fund  
Statement of Cash Flows  
Year Ended June 30, 2018**

	<b>Major Enterprise Fund <u>Food Service</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,255,534
Payments to employees	(367,723)
Payments for employee benefits	(55,048)
Payments to suppliers	<u>(803,912)</u>
Net cash provided by operating activities	<u>28,851</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State sources	4,860
Federal sources	45,922
Food donation program	<u>38,942</u>
Net cash provided by noncapital financing activities	<u>89,724</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(13,511)</u>
Net cash (used for) capital and related financing activities	<u>(13,511)</u>
Net increase in cash and cash equivalents	105,064
Cash and cash equivalents, beginning of year	<u>371,367</u>
Cash and cash equivalents, end of year	<u>\$ 476,431</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 13,770
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,565
Changes in assets and liabilities:	
Decrease in inventories	2,974
Decrease in other accounts receivable	2,700
Increase in unearned revenue	7,007
(Decrease) in accounts payable	<u>(25,165)</u>
Total adjustments	<u>15,081</u>
Net cash provided by operating activities	<u>\$ 28,851</u>

*Noncash noncapital financing activities:*

The District received \$38,942 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2018.

FIDUCIARY FUNDS

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018**

	<b>Unemployment Compensation Trust Fund</b>	<b>Private- Purpose Scholarship Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 296,199	\$ 34,268	\$ 587,619
Total Assets	<u>296,199</u>	<u>34,268</u>	<u>\$ 587,619</u>
<b>LIABILITIES</b>			
Payroll deductions and withholdings payable			\$ 143,401
Unemployment claims payable	\$ 20,344		
Due to student groups	-		444,218
Total Liabilities	<u>20,344</u>		<u>\$ 587,619</u>
<b>NET POSITION</b>			
Held in trust for unemployment claims	<u>\$ 275,855</u>		
Held in trust for scholarships		<u>\$ 34,268</u>	

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2018**

	<b>Unemployment Compensation Trust Fund</b>	<b>Private- Purpose Scholarship Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Employee	\$ 67,678	\$ 2,250
Total Contributions	<u>67,678</u>	<u>2,250</u>
Investment earnings:		
Interest	495	64
Total investment earnings	<u>495</u>	<u>64</u>
Total Additions	<u>68,173</u>	<u>2,314</u>
<b>DEDUCTIONS</b>		
Unemployment claims	51,927	
Scholarships awarded	-	4,500
Total Deductions	<u>51,927</u>	<u>4,500</u>
Change in Net Position	<u>16,246</u>	<u>(2,186)</u>
Net Position—beginning	<u>259,609</u>	<u>36,454</u>
Net Position—ending	<u>\$ 275,855</u>	<u>\$ 34,268</u>

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

### **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, 2018

### **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, pension 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, 2018

### 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, 2018

### 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 internal 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, 2018

### **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. 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, 2018

### 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, 2018, the District had inventories in the Food Service Enterprise Fund in the amount of \$5,168, of which, the portion of unused Food Donation Program commodities in the amount of \$1,870 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 acquisition value on the date of acquisition. 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, 2018

### 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, 2018, a liability existed for compensated absences in the government-wide financial statements in the amount of \$514,285 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, 2018 amounted to \$154,540. As of June 30, 2018, the District has an unamortized balance of \$1,620,508 recorded as a deferred outflow of resources.

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

#### K. Unearned Revenue

Unearned revenue in the special revenue fund represents cash received from local grants, which has been received but not yet earned. Unearned revenue in the general fund represents cash received for 2018-19 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, 2018

### 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 \$6,146,353 of fund balances in the General Fund, \$1,804,779 of encumbrances is assigned to other purposes, \$281,199 has been restricted for excess surplus-current year, \$280,533 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$2,534,280 has been restricted for the capital reserve, and \$1,245,562 is classified as unassigned. The District also has \$4,803,483 of fund balance in the Capital Projects Fund, which is restricted for capital projects and \$168,464 in the Debt Service Fund, which is restricted for debt service. Of this amount, \$38,968 has been appropriated in the 2018-19 approved budget.

### N. Net Position

GASB Statement No. 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, 2018

### **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 \$12,322,310 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, 2018 was \$561,732. Of this amount, \$280,533 has been appropriated in the 2018-19 budget and the remaining \$281,199 will be appropriated in the 2019-20 budget.

## School District of the Chathams

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

Year ended June 30, 2018

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

##### R. GASB Pronouncements

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

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. The District has adopted GASB No. 75 during the year ended June 30, 2018, which resulted in recording of full accrual revenues and expenses and additional disclosures in the notes to the basic financial statements.

In March, 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The District has adopted GASB Statement No. 85 during the year ended June 30, 2018, which did not have a significant impact on the financial statements.

###### Recently Issued Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not 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, 2018 and February 12, 2019, the date that the financial statements were available for issuance 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, 2018

### 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 unamortized 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 \$49,202,079 difference are as follows:

Bonds payable	\$ 41,089,000
Premium on bonds	3,235,648
Obligation under capital lease	4,363,146
Compensated absences payable	<u>514,285</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 49,202,079</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, 2018

#### **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, 2018, the carrying amount of the District's deposits was \$13,451,486, which includes restricted cash held with fiscal agents in the amount of \$6,583,355 related to bond proceeds not yet expended, and the bank balance was \$15,274,356. Of the bank balance, \$500,000 of the District's cash deposits on June 30, 2018 was secured by federal depository insurance company. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$7,608,532. \$582,469 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, 2018

#### **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, 2018.

*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, 2018.

*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, 2018.

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

### 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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance, July 1, 2017	\$ 3,578,280
Deposits:	
Approved by Board Resolution at the June 25, 2018 meeting	1,056,000
Withdrawal:	
Budgeted Withdrawal	<u>(2,100,000)</u>
Ending balance, June 30, 2018	<u>\$ 2,534,280</u>

\$1,400,000 of this amount was appropriated in the 2018-19 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, 2018 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, 2018

**5. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2018:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reallocation/ Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 11,616,511			\$ 11,616,511
Construction in progress	505,573	\$ 10,187,814	\$ (147,679)	10,545,708
Total capital assets, not being depreciated	12,122,084	10,187,814	(147,679)	22,162,219
Capital assets, being depreciated:				
Buildings and building improvements	82,529,573	1,801,193	(7,675)	84,323,091
Land improvements	7,985,456	149,774	144,354	8,279,584
Machinery, equipment and vehicles	4,385,937	370,359		4,756,296
Total capital assets being depreciated	94,900,966	2,321,326	136,679	97,358,971
Less accumulated depreciation for:				
Buildings and building improvements	(25,882,868)	(1,989,178)	9,900	(27,862,146)
Land improvements	(4,556,841)	(347,087)		(4,903,928)
Machinery, equipment and vehicles	(2,781,726)	(372,491)		(3,154,217)
Total accumulated depreciation	(33,221,435)	(2,708,756)	9,900	(35,920,291)
Total capital assets, being depreciated, net	61,679,531	(387,430)	146,579	61,438,680
Governmental activities capital assets, net	<u>\$ 73,801,615</u>	<u>\$ 9,800,384</u>	<u>\$ (1,100)</u>	<u>\$ 83,600,899</u>

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**5. Capital Assets (continued)**

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

Instruction	
Regular	\$ 1,202,978
Special education	331,056
Other	117,952
Support services	
Student and instruction related services	434,152
School administration services	159,887
General and business administration services	137,065
Operation and maintenance of plant services	316,996
Special schools	8,670
Total depreciation expense – governmental activities	<u>\$ 2,708,756</u>

The following schedule is a summarization of business-type activity changes in capital assets for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>			
Capital assets, being depreciated:			
Building improvements	\$ 42,022		\$ 42,022
Machinery and equipment	489,108	\$ 13,511	502,619
Total capital assets, being depreciated	<u>531,130</u>	<u>13,511</u>	<u>544,641</u>
Less accumulated depreciation for:			
Building improvements	(6,303)	(840)	(7,143)
Machinery and equipment	(260,926)	(26,725)	(287,651)
Total accumulated depreciation	<u>(267,229)</u>	<u>(27,565)</u>	<u>(294,794)</u>
Total business-type activities capital assets, net	<u>\$ 263,901</u>	<u>\$ (14,054)</u>	<u>\$ 249,847</u>



School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Long-Term Liabilities**

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Governmental activities:					
Bonds payable	\$ 42,414,000		\$ (1,325,000)	\$ 41,089,000	\$ 1,970,000
Premium on bonds	3,503,447		(267,799)	3,235,648	267,799
Compensated absences payable	402,490	\$ 153,380	(41,585)	514,285	47,785
Obligations under capital leases	4,949,609		(586,463)	4,363,146	254,490
Sub-total	51,269,546	153,380	(2,220,847)	49,202,079	2,540,074
Net pension liability	21,658,593		4,472,780	17,185,813	
Governmental activities long-term liabilities	<u>\$ 72,928,139</u>	<u>\$ 153,380</u>	<u>\$ 2,251,933</u>	<u>\$ 66,387,892</u>	<u>\$ 2,540,074</u>

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

**Bonds Payable**

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

Bonds payable at June 30, 2018 are comprised of the following issues:

\$16,275,000, Series 2014A refunding bonds, due in annual installments ranging from \$375,000 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, 2018.

\$12,270,000, Series 2014B refunding bonds, due in annual installments ranging from \$995,000 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, 2018.

\$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, 2018

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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year ending June 30:			
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	2,375,000	1,205,625	3,580,625
2024-2028	13,500,000	4,432,625	17,932,625
2029-2033	11,960,000	1,663,950	13,623,950
2034-2036	4,800,000	384,000	5,184,000
	\$ 41,089,000	\$ 13,331,675	\$ 54,420,675

**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, 2018:

	<b>Amount</b>
Fiscal year ending June 30:	
2019	\$ 357,601
2020	384,261
2021	374,427
2022	327,160
2023	335,079
2024-2028	1,800,639
2029-2032	1,602,593
Total minimum lease payment	5,181,760
Less amount representing interest	(818,614)
Present value of net future minimum lease payments	\$ 4,363,146

Capital assets paid for with proceeds from the capital lease totaled \$5,011,352, with accumulated depreciation of \$4,635,501 as of June 30, 2018.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**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, 2018 were \$135,525. Future lease payments are as follows:

Year ending June 30:	
2019	\$ 129,001
2020	92,658
2021	54,239
2022	7,460
Total lease payments	<u>\$ 283,358</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, 2018

#### **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, 2018

#### **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, 2018, the State of New Jersey contributed \$6,964,293 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 \$2,134,496 during the year ended June 30, 2018 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, 2018, 2017 and 2016 were \$683,931, \$649,664, and \$600,396 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, 2018, the District reported a liability of \$17,185,813 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.0738272905 percent, which was an increase of 0.0006986947 percent from its proportion measured as of June 30, 2016.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**8. Pension Plans (continued)**

For the year ended June 30, 2018, the District recognized full accrual pension expense of \$1,382,843 in the government-wide financial statements. At June 30, 2018, the District reported deferred outflows of resources and a deferred inflow of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 404,667	
Changes of assumptions	3,462,349	\$ 3,449,655
Net difference between projected and actual earnings on pension plan investments	117,024	
Changes in proportion and differences between District contributions and proportionate share of contributions	563,098	33,071
District contributions subsequent to the measurement date	727,387	
	<u>\$ 5,274,525</u>	<u>\$ 3,482,726</u>

\$727,387 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 543,105
2020	739,086
2021	507,587
2022	(383,486)
2023	(341,880)
	<u>\$ 1,064,412</u>

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

### 8. Pension Plans (continued)

#### *Actuarial Assumptions*

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2016 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, 2018

**8. Pension Plans (continued)**

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

*Discount rate*

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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



School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**8. Pension Plans (continued)**

*Discount rate (continued)*

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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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, 2017 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 (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 21,320,167	\$ 17,185,813	\$ 13,741,383

*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, 2017 are as follows:

Deferred outflows of resources	\$ 6,424,455,842
Deferred inflows of resources	\$ 5,700,625,981
Net pension liability	\$ 23,278,401,588
District's Proportion	0.0738272905%

## School District of the Chathams

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

Year ended June 30, 2018

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

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

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, 2017, 2016, 2015 and 2014 is 5.48, 5.57, 5.72, and 6.44 years, respectively.

#### *Teachers Pensions and Annuity Fund (TPAF) – Special Funding Situation*

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, 2017 was \$188,813,081. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the State's proportionate share of the TPAF net pension liability associated with the District was 0.2800400222 percent, which was an increase of 0.0000600669 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$19,286,603 for contributions incurred by the State.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**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	7.00%

*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, 2016 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 (7.00% at June 30, 2017) 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, 2018

**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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**8. Pension Plans (continued)**

*Discount Rate*

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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, 2017 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's proportionate share of the net pension liability associated with the District	\$ 224,315,863	\$ 188,813,081	\$ 159,565,735

*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, 2018

### 8. Pension Plans (continued)

#### Additional Information

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$	14,251,854,934
Deferred inflows of resources	\$	11,807,238,433
Net pension liability	\$	67,423,605,859
State's proportionate share associated with the District		0.2800400222%

Collective pension expense-Local Group for the plan for the measurement period ended June 30, 2017 is \$4,682,493,081.

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, 2017, 2016, 2015 and 2014 is 8.3, 8.3, 8.3, and 8.5 years, respectively.

### 9. Post-Retirement Benefits

#### *Plan Description and benefits provided*

The School District contributes to the New Jersey State Health Benefits Program (the "SHBP"), a 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.

The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2018, 2017 and 2016 were \$2,729,752, \$2,624,581 and \$2,669,160 respectively, which equaled the required contributions for each year.

## School District of the Chathams

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

Year ended June 30, 2018

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

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. 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994. As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 (GASB 75) and the State is treated as a non-employer contributing entity.

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 (ABP) who retired from a board of education or county college with 25 years of service.

The School 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 Title17, Chapter 9 of the New Jersey Administrative Code.

The State provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

#### *Total OPEB Liability*

The net OPEB liability from New Jersey's plan is \$53,639,841,858.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*Changes in the Total OPEB Liability*

Below represents the changes in the State's portion of the OPEB liability associated with the District for the year ended June 30, 2017:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2016	\$ 123,473,414
Changes for the year:	
Service cost	5,603,912
Interest	3,642,583
Changes in assumptions or other inputs	(15,742,708)
Member contributions	97,591
Benefit payments	(2,650,315)
Net changes	<u>(9,048,937)</u>
Ending Total OPEB Liability, June 30, 2017	<u>\$ 114,424,478</u>

*Employees covered by benefit terms*

The following employees were covered by the benefit terms:

<u>Local Education</u>	<u>June 30, 2017</u>
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefit	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	<u>366,078</u>

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 was \$114,424,478. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.



School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*Actuarial assumptions and other inputs*

The total OPEB liability in the June 30, 2018 actuarial valuation reported by the State in the State’s most recently issued audit report was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

	TPAF	PERS
Inflation rate	2.50%	2.50%
Salary increase through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the actual experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

*Discount Rate*

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

*Mortality Rates*

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality table for males or females, as appropriate, with adjustments for mortality improvements based on MP- 2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*Health Care Trend Assumptions*

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate.*

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

	At 1% decrease (2.58%)	At current discount rate (3.58%)	At 1% increase (4.58%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 135,830,111	\$ 114,424,478	\$ 97,445,327

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 94,103,072	\$ 114,424,478	\$ 141,411,066

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*OPEB Expense and Deferred Outflows of resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$7,634,684 for OPEB expenses incurred by the State. Collective balances of the Education Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$	99,843,255
Deferred inflows of resources	\$	6,443,612,287
Collective OPEB expense	\$	3,348,490,523
District's Proportion		0.21%

*Special Funding Situation*

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the District records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

**10. Interfund Receivables and Payables**

The total interfund accounts receivable and payable for the District at June 30, 2018 is as follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
Capital Projects Fund		\$ 8,493
Debt Service Fund	\$ 8,493	
	<u>\$ 8,493</u>	<u>\$ 8,493</u>

The interfund payable from the capital projects fund and 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, 2018. All interfund balances are expected to be repaid within one year.

School District of the Chathams

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**11. Transfers**

The following presents a reconciliation of transfers during the 2018 fiscal year:

	<b>Transfers In</b>	<b>Transfers Out</b>
Capital Projects Fund		\$ 129,495
Debt Service Fund	\$ 129,495	
	<u>\$ 129,495</u>	<u>\$ 129,495</u>

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.

**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, 2018 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

# School District of the Chathams

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

### 14. Risk Management (continued)

coverage can be found in the statistical section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years.

#### New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

### 15. Deferred Compensation Plans

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

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 2017 School Building Improvements and Renovation projects.

### 17. Commitments

The District has contractual commitments at June 30, 2018 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$1,804,779 and in the capital projects fund, \$2,719,506 is recorded as part of the fund balance restricted for capital projects in the amount of \$4,803,483.

## School District of the Chathams

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

Year ended June 30, 2018

#### **18. Tax Abatements**

As defined by the 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.

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, 2018, therefore there are no tax abatements effecting the District as of June 30, 2018.

Required Supplementary Information - Part II

School District of the Chathams  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 Public Employee's Retirement System  
 Required Supplementary Information  
 Last Ten Fiscal Years

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	0.0698823190%	0.0702595563%	0.0698980772%	0.0731285958%	0.0738272905%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	\$ 13,355,900	\$ 13,154,473	\$ 15,690,718	\$ 21,658,593	\$ 17,185,813
District's covered payroll	\$ 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	\$ 5,051,812
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A	278.10%	270.74%	317.71%	431.50%	340.19%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	N/A	N/A	N/A	48.72%	52.08%	47.93%	40.14%	48.10%

N/A - Information not available

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.



School District of the Chathams  
 Schedule of District Contributions  
 Public Employee's Retirement System  
 Required Supplementary Information  
 Last Ten Fiscal Years

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 429,331	\$ 555,911	\$ 598,747	\$ 554,543	\$ 526,549	\$ 579,208	\$ 600,936	\$ 649,664	\$ 683,931	\$ 727,387
Contributions in relation to the contractually required contribution	(429,331)	(555,911)	(598,747)	(554,543)	(526,549)	(579,208)	(600,936)	(649,664)	(683,931)	(727,387)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 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	\$ 5,051,812
Contributions as a percentage of covered payroll	9.90%	11.48%	12.10%	11.42%	10.82%	12.06%	12.37%	13.15%	13.63%	14.40%

\* 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  
 Required Supplementary Information  
 Last Ten Fiscal Years\*

	Year Ended June 30,				
	2014	2015	2016	2017	2018
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.2632288497%	0.2660515944%	0.2698905323%	0.2799799553%	0.2800400222%
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	\$ 188,813,081
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>	<u>\$ 188,813,081</u>
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%	22.33%	25.41%

\* 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 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

School District of the Chathams  
 Schedule of the State's Proportionate Share of the Net OPEB Liability  
 and Changes in the Total OPEB Liability and Related Ratios  
 Public Employees' Retirement System and Teachers' Pension and Annuity Fund  
 Required Supplementary Information  
 Last Ten Fiscal Years\*

	Year Ended June 30,	
	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District - Local Group	0.21%	0.21%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	\$ 114,424,478	\$ 123,473,414
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 114,424,478</u>	<u>\$ 123,473,414</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
	<u>2018</u>	<u>2017**</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 5,603,912	
Interest cost	3,642,583	
Changes of assumptions	(15,742,708)	
Member contributions	97,591	
Gross benefits payments	<u>(2,650,315)</u>	
Net change in OPEB liability	(9,048,937)	
Total OPEB liability - beginning	<u>123,473,414</u>	
Total OPEB liability - ending	<u>\$ 114,424,477</u>	
Covered-employee payroll	<u>\$ 35,065,841</u>	
Total OPEB liability as a percentage of covered-employee payroll	<u>326.31%</u>	

\* 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.

\*\* information not available

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

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, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 61,921,960		\$ 61,921,960	\$ 61,921,960	
Tuition	141,200		141,200	109,908	\$ (31,292)
Transportation Fees	125,000		125,000	172,298	47,298
Interest Earned on Investments	5,010		5,010	17,809	12,799
Miscellaneous	563,108		563,108	471,789	(91,319)
<b>Total - Local Sources</b>	<u>62,756,278</u>		<u>62,756,278</u>	<u>62,693,764</u>	<u>(62,514)</u>
State Sources:					
Categorical Special Education Aid	1,638,810	\$ 168,130	1,806,940	1,806,940	
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	
Additional Non-Public Transportation Aid				96,178	96,178
Extraordinary Aid	350,000		350,000	398,478	48,478
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				4,226,417	4,226,417
TPAF Post-Retirement Medical (On-Behalf - Non-Budgeted)				2,729,752	2,729,752
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				8,124	8,124
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	2,134,496	2,134,496
<b>Total State Sources</b>	<u>2,353,490</u>	<u>168,130</u>	<u>2,521,620</u>	<u>11,765,065</u>	<u>9,243,445</u>
<b>Total Revenues</b>	<u>65,109,768</u>	<u>168,130</u>	<u>65,277,898</u>	<u>74,458,829</u>	<u>\$ 9,180,931</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	515,298	49,778	565,076	514,544	50,532
Grades 1-5 - Salaries of Teachers	7,312,231	(68,838)	7,243,393	7,220,447	22,946
Grades 6-8 - Salaries of Teachers	4,897,243	(153,387)	4,743,856	4,743,818	38
Grades 9-12 - Salaries of Teachers	6,903,378	161,290	7,064,668	7,062,120	2,548
Regular Programs - Home Instruction					
Salaries of Teachers	48,000	3,585	51,585	51,585	
Purchased Professional-Educational Services	30,000	2,812	32,812	29,675	3,137
Other Purchased Services	500		500	500	500
General Supplies	500		500	500	500
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	305,267	(3,956)	301,311	260,918	40,393
Purchased Professional-Educational Services	10,750	(688)	10,062	5,062	5,000
Cleaning, Repair and Maintenance Services	32,940	(228)	32,712	20,986	11,726
Rentals	331,786	7,976	339,762	251,128	88,634
Other Purchased Services	25,908		25,908	24,002	1,906
Travel	1,600		1,600	108	1,492
General Supplies	1,133,437	225,055	1,358,492	1,158,792	199,700
Textbooks	73,266	(11,883)	61,383	41,247	20,136
Other Objects	45,144	(2,000)	43,144	19,634	23,510
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>21,667,248</u>	<u>209,516</u>	<u>21,876,764</u>	<u>21,404,066</u>	<u>472,698</u>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
Learning and/or Language Disabilities					
Salaries of Teachers	64,383		64,383	64,383	
General Supplies	4,500	405	4,905	4,869	36
<b>Total Learning and/or Language Disabilities</b>	<u>68,883</u>	<u>405</u>	<u>69,288</u>	<u>69,252</u>	<u>36</u>
Visual Impairments					
Purchased Professional-Educational Services	4,300	(1,900)	2,400		2,400
<b>Total Visual Impairments</b>	<u>4,300</u>	<u>(1,900)</u>	<u>2,400</u>		<u>2,400</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2018**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Final to <u>Actual</u>
<b>Behavioral Disabilities</b>					
Salaries of Teachers	\$ 150,246	\$ 1,486	\$ 151,732	\$ 151,732	
Other Salaries for Instruction	<u>68,572</u>	<u>(35,254)</u>	<u>33,318</u>	<u>25,413</u>	\$ 7,905
<b>Total Behavioral Disabilities</b>	<u>218,818</u>	<u>(33,768)</u>	<u>185,050</u>	<u>177,145</u>	<u>7,905</u>
<b>Multiple Disabilities</b>					
Salaries of Teachers	135,381		135,381	135,381	
Other Salaries for Instruction	291,867	3,153	295,020	295,020	
General Supplies	<u>1,993</u>	<u>220</u>	<u>2,213</u>	<u>1,272</u>	941
<b>Total Multiple Disabilities</b>	<u>429,241</u>	<u>3,373</u>	<u>432,614</u>	<u>431,673</u>	<u>941</u>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	3,367,940	(39,912)	3,328,028	3,306,337	21,691
Other Salaries for Instruction	760,736	116,006	876,742	876,742	
General Supplies	9,368	1,345	10,713	10,093	620
Textbooks	<u>1,500</u>	<u>(1,125)</u>	<u>375</u>	<u>248</u>	127
<b>Total Resource Room/Resource Center</b>	<u>4,139,544</u>	<u>76,314</u>	<u>4,215,858</u>	<u>4,193,420</u>	<u>22,438</u>
<b>Preschool Disabilities - Part-Time</b>					
Salaries of Teachers	183,064		183,064	182,161	903
Other Salaries for Instruction	119,190	(452)	118,738	116,759	1,979
General Supplies	<u>1,595</u>	<u>1,100</u>	<u>2,695</u>	<u>2,111</u>	584
<b>Total Preschool Disabilities - Part-Time</b>	<u>303,849</u>	<u>648</u>	<u>304,497</u>	<u>301,031</u>	<u>3,466</u>
<b>Preschool Disabilities - Full-Time</b>					
General Supplies	<u>1,195</u>		<u>1,195</u>		<u>1,195</u>
<b>Total Preschool Disabilities - Full-Time</b>	<u>1,195</u>		<u>1,195</u>		<u>1,195</u>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<u>5,165,830</u>	<u>45,072</u>	<u>5,210,902</u>	<u>5,172,521</u>	<u>38,381</u>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of Teachers	826,099	(106,839)	719,260	719,260	
General Supplies	<u>975</u>	<u>10</u>	<u>985</u>	<u>870</u>	115
<b>Total Basic Skills/Remedial - Instruction</b>	<u>827,074</u>	<u>(106,829)</u>	<u>720,245</u>	<u>720,130</u>	<u>115</u>
<b>Bilingual Education - Instruction</b>					
Salaries of Teachers	<u>186,446</u>	<u>450</u>	<u>186,896</u>	<u>186,896</u>	
<b>Total Bilingual Education - Instruction</b>	<u>186,446</u>	<u>450</u>	<u>186,896</u>	<u>186,896</u>	
<b>School-Spon. Cocurricular Actvts. - Inst.</b>					
Salaries	365,000	26,003	391,003	391,003	
Purchased Services	1,000		1,000		1,000
Supplies and Materials	24,800	(6,250)	18,550	16,953	1,597
Other Objects	<u>16,500</u>	<u>2,553</u>	<u>19,053</u>	<u>17,402</u>	1,651
<b>Total School-Spon. Cocurricular Actvts. - Inst.</b>	<u>407,300</u>	<u>22,306</u>	<u>429,606</u>	<u>425,358</u>	<u>4,248</u>
<b>School-Spon. Athletics</b>					
Salaries	503,002	(12,798)	490,204	471,838	18,366
Purchased Services	111,460	(12,670)	98,790	89,335	9,455
Cleaning, Repair and Maintenance Services	13,000	(1,960)	11,040	10,838	202
Insurance	53,807	873	54,680	54,680	
Supplies and Materials	72,415	45,519	117,934	97,893	20,041
Other Objects	<u>104,794</u>	<u>(5,790)</u>	<u>99,004</u>	<u>88,857</u>	10,147
<b>Total School-Spon. Athletics</b>	<u>858,478</u>	<u>13,174</u>	<u>871,652</u>	<u>813,441</u>	<u>58,211</u>
<b>Total Instruction</b>	<u>29,112,376</u>	<u>183,689</u>	<u>29,296,065</u>	<u>28,722,412</u>	<u>573,653</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Undistributed Expenditures - Instruction</b>					
Tuition to Other LEAs Within the State - Special	\$ 56,576	\$ (5,130)	\$ 51,446	\$ 49,716	\$ 1,730
Tuition to County Voc. School Dist. - Regular	22,000	17,698	39,698	33,928	5,770
Tuition to CSSD & Regional Day Schools	69,165		69,165	68,175	990
Tuition to Private Schools for the Disabled - Within State	2,216,396	101,258	2,317,654	2,262,071	55,583
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	195,000	(9,580)	185,420	185,420	-
<b>Total Undistributed Expenditures - Instruction</b>	<u>2,559,137</u>	<u>104,246</u>	<u>2,663,383</u>	<u>2,599,310</u>	<u>64,073</u>
<b>Undistributed Expend. - Attend. &amp; Social Work</b>					
Salaries	67,126	(5,765.00)	61,361	61,346	15
<b>Total Undistributed Expend. - Attend. &amp; Social Work</b>	<u>67,126</u>	<u>(5,765)</u>	<u>61,361</u>	<u>61,346</u>	<u>15</u>
<b>Undist. Expend. - Health Services</b>					
Salaries	556,561	49,444	606,005	603,944	2,061
Salaries of Social Services Coordinator	7,400	(5,162)	2,238	1,725	513
Purchased Professional and Technical Services	22,890	5,249	28,139	26,614	1,525
Cleaning, Repair and Maintenance Services	960		960	753	207
Supplies and Materials	17,226	(3,853)	13,373	11,094	2,279
<b>Total Undistributed Expenditures - Health Services</b>	<u>605,037</u>	<u>45,678</u>	<u>650,715</u>	<u>644,130</u>	<u>6,585</u>
<b>Undist. Expend. - Other Supp. Serv. Students - Related Serv.</b>					
Salaries	705,864	4,097	709,961	709,961	
Purchased Professional - Educational Services	77,175	2,300	79,475	62,358	17,117
Supplies and Materials	3,678	-	3,678	3,655	23
<b>Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.</b>	<u>786,717</u>	<u>6,397</u>	<u>793,114</u>	<u>775,974</u>	<u>17,140</u>
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>					
Salaries	169,150	8,524	177,674	177,674	
Other Salaries for Instruction	504,883	39,529	544,412	544,412	
Purchased Professional - Educational Services	254,610	46,780	301,390	289,691	11,699
Supplies and Materials	12,500	(7,650)	4,850	3,859	991
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>	<u>941,143</u>	<u>87,183</u>	<u>1,028,326</u>	<u>1,015,636</u>	<u>12,690</u>
<b>Undist. Expend. - Guidance</b>					
Salaries of Other Professional Staff	1,307,451	(114,647)	1,192,804	1,184,097	8,707
Salaries of Secretarial and Clerical Assistants	136,232		136,232	135,147	1,085
Purchased Professional - Educational Services	20,000	1,224	21,224	21,224	
Other Purchased Prof. and Tech. Services	12,600		12,600	8,334	4,266
Supplies and Materials	10,300		10,300	9,983	317
Other Objects	11,485	-	11,485	11,280	205
<b>Total Undist. Expend. - Guidance</b>	<u>1,498,068</u>	<u>(113,423)</u>	<u>1,384,645</u>	<u>1,370,065</u>	<u>14,580</u>
<b>Undist. Expend. - Child Study Team</b>					
Salaries of Other Professional Staff	1,359,345	68,286	1,427,631	1,427,631	
Salaries of Secretarial and Clerical Assistants	156,380	(4,008)	152,372	152,291	81
Purchased Prof. - Educational Services	7,500	5,131	12,631	11,556	1,075
Other Purchased Prof. and Tech. Services	20,000		20,000	16,320	3,680
Other Purchased Services	4,386		4,386	3,576	810
Miscellaneous Purchased Services	3,000		3,000	2,703	297
Supplies and Materials	29,436	10,204	39,640	30,335	9,305
Other Objects	2,400	-	2,400	1,915	485
<b>Total Undist. Expend. - Child Study Team</b>	<u>1,582,447</u>	<u>79,613</u>	<u>1,662,060</u>	<u>1,646,327</u>	<u>15,733</u>
<b>Undist. Expend. - Improvement of Inst. Serv.</b>					
Salaries of Supervisors of Instruction	765,641	(23,089)	742,552	735,746	6,806
Supplies and Materials	500		500	44	456
Other Objects	500	-	500	306	194
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>	<u>766,641</u>	<u>(23,089)</u>	<u>743,552</u>	<u>736,096</u>	<u>7,456</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS**  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Edu. Media Serv./Sch. Library</b>					
Salaries	\$ 663,617	\$ 52,145	\$ 715,762	\$ 714,906	\$ 856
Other Purchased Services	100,080	(12,076)	88,004	78,815	9,189
Supplies and Materials	70,370	481	70,851	65,987	4,864
Other Objects	30,945	-	30,945	29,008	1,937
<b>Total Undist. Expend. - Edu. Media Serv./Sch. Library</b>	<b>865,012</b>	<b>40,550</b>	<b>905,562</b>	<b>888,716</b>	<b>16,846</b>
<b>Undist. Expend. - Instructional Staff Training Serv.</b>					
Salaries of Supervisors of Instruction	553,172	27,440	580,612	570,072	10,540
Other Salaries	1,000	1,000	1,000	1,000	-
Purchased Professional - Educational Services	21,650	(500)	21,150	2,909	18,241
Other Purchased Services	61,915	(21,039)	40,876	38,966	1,910
Supplies and Materials	13,000	-	13,000	9,134	3,866
Other Objects	25,375	(625)	24,750	23,824	926
<b>Total Undist. Expend. - Instructional Staff Training Serv.</b>	<b>675,112</b>	<b>6,276</b>	<b>681,388</b>	<b>645,905</b>	<b>35,483</b>
<b>Undist. Expend. - Supp. Serv. - General Admin.</b>					
Salaries	568,528	(9,839)	558,689	525,208	33,481
Legal Services	225,000	(9,688)	215,312	192,452	22,860
Audit Fees	60,000	490	60,490	60,490	-
Architectural/Engineering Services	40,000	(14,032)	25,968	14,813	11,155
Other Purchased Professional Services	28,540	-	28,540	25,582	2,958
Other Purchased Professional and Technical Services	3,500	-	3,500	-	3,500
Insurance	2,263	-	2,263	2,179	84
Communications/Telephone	54,700	(5,410)	49,290	40,413	8,877
Travel	12,120	-	12,120	5,539	6,581
Board of Education Other Purchased Services	5,000	-	5,000	1,859	3,141
Miscellaneous Purchased Services	5,000	-	5,000	2,500	2,500
General Supplies	13,895	-	13,895	12,268	1,627
Board of Education In-House Training/Meeting Supplies	10,000	(8,500)	1,500	-	1,500
Miscellaneous Expenditures	29,202	(3,303)	25,899	18,684	7,215
Board of Education Dues and Fees	44,357	140.00	44,497	44,496	1
<b>Total Undist. Expend. - Supp. Serv. - General Admin.</b>	<b>1,102,105</b>	<b>(50,142)</b>	<b>1,051,963</b>	<b>946,483</b>	<b>105,480</b>
<b>Undist. Expend. - Support Serv. - School Admin.</b>					
Salaries of Principals/Assistant Principals	2,064,756	21,849	2,086,605	2,086,605	-
Salaries of Secretarial and Clerical Assistants	772,300	1,132	773,432	770,544	2,888
Other Purchased Services	25,460	3,385	28,845	27,475	1,370
Travel	2,000	-	2,000	1,239	761
Supplies and Materials	17,981	1,500	19,481	12,611	6,870
Other Objects	19,383	1,855	21,238	10,243	10,995
<b>Total Undist. Expend. - Support Serv. - School Admin.</b>	<b>2,901,880</b>	<b>29,721</b>	<b>2,931,601</b>	<b>2,908,717</b>	<b>22,884</b>
<b>Undist. Expend. - Central Services</b>					
Salaries	761,700	45,606	807,306	783,005	24,301
Purchased Professional Services	47,829	12,575	60,404	50,179	10,225
Purchased Technical Services	15,000	(5,879)	9,121	8,796	325
Cleaning, Repair and Maintenance Services	300	-	300	-	300
Rentals	11,008	(400)	10,608	7,800	2,808
Travel	5,000	(1,859)	3,141	3,056	85
Miscellaneous Purchased Services	31,700	(1,253)	30,447	29,826	621
Supplies and Materials	27,632	(5,986)	21,646	14,190	7,456
Miscellaneous Expenditures	6,860	4,100	10,960	9,887	1,073
<b>Total Undist. Expend. - Central Services</b>	<b>907,029</b>	<b>46,904</b>	<b>953,933</b>	<b>906,739</b>	<b>47,194</b>
<b>Undist. Expend. - Technology Admin.</b>					
Salaries	591,956	(56,080)	535,876	535,876	-
Cleaning, Repair and Maintenance Services	42,280	4,400	46,680	46,525	155
Travel	4,920	-	4,920	3,065	1,855
Supplies and Materials	57,000	-	57,000	54,267	2,733
Other Objects	600	-	600	575	25
<b>Total Undist. Expend. - Technology Admin.</b>	<b>696,756</b>	<b>(51,680)</b>	<b>645,076</b>	<b>640,308</b>	<b>4,768</b>



**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS**  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Undist. Expend. - Required Maint. for Sch. Facil.</b>					
Salaries	\$ 595,383	\$ 13,876	\$ 609,259	\$ 577,303	\$ 31,956
Cleaning, Repair and Maintenance Services	294,026	(997)	293,029	245,714	47,315
Travel	6,500	(3,200)	3,300	2,401	899
General Supplies	199,700	12,255	211,955	208,853	3,102
Other Objects	2,000	-	2,000	1,000	1,000
<b>Total Undist. Expend. - Required Maint. for Sch. Facil.</b>	<u>1,097,609</u>	<u>21,934</u>	<u>1,119,543</u>	<u>1,035,271</u>	<u>84,272</u>
<b>Undist. Expend. - Custodial Services</b>					
Salaries	1,769,651	2,962	1,772,613	1,771,087	1,526
Salaries of Non-Instructional Aides	57,002	(1,486)	55,516	52,535	2,981
Cleaning, Repair and Maintenance Services	284,850	12,522	297,372	280,480	16,892
Rental of Land & Buildings other than Leases	60,000		60,000	60,000	
Other Purchased Property Services	111,920	(2,194)	109,726	100,318	9,408
Insurance	296,847	1,253	298,100	294,835	3,265
General Supplies	166,775	(8,310)	158,465	142,987	15,478
Gasoline	27,000	28	27,028	8,442	18,586
Natural Gas	469,320	(147,084)	322,236	224,060	98,176
Electricity	590,661	8,926	599,587	482,113	117,474
Interest on Energy Savings Improvement Program Bonds	115,197		115,197	115,197	
Principal on Energy Savings Improvement Program Bonds	586,463		586,463	586,463	
Other Objects	5,000	(2,700)	2,300	-	2,300
<b>Total Undist. Expend. - Custodial Services</b>	<u>4,540,686</u>	<u>(136,083)</u>	<u>4,404,603</u>	<u>4,118,517</u>	<u>286,086</u>
<b>Undist. Expend. - Care and Upkeep of Grounds</b>					
Salaries	98,557	6,972	105,529	105,529	
Cleaning, Repair and Maintenance Services	74,950	38,070	113,020	112,374	646
General Supplies	38,000	750	38,750	37,812	938
<b>Total Undist. Expend. - Care and Upkeep of Grounds</b>	<u>211,507</u>	<u>45,792</u>	<u>257,299</u>	<u>255,715</u>	<u>1,584</u>
<b>Undist. Expend. - Security</b>					
Salaries	243,301	(9,010)	234,291	234,291	
Purchased Professional and Technical Service	23,000	(19,656)	3,344		3,344
Cleaning, Repair and Maintenance Services	77,800	12,637	90,437	86,094	4,343
General Supplies	20,350	21,175	41,525	36,991	4,534
<b>Total Undist. Expend. - Security</b>	<u>364,451</u>	<u>5,146</u>	<u>369,597</u>	<u>357,376</u>	<u>12,221</u>
<b>Undist. Expend. - Student Transportation Serv.</b>					
Salaries for Pupil Trans. (Between Home & School) - Regular	25,500	1,835	27,335	27,335	
Management Fees - ESC & CTSA Transportation Programs	12,342	600	12,942	12,556	386
Other Purchased Professional and Technical Services	5,100	250	5,350	5,318	32
Contracted Services Aid In Lieu of Payment for Non-public School Students	177,888	18,196	196,084	195,928	156
Contracted Services (Between Home and School) - Vendors	764,997	(4,219)	760,778	760,778	
Contracted Services (Other than Between Home and School) - Vendors	355,093	(12,026)	343,067	322,062	21,005
Contracted Services (Regular Students) - ESCs	137,997	21,601	159,598	159,598	
Contracted Services (Special Education Students) - ESCs	1,265,000	185,054	1,450,054	1,450,054	
Miscellaneous Purchased Services - Transportation	6,000.00	(6,000)	-	-	-
<b>Total Undist. Expend. - Student Transportation Serv.</b>	<u>2,749,917</u>	<u>205,291</u>	<u>2,955,208</u>	<u>2,933,629</u>	<u>21,579</u>
<b>Unallocated Benefits</b>					
Social Security Contributions	893,055		893,055	832,204	60,851
Other Retirement Contributions - Regular	851,300	(71,978)	779,322	770,794	8,528
Workmen's Compensation	211,851	(3,153)	208,698	207,684	1,014
Health Benefits	8,648,314	(466,419)	8,181,895	8,134,785	47,110
Tuition Reimbursement	165,000	3,000	168,000	167,425	575
Other Employee Benefits	190,000	(26,271)	163,729	111,592	52,137
<b>Total Unallocated Benefits</b>	<u>10,959,520</u>	<u>(564,821)</u>	<u>10,394,699</u>	<u>10,224,484</u>	<u>170,215</u>
TPAF Pension Contribution (On-Behalf - Non-Budgeted)				4,226,417	(4,226,417)
TPAF Post-Retirement Medical (On-Behalf - Non-Budgeted)				2,729,752	(2,729,752)
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				8,124	(8,124)
Reimbursed TPAF Social Security Contributions (non-budgeted)				<u>2,134,496</u>	<u>(2,134,496)</u>
<b>Total On-behalf Contributions</b>				<u>9,098,789</u>	<u>(9,098,789)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>35,877,900</u>	<u>(220,272)</u>	<u>35,657,628</u>	<u>43,809,533</u>	<u>(8,151,905)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>64,990,276</u>	<u>(36,583)</u>	<u>64,953,693</u>	<u>72,531,945</u>	<u>(7,578,252)</u>
<b>Security</b>					
Equipment	116,000	(33,988)	82,012	82,012	
<b>Total Security Equipment</b>	<u>116,000</u>	<u>(33,988)</u>	<u>82,012</u>	<u>82,012</u>	

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Undistributed Expenditures:</b>					
Instruction		\$ 142,178	\$ 142,178	\$ 85,076	\$ 57,102
<b>Regular Programs-Instruction:</b>					
Grades 1-5		49,804	49,804	49,804	-
<b>Total Equipment</b>		<u>191,982</u>	<u>191,982</u>	<u>134,880</u>	<u>57,102</u>
<b>Central Services</b>					
Central Services Equipment		27,100	27,100	26,225	875
<b>Total Central Services</b>		<u>27,100</u>	<u>27,100</u>	<u>26,225</u>	<u>875</u>
<b>Required Maintenance for School Facilities</b>					
Non-Instructional equipment		4,495	4,495	4,495	
<b>Total Required Maintenance for School Facilities</b>		<u>4,495</u>	<u>4,495</u>	<u>4,495</u>	
<b>Custodial Services</b>					
Non-Instructional equipment		57,256	57,256	57,208	48
<b>Total Custodial Services</b>		<u>57,256</u>	<u>57,256</u>	<u>57,208</u>	<u>48</u>
<b>Facilities Acquisition and Construction Services</b>					
Architectural/Engineering Services	\$ 200,000		200,000	150,124	49,876
Construction Services	2,400,000	289,905	2,689,905	1,135,366	1,554,539
Other Objects - Debt Service Assessment	112,459	-	112,459	112,459	-
<b>Total Facilities Acquisition and Construction Services</b>	<u>2,712,459</u>	<u>289,905</u>	<u>3,002,364</u>	<u>1,397,949</u>	<u>1,604,415</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>2,828,459</u>	<u>536,750</u>	<u>3,365,209</u>	<u>1,702,769</u>	<u>1,662,440</u>
<b>SPECIAL SCHOOLS</b>					
<b>Summer School - Instruction</b>					
Salaries of Teachers	17,000	(650)	16,350	16,350	
General Supplies	1,200	75	1,275	1,160	115
<b>Total Summer School - Instruction</b>	<u>18,200</u>	<u>(575)</u>	<u>17,625</u>	<u>17,510</u>	<u>115</u>
<b>Total Summer School</b>	<u>18,200</u>	<u>(575)</u>	<u>17,625</u>	<u>17,510</u>	<u>115</u>
<b>Instructional Alternative Education Programs - Instruction</b>					
Salaries of Teachers	165,000	(16,930)	148,070	138,894	9,176
General Supplies	1,500	(182)	1,318	1,318	-
<b>Total Instructional Alternative Education Programs - Instruction</b>	<u>166,500</u>	<u>(17,112)</u>	<u>149,388</u>	<u>140,212</u>	<u>9,176</u>
<b>Total Instructional Alternative Education Programs</b>	<u>166,500</u>	<u>(17,112)</u>	<u>149,388</u>	<u>140,212</u>	<u>9,176</u>
<b>TOTAL SPECIAL SCHOOLS</b>	<u>184,700</u>	<u>(17,687)</u>	<u>167,013</u>	<u>157,722</u>	<u>9,291</u>
<b>TOTAL EXPENDITURES</b>	<u>68,003,435</u>	<u>482,480</u>	<u>68,485,915</u>	<u>74,392,436</u>	<u>(5,906,521)</u>
<b>(Deficiency) Excess of Revenues</b>					
<b>(Under) Over Expenditures</b>					
	<u>(2,893,667)</u>	<u>(314,350)</u>	<u>(3,208,017)</u>	<u>66,393</u>	<u>3,274,410</u>
<b>Fund Balance, July 1</b>	<u>6,284,927</u>	<u>-</u>	<u>6,284,927</u>	<u>6,284,927</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u>\$ 3,391,260</u>	<u>\$ (314,350)</u>	<u>\$ 3,076,910</u>	<u>\$ 6,351,320</u>	<u>\$ 3,274,410</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS**  
Budgetary Comparison Schedule  
(Budgetary Basis)  
General Fund  
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Recapitulation of (Deficiency) Excess of Revenues and Other Financing (uses) (Under) Over Expenditures:</b>					
Adjustment for Prior Year Encumbrances		\$ (314,350)	\$ (314,350)	\$ (314,350)	
Budgeted Fund Balance	\$ (793,667)		(793,667)	1,424,743	\$ 2,218,410
Increase in Capital Reserve				1,056,000	1,056,000
Withdrawal from Capital Reserve	<u>(2,100,000)</u>	<u>-</u>	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>-</u>
<b>Total</b>	<u>\$ (2,893,667)</u>	<u>\$ (314,350)</u>	<u>\$ (3,208,017)</u>	<u>\$ 66,393</u>	<u>\$ 3,274,410</u>
<b>Recapitulation of Fund Balance:</b>					
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				\$ 280,533	
Excess Surplus-current year				281,199	
Capital Reserve				2,534,280	
Assigned to:					
Year End Encumbrances				1,804,779	
Unassigned Fund Balance				<u>1,450,529</u>	
<b>Budgetary Fund Balance</b>				<u>\$ 6,351,320</u>	
<b>Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:</b>					
Fund Balance				\$ 6,351,320	
Last State Aid Payments Not Recognized on GAAP Basis				<u>(204,967)</u>	
<b>Fund balance per Governmental Funds (GAAP)</b>				<u>\$ 6,146,353</u>	

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
(Budgetary Basis)  
Special Revenue Fund  
Year Ended June 30, 2018**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$ 146,000	\$ 76,064	\$ 222,064	\$ 167,165	\$ (54,899)
Federal Sources	725,000	221,818	946,818	918,281	(28,537)
Local Sources	-	667,347	667,347	367,266	(300,081)
<b>Total Revenues</b>	<u>\$ 871,000</u>	<u>\$ 965,229</u>	<u>\$ 1,836,229</u>	<u>\$ 1,452,712</u>	<u>\$ (383,517)</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	\$ 40,000	\$ 2,242	\$ 42,242	\$ 42,192	\$ 50
Purchased Professional and Educational Services	123,000	53,509	176,509	107,746	68,763
Other Purchased Services	670,000	134,519	804,519	784,203	20,316
Travel		2,500	2,500		2,500
General Supplies	23,000	256,350	279,350	213,352	65,998
Textbooks	15,000	10,900	25,900	25,900	-
<b>Total Instruction</b>	<u>871,000</u>	<u>460,020</u>	<u>1,331,020</u>	<u>1,173,393</u>	<u>157,627</u>
<b>Support Services</b>					
Personnel Services - Employee Benefits		10,169	10,169	10,169	
Purchased Professional and Technical Services		78,627	78,627	78,627	
Purchased Professional and Educational Services		5,300	5,300	2,690	2,610
Other Purchased Services		15,000	15,000	6,026	8,974
General Supplies		24,456	24,456	19,195	5,261
<b>Total Support Services</b>		<u>133,552</u>	<u>133,552</u>	<u>116,707</u>	<u>16,845</u>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment	-	371,657	371,657	162,612	209,045
<b>Total Facilities Acquisition and Construction Services</b>	<u>-</u>	<u>371,657</u>	<u>371,657</u>	<u>162,612</u>	<u>209,045</u>
<b>Total Expenditures</b>	<u>871,000</u>	<u>965,229</u>	<u>1,836,229</u>	<u>1,452,712</u>	<u>383,517</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Note to Required Supplementary Information  
Budget to GAAP Reconciliation  
Year Ended June 30, 2018**

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

	General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (C-1, C-2)	\$ 74,458,829	\$ 1,452,712
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		(15,184)
Prior Year, net		176,367
State aid payments from prior year recognized in prior year for budgetary purposes, and recognized for GAAP statements in the current fiscal year.	188,018	
State aid payments recognized in current year for budgetary purposes, not recognized for GAAP statements.	<u>(204,967)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2).	<u>\$ 74,441,880</u>	<u>\$ 1,613,895</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 74,392,436	\$ 1,452,712
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>161,183</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 74,392,436</u>	<u>\$ 1,613,895</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, 2018**

	<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
<b>REVENUES</b>				
State Sources	\$ 167,165	\$ 167,165		
Federal Sources	918,281		\$ 918,281	
Local Sources	<u>367,266</u>	<u>-</u>	<u>-</u>	\$ 367,266
<b>Total Revenues</b>	<u>\$ 1,452,712</u>	<u>\$ 167,165</u>	<u>\$ 918,281</u>	<u>\$ 367,266</u>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Salaries of Teachers	\$ 42,192		\$ 39,803	\$ 2,389
Purchased Professional and Educational Services	107,746	\$ 103,946		3,800
Other Purchased Services	784,203		776,203	8,000
General Supplies	217,340	41,307	13,585	162,448
Textbooks	<u>21,912</u>	<u>21,912</u>	<u>-</u>	<u>-</u>
<b>Total Instruction</b>	<u>1,173,393</u>	<u>167,165</u>	<u>829,591</u>	<u>176,637</u>
<b>Support Services:</b>				
Personnel Services - Employee Benefits	10,169		10,169	
Purchased Professional and Technical Services	78,627		77,727	900
Purchased Professional and Educational Services	2,690			2,690
Other Purchased Services	6,026			6,026
General Supplies	<u>19,195</u>		<u>794</u>	<u>18,401</u>
<b>Total Support Services</b>	<u>116,707</u>		<u>88,690</u>	<u>28,017</u>
<b>Facilities Acquisition and Const. Serv.:</b>				
Instructional Equipment	<u>162,612</u>			<u>162,612</u>
<b>Total Facilities Acquisition and Const. Serv.</b>	<u>162,612</u>			<u>162,612</u>
<b>Total Expenditures</b>	<u>1,452,712</u>	<u>167,165</u>	<u>918,281</u>	<u>367,266</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Special Revenue Fund  
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
Year Ended June 30, 2018**

	<u>Total</u>	<u>N.J. Nonpublic Textbook Aid</u>	<u>N.J. Nonpublic Auxiliary Services</u>	<u>N.J. Nonpublic Handicapped Services</u>	<u>N.J. Nonpublic Technology Initiative</u>	<u>N.J. Nonpublic Nursing Services</u>	<u>N.J. Nonpublic Security Aid</u>
<b>REVENUES</b>							
State Sources	\$ 167,165	\$ 21,912	\$ 12,148	\$ 52,998	\$ 14,018	\$ 38,800	\$ 27,289
<b>Total State Revenues</b>	<u>\$ 167,165</u>	<u>\$ 21,912</u>	<u>\$ 12,148</u>	<u>\$ 52,998</u>	<u>\$ 14,018</u>	<u>\$ 38,800</u>	<u>\$ 27,289</u>
<b>EXPENDITURES:</b>							
<b>Instruction:</b>							
Purchased Professional and Educational Services	\$ 103,946		\$ 12,148	\$ 52,998		\$ 38,800	
General Supplies	41,307				\$ 14,018		\$ 27,289
Textbooks	<u>21,912</u>	<u>\$ 21,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Instruction</b>	<u>167,165</u>	<u>21,912</u>	<u>12,148</u>	<u>52,998</u>	<u>14,018</u>	<u>38,800</u>	<u>27,289</u>
<b>Total Expenditures</b>	<u>167,165</u>	<u>21,912</u>	<u>12,148</u>	<u>52,998</u>	<u>14,018</u>	<u>38,800</u>	<u>\$ 27,289</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>							
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, 2018

	N.C.L.B.				I.D.E.A.	
	<u>Total</u>	<u>Title II-A</u>	<u>Title III</u>	<u>Title III Immigrant</u>	<u>Basic</u>	<u>Preschool</u>
<b>REVENUES</b>						
Federal Sources	\$ 918,281	\$ 47,419	\$ 10,467	\$ 10,244	\$ 826,391	\$ 23,760
<b>Total Federal Revenues</b>	<u>\$ 918,281</u>	<u>\$ 47,419</u>	<u>\$ 10,467</u>	<u>\$ 10,244</u>	<u>\$ 826,391</u>	<u>\$ 23,760</u>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers	\$ 39,803	\$ 34,853		\$ 4,950		
Other Purchased Services	776,203				\$ 752,443	\$ 23,760
General Supplies	13,585		\$ 9,467	4,118		
Textbooks	-	-	-	-	-	-
<b>Total Instruction</b>	<u>829,591</u>	<u>34,853</u>	<u>9,467</u>	<u>9,068</u>	<u>752,443</u>	<u>23,760</u>
<b>Support Services:</b>						
Employee Benefits	10,169	9,787		382		
Purchased Professional and Technical Services	77,727	2,779	1,000		73,948	
Supplies and Materials	794	-	-	794	-	
<b>Total Support Services</b>	<u>88,690</u>	<u>12,566</u>	<u>1,000</u>	<u>1,176</u>	<u>73,948</u>	
<b>Total Expenditures</b>	<u>\$ 918,281</u>	<u>\$ 47,419</u>	<u>\$ 10,467</u>	<u>\$ 10,244</u>	<u>\$ 826,391</u>	<u>\$ 23,760</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<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, 2018

<b>REVENUES</b>	
Interest earned	\$ 129,495
Total Revenues	<u>129,495</u>
 <b>EXPENDITURES</b>	
Architectural / Engineering Services	493,054
Construction Services	<u>10,301,355</u>
Total Expenditures	<u>10,794,409</u>
 (Deficiency) of Revenues (under) Expenditures	 <u>(10,664,914)</u>
 <b>OTHER FINANCING (USES)</b>	
Transfer out	<u>(129,495)</u>
Total Other Financing (Uses)	<u>(129,495)</u>
 (Deficiency) of Revenues Under Expenditures Other Financing (Uses)	 (10,794,409)
 Fund Balance - July 1	 <u>15,597,892</u>
Fund Balance - June 30	<u>\$ 4,803,483</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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Proceeds from capital leases	\$ 5,390,000		\$ 5,390,000	\$ 5,390,000
Transfer from capital outlay	<u>2,983</u>		<u>2,983</u>	<u>2,983</u>
Total Revenues	<u>5,392,983</u>		<u>5,392,983</u>	<u>5,392,983</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Other Purchased Professional and Technical Services	74,558		74,558	74,558
Architectural / Engineering Services	304,266		304,266	304,266
Construction Services	<u>5,014,159</u>		<u>5,014,159</u>	<u>5,014,159</u>
Total Expenditures and Other Financing Uses	<u>5,392,983</u>		<u>5,392,983</u>	<u>5,392,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>ADDITIONAL PROJECT INFORMATION</b>				
Project Number				NA
Grant Date				NA
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, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Bond proceeds and transfers	\$ 15,864,000		\$ 15,864,000	\$ 15,864,000
Premium on bonds	<u>157,806</u>		<u>157,806</u>	<u>-</u>
Total Revenues	<u>16,021,806</u>		<u>16,021,806</u>	<u>15,864,000</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Other Purchased Professional and Technical Services	221,666		221,666	221,666
Architectural / Engineering Services	102,318	\$ 493,054	595,372	595,372
Construction Services	<u>99,930</u>	<u>10,301,355</u>	<u>10,401,285</u>	<u>15,046,962</u>
Total Expenditures and Other Financing Uses	<u>423,914</u>	<u>10,794,409</u>	<u>11,218,323</u>	<u>15,864,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 15,597,892</u>	<u>\$ (10,794,409)</u>	<u>\$ 4,803,483</u>	
<b>ADDITIONAL PROJECT INFORMATION</b>				
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		71%		
Original Target Completion Date		Summer 2018		
Revised Target Completion Date		Summer 2019		

BOARD OF EDUCATION  
 SCHOOL DISTRICT OF THE CHATHAMS  
 Capital Projects Fund

Summary Schedule of Project Expenditures  
 Year Ended June 30, 2018

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 6/30/2018
			Prior Years	Current Year	
School Building Improvements and Renovations	1/12/2017	\$ 15,864,000	\$ 266,108	\$ 10,794,409	\$ 4,803,483
School Energy Savings Program (ESIP)	8/5/2015	5,392,983	5,392,983	-	-
Totals		\$ 21,256,983	\$ 5,659,091	\$ 10,794,409	\$ 4,803,483
Bond proceeds - 2017 Referendum		\$ 15,864,000			
Transfer From Capital Outlay		2,983			
Proceeds from Capital Lease		5,390,000			
Total		\$ 21,256,983			

FIDUCIARY FUNDS



BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Trust and Agency Funds  
Combining Statement of Fiduciary Net Position  
June 30, 2018

	Trust			Agency		
	Unemployment Compensation	Private - Purpose Scholarship Funds	Total Trust	Student Activity	Payroll	Total Agency
<b>Assets</b>						
Cash and cash equivalents	\$ 296,199	\$ 34,268	\$ 330,467	\$ 444,218	\$ 143,401	\$ 587,619
Total assets	<u>296,199</u>	<u>34,268</u>	<u>330,467</u>	<u>\$ 444,218</u>	<u>\$ 143,401</u>	<u>\$ 587,619</u>
<b>Liabilities</b>						
Accounts payable	20,344		20,344			
Payroll deductions and withholdings payable					\$ 143,401	\$ 143,401
Due to student groups				<u>\$ 444,218</u>		<u>444,218</u>
Total liabilities	<u>20,344</u>	<u>-</u>	<u>20,344</u>	<u>\$ 444,218</u>	<u>\$ 143,401</u>	<u>\$ 587,619</u>
<b>Net Position</b>						
Held in trust	275,855	34,268	310,123			
Total net position	<u>\$ 275,855</u>	<u>\$ 34,268</u>	<u>\$ 310,123</u>			

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Student Activity Agency Fund  
Schedule of Cash Receipts and Cash Disbursements  
Year Ended June 30, 2018**

<u>Schools</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
Elementary Schools:				
Southern Boulevard	\$ 1,709	\$ 200	\$ 1,581	\$ 328
Milton Avenue	2,453		576	1,877
Lafayette Avenue	38,622	4,481	3,788	39,315
Washington Avenue	645	391	570	466
Middle School:				
Activity	48,994	89,728	93,754	44,968
High School:				
Activity	322,307	457,102	427,727	351,682
Athletic	<u>11,177</u>	<u>19,132</u>	<u>24,727</u>	<u>5,582</u>
	<u>\$ 425,907</u>	<u>\$ 571,034</u>	<u>\$ 552,723</u>	<u>\$ 444,218</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Payroll Agency Fund  
Schedule of Cash Receipts and Cash Disbursements  
Year Ended June 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	<u>\$ 118,051</u>	<u>\$ 46,647,602</u>	<u>\$ 46,622,252</u>	<u>\$ 143,401</u>
Total Assets	<u><u>\$ 118,051</u></u>	<u><u>\$ 46,647,602</u></u>	<u><u>\$ 46,622,252</u></u>	<u><u>\$ 143,401</u></u>
<b>LIABILITIES:</b>				
Salaries and Wages Payable		\$ 25,570,581	\$ 25,570,581	
Payroll Deductions and Withholdings Payable	<u>\$ 118,051</u>	<u>21,077,021</u>	<u>21,051,671</u>	<u>\$ 143,401</u>
Total Liabilities	<u><u>\$ 118,051</u></u>	<u><u>\$ 46,647,602</u></u>	<u><u>\$ 46,622,252</u></u>	<u><u>\$ 143,401</u></u>

LONG-TERM DEBT

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Long - Term Debt  
Schedule of Serial Bonds Payable  
Year Ended June 30, 2018**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2018</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds - Series 2014A	11/7/2014	\$ 16,275,000	7/15/2018	\$ 375,000	3.000%	\$ 16,215,000	\$ 365,000	\$ 15,850,000
			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	1/15/2019	995,000	3.000%	10,335,000	960,000	9,375,000
			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	600,000	2.000%	15,864,000	-	15,864,000
			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%						
						<u>\$ 42,414,000</u>	<u>\$ 1,325,000</u>	<u>\$ 41,089,000</u>

**BOARD OF EDUCATION**  
**SCHOOL DISTRICT OF THE CHATHAMS**  
**Long - Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**Year Ended June 30, 2018**

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Original Issue</u>	<u>Balance July 1, 2017</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
School Energy Savings (ESIP)	2.40%	\$ 5,390,000	\$ 4,949,609	\$ 586,463	\$ 4,363,146
			<u>\$ 4,949,609</u>	<u>\$ 586,463</u>	<u>\$ 4,363,146</u>

**BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Budgetary Comparison Schedule  
Debt Service Fund  
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,700,999		\$ 2,700,999	\$ 2,700,999	
State Sources:					
Debt Service Aid Type II	<u>86,743</u>		<u>86,743</u>	<u>86,743</u>	
<b>Total Revenues</b>	<u>2,787,742</u>		<u>2,787,742</u>	<u>2,787,742</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Redemption of Principal	1,325,000		1,325,000	1,325,000	
Interest on Bonds	<u>1,538,957</u>		<u>1,538,957</u>	<u>1,538,957</u>	
<b>Total Regular Debt Service</b>	<u>2,863,957</u>		<u>2,863,957</u>	<u>2,863,957</u>	
<b>Total Expenditures</b>	<u>2,863,957</u>		<u>2,863,957</u>	<u>2,863,957</u>	
(Deficiency) of Revenues (Under) Expenditures	<u>(76,215)</u>		<u>(76,215)</u>	<u>(76,215)</u>	
<b>Other Financing Sources:</b>					
Transfers in	<u>129,495</u>		<u>129,495</u>	<u>129,495</u>	
<b>Total other financing sources</b>	<u>129,495</u>		<u>129,495</u>	<u>129,495</u>	
Excess of revenues and other financing sources over expenditures	53,280		53,280	53,280	
Fund Balance, July 1	<u>115,184</u>	-	<u>115,184</u>	<u>115,184</u>	-
Fund Balance, June 30	<u>\$ 168,464</u>	<u>\$ -</u>	<u>\$ 168,464</u>	<u>\$ 168,464</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,

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(as restated)		(as restated)							
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 41,337,096
Restricted	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	3,096,012
Unrestricted (deficit)	(1,649,525)	430,767	411,914	756,430	590,645	3,388,935	(12,503,280)	(13,032,813)	(14,518,357)	(14,155,678)
<b>Total governmental activities net position</b>	<u>\$ 32,179,490</u>	<u>\$ 34,796,568</u>	<u>\$ 37,087,317</u>	<u>\$ 39,600,790</u>	<u>\$ 42,392,069</u>	<u>\$ 42,828,533</u>	<u>\$ 30,046,416</u>	<u>\$ 30,778,449</u>	<u>\$ 29,941,622</u>	<u>\$ 30,277,430</u>
<b>Business-type activities</b>										
Investment in capital assets	\$ 87,525	\$ 161,450	\$ 174,608	\$ 187,573	\$ 200,539	\$ 213,504	\$ 206,588	\$ 283,085	\$ 263,901	\$ 249,847
Unrestricted	130,381	42,218	35,346	81,725	94,843	131,301	206,978	144,516	246,940	363,078
<b>Total business-type activities net position</b>	<u>\$ 217,906</u>	<u>\$ 203,668</u>	<u>\$ 209,954</u>	<u>\$ 269,298</u>	<u>\$ 295,382</u>	<u>\$ 344,805</u>	<u>\$ 413,566</u>	<u>\$ 427,601</u>	<u>\$ 510,841</u>	<u>\$ 612,925</u>
<b>Government-wide</b>										
Net investment in capital assets	\$ 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	\$ 41,586,943
Restricted	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	3,096,012
Unrestricted (deficit)	(1,519,144)	472,985	447,260	838,155	685,488	3,520,236	(12,296,302)	(12,888,297)	(14,271,417)	(13,792,600)
<b>Total government-wide net position</b>	<u>\$ 32,397,396</u>	<u>\$ 35,000,236</u>	<u>\$ 37,297,271</u>	<u>\$ 39,870,088</u>	<u>\$ 42,687,451</u>	<u>\$ 43,173,338</u>	<u>\$ 30,459,982</u>	<u>\$ 31,206,050</u>	<u>\$ 30,452,463</u>	<u>\$ 30,890,355</u>

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

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

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

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

(accrual basis of accounting)  
Unaudited

	Year Ended June 30,									
	2009 (as restated)	2010	2011 (as restated)	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction	\$ 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	\$ 58,612,675
Support services:										
Student & instruction related services	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	14,664,694
School administration services	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	5,645,887
General and Business administration services	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	4,294,050
Operation and Maintenance of Plant Services	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	7,854,496
Student transportation services	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	2,958,287
Special Schools	87,400	99,470	117,587	150,240	172,554	240,248	250,999	290,374	318,195	306,429
Charter Schools				11,223	9,821	20,005				
Interest and other costs on long term debt	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	1,527,928
Total governmental activities	<u>56,660,176</u>	<u>57,277,834</u>	<u>58,914,760</u>	<u>61,224,382</u>	<u>64,489,368</u>	<u>67,544,785</u>	<u>76,665,613</u>	<u>80,671,407</u>	<u>89,651,806</u>	<u>95,864,446</u>
<b>Business-type activities:</b>										
Food service	819,534	906,257	930,380	982,242	956,075	1,060,277	1,078,795	1,207,014	1,171,771	1,234,757
Cougar Cubs		29,918	68,299							
Total business-type activities expense	<u>819,534</u>	<u>936,175</u>	<u>998,679</u>	<u>982,242</u>	<u>956,075</u>	<u>1,060,277</u>	<u>1,078,795</u>	<u>1,207,014</u>	<u>1,171,771</u>	<u>1,234,757</u>
Total government-wide expenses	<u>\$ 57,479,710</u>	<u>\$ 58,214,009</u>	<u>\$ 59,913,439</u>	<u>\$ 62,206,624</u>	<u>\$ 65,445,443</u>	<u>\$ 68,605,062</u>	<u>\$ 77,744,408</u>	<u>\$ 81,878,421</u>	<u>\$ 90,823,577</u>	<u>\$ 97,099,203</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Instruction (tuition)	\$ 16,301	\$ 5,000	\$ 60,500	\$ 43,900	\$ 174,243	\$ 238,138	\$ 251,032	\$ 179,845	\$ 165,429	\$ 109,908
Pupil transportation	77,660	95,654	102,737	98,468	117,344	128,015	134,560	132,526	157,648	172,298
Operating grants and contributions	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	1,444,997
Capital grants and contributions	61,571	327,043	63,241	276,089	2,997	76,981	68,753	248,586	265,746	168,898
Total governmental activities program revenues	<u>1,329,355</u>	<u>2,133,906</u>	<u>1,823,181</u>	<u>1,694,768</u>	<u>1,745,667</u>	<u>1,673,785</u>	<u>1,866,953</u>	<u>1,929,090</u>	<u>1,849,539</u>	<u>1,896,101</u>
<b>Business-type activities:</b>										
Charges for services:										
Food service	767,061	835,552	895,670	948,046	891,004	1,018,241	1,063,569	1,127,623	1,166,780	1,248,527
Cougar Cubs	34,535	24,664	39,018							
Operating grants and contributions	50,251	61,721	70,277	93,540	91,155	91,459	83,987	93,426	88,231	88,314
Total business type activities program revenues	<u>851,847</u>	<u>921,937</u>	<u>1,004,965</u>	<u>1,041,586</u>	<u>982,159</u>	<u>1,109,700</u>	<u>1,147,556</u>	<u>1,221,049</u>	<u>1,255,011</u>	<u>1,336,841</u>
Total government-wide program revenues	<u>\$ 2,181,202</u>	<u>\$ 3,055,843</u>	<u>\$ 2,828,146</u>	<u>\$ 2,736,354</u>	<u>\$ 2,727,826</u>	<u>\$ 2,783,485</u>	<u>\$ 3,014,509</u>	<u>\$ 3,150,139</u>	<u>\$ 3,104,550</u>	<u>\$ 3,232,942</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (93,968,345)
Business-type activities	32,313	(14,238)	6,286	59,344	26,084	49,423	68,761	14,035	83,240	102,084
Total government-wide net (expense)/revenue	<u>\$ (55,298,508)</u>	<u>\$ (55,158,166)</u>	<u>\$ (57,085,293)</u>	<u>\$ (59,470,270)</u>	<u>\$ (62,717,617)</u>	<u>\$ (65,821,577)</u>	<u>\$ (74,729,899)</u>	<u>\$ (78,728,282)</u>	<u>\$ (87,719,027)</u>	<u>\$ (93,866,261)</u>

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

(accrual basis of accounting)  
Unaudited

	Year Ended June 30,									
	2009 (as restated)	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes	\$ 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	\$ 61,921,960
Taxes levied for debt service	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	2,700,999
Unrestricted grants and contributions	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	29,062,101
Investment earnings	14,644	17,334	14,064	9,600	8,148	6,137	4,086	4,689	44,551	147,304
Miscellaneous income	244,540	294,945	296,104	417,024	1,105,493	366,796	434,592	543,828	781,108	471,789
Total governmental activities	<u>\$ 56,531,542</u>	<u>\$ 57,761,006</u>	<u>\$ 59,382,328</u>	<u>\$ 62,043,087</u>	<u>\$ 65,534,980</u>	<u>\$ 66,307,464</u>	<u>\$ 75,372,443</u>	<u>\$ 79,474,350</u>	<u>\$ 86,965,440</u>	<u>\$ 94,304,153</u>
Business-type activities:										
Investment earnings	1,238	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>1,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 56,532,780</u>	<u>\$ 57,761,006</u>	<u>\$ 59,382,328</u>	<u>\$ 62,043,087</u>	<u>\$ 65,534,980</u>	<u>\$ 66,307,464</u>	<u>\$ 75,372,443</u>	<u>\$ 79,474,350</u>	<u>\$ 86,965,440</u>	<u>\$ 94,304,153</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 1,200,721	\$ 2,617,078	\$ 2,290,749	\$ 2,513,473	\$ 2,791,279	\$ 436,464	\$ 573,783	\$ 732,033	\$ (836,827)	\$ 335,808
Business-type activities	33,551	(14,238)	6,286	59,344	26,084	49,423	68,761	14,035	83,240	102,084
Total district	<u>\$ 1,234,272</u>	<u>\$ 2,602,840</u>	<u>\$ 2,297,035</u>	<u>\$ 2,572,817</u>	<u>\$ 2,817,363</u>	<u>\$ 485,887</u>	<u>\$ 642,544</u>	<u>\$ 746,068</u>	<u>\$ (753,587)</u>	<u>\$ 437,892</u>

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.

GASB 75 was implemented in the 2018 fiscal year, which increased the unrestricted grants and contributions and various expense lines from the previous year.

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

(modified accrual basis of accounting)  
 Unaudited

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 2,022,567	\$ 2,966,886								
Unreserved	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	\$ 3,096,012
Assigned			533,174	884,234	465,868	3,281,687	594,228	559,139	814,350	1,804,779
Unassigned			1,345,112	1,050,698	985,978	1,120,590	1,238,291	1,109,931	1,130,079	1,245,562
Total general fund	<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>	<u>\$ 6,146,353</u>
All Other Governmental Funds										
Reserved	\$ 932,255	\$ 96,798								
Unreserved, reported in:										
Capital projects fund (deficit)	52,943	392,506								
Debt service fund	1	2								
Restricted			\$ 1,197,940	\$ 627,866	\$ 230,250	\$ 297,840	\$ 506,327	\$ 1,159,820	\$ 15,713,076	\$ 4,971,947
Total all other governmental funds	<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>	<u>\$ 4,971,947</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 I.M. in the basic financial statements). Prior years have not been restated above and are not required to be.

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

(modified accrual basis of accounting)  
Unaudited

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Local sources:										
Local tax levy	\$ 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	\$ 64,622,959
Transportation fees	77,660	95,654	102,737	98,468	117,344	128,015	134,560	132,526	157,648	172,298
Tuition charges	16,301	5,000	60,500	43,900	174,243	238,138	251,032	179,845	165,429	109,908
Interest earned	14,644	17,334	14,064	9,600	8,148	6,137	4,086	4,689	44,551	147,304
Miscellaneous	412,971	417,752	303,988	624,027	1,419,598	577,470	759,473	813,561	1,137,416	1,000,368
Total local sources	50,314,798	51,288,761	54,970,660	56,300,887	58,453,566	59,561,754	61,546,999	62,505,443	63,913,992	66,052,837
State sources	6,774,499	7,229,308	5,004,679	6,400,866	7,833,455	7,529,811	8,572,918	9,768,918	10,524,009	12,002,024
Federal sources	771,600	1,376,843	1,230,170	1,036,102	972,228	889,684	927,151	955,119	978,150	918,151
Total revenue	57,860,897	59,894,912	61,205,509	63,737,855	67,259,249	67,981,249	71,047,048	73,229,480	75,416,151	78,973,012
<b>Expenditures</b>										
Current										
Instruction	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	30,053,391
Support services										
Tuition	2,297,823	2,210,229	2,338,936	2,386,967	1,922,832	2,393,463	2,437,142	2,614,988	2,207,411	2,599,310
Attendance/social work	60,304	62,715	65,223	58,185	58,734	59,499	62,704	63,922	63,418	61,346
Health services	538,244	533,086	565,778	586,778	626,641	643,896	646,778	581,817	610,623	644,130
Other support services	3,233,644	3,133,076	3,525,735	3,892,517	4,002,657	4,121,873	4,391,402	4,430,431	4,586,694	4,922,020
Improvement of instruction	855,941	697,162	622,673	647,573	689,774	684,763	681,907	710,701	768,984	736,096
Education media library	844,372	776,079	825,710	992,541	933,129	952,837	870,424	872,894	887,674	888,716
Other support: instructional staff	133,312	109,834	103,611	130,269	189,761	589,223	590,801	653,067	620,128	645,905
General administration services	1,076,374	947,810	921,756	839,785	873,500	940,291	1,097,073	1,014,515	1,012,292	946,483
School administration services	2,456,224	2,514,209	2,624,611	2,676,125	2,683,329	2,775,092	2,768,155	2,796,121	2,808,740	2,908,717
Central services	744,412	632,285	675,431	682,780	753,992	764,217	765,841	820,190	858,155	906,739
Administrative information technology services	67,788	482,876	413,660	445,972	533,803	515,039	554,949	570,112	569,597	640,308
Required maintenance of plant services	874,508	967,041	1,490,447	986,919	977,535	1,083,734	1,003,783	1,294,195	468,246	1,035,271
Operation and maintenance of plant services	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	3,416,857
Care and upkeep of grounds		138,864	177,534	201,217	222,293	198,345	181,119	196,180	222,214	255,715
Security		60,419	84,636	79,963	59,091	318,926	260,094	280,096	319,620	357,376
Student transportation	2,038,321	2,109,563	2,331,566	2,309,451	2,228,574	2,452,291	2,556,692	2,689,656	2,866,750	2,933,629
Unallocated benefits and On-behalf TPAF Contributions	9,285,799	9,718,513	10,561,496	11,851,211	13,407,010	13,529,741	15,222,766	15,907,046	17,180,349	19,323,273
Special schools	67,440	74,264	89,747	107,902	122,737	172,110	157,266	176,007	173,744	157,722
Charter Schools	9,555	452		10,758	9,821	20,005				
Capital outlay	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	12,666,076
Debt Service:										
Principal	1,838,891	1,941,898	1,462,608	1,497,837	1,367,152	1,270,000	1,515,000	1,490,000	1,725,391	1,911,463
Interest	1,764,609	1,706,302	1,630,490	1,600,417	1,532,590	1,467,760	1,039,879	1,193,751	1,346,458	1,654,154
Cost of issuance							202,200		221,666	
Total expenditures	56,849,084	58,597,358	60,744,783	64,023,093	65,299,520	68,071,209	74,084,904	77,506,929	76,094,995	89,664,697
Excess (Deficiency) of revenues over (under) expenditures	1,011,813	1,297,554	460,726	(285,238)	1,959,729	(89,960)	(3,037,856)	(4,277,449)	(678,844)	(10,691,685)
<b>Other Financing sources (uses)</b>										
Refunding bonds issued										
Bonds issued							28,545,000		15,864,000	
Payment to bond escrow agent							(32,434,091)			
Capital lease issuance	761,632	564,226	472,599					5,390,000		
Equity contribution							70,000			
Premium on bonds issued							4,024,722		157,806	
Additional proceeds							(3,431)			
Transfers in	783,049	56	818,250		474,525	80,738	362,436	328,757	41,951	129,495
Transfers out	(783,049)	(56)	(818,250)		(474,525)	(80,738)	(362,436)	(328,757)	(41,951)	(129,495)
Insurance Recovery Related to Other Costs of Super Storm Sandy					21,398					
Total other financing sources (uses)	761,632	564,226	472,599	-	21,398	-	202,200	5,390,000	16,021,806	-
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	1,773,445	1,861,780	933,325	(285,238)	1,981,127	(89,960)	(2,835,656)	1,112,551	15,342,962	(10,691,685)
Fund balance July 1	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
Fund balance June 30	\$ 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	\$ 11,118,300
Debt service as a percentage of noncapital expenditures	6.55%	6.41%	5.20%	5.10%	4.54%	4.12%	3.67%	3.75%	4.20%	4.63%

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
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
2018	109,908	17,809	11,360	58,805	401,624			172,298	771,804

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 <sup>a</sup>	Total Assessed Value	Less : Tax Exempt Property	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>b</sup>
<b>Borough of Chatham</b>													
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	1.120
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	1.145
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	1.180
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	1.200
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	1.210
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	1.218
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	1.256
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	*
2018	8,345,800	1,814,236,100	None	200,000	200,032,100	21,482,700	38,946,200	1,089,920	2,084,332,820	143,339,600	1,940,993,220	*	*
<b>Township of Chatham</b>													
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	*	3,044,082,300	*	*	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
2018	15,087,200	2,991,085,700	10,827,000	175,700	120,530,400	1,285,800	51,695,000	1,512,738	3,192,199,538	192,949,600	2,999,249,938	*	*

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.

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> Tax rates are per \$100

\* Information not available



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

Unaudited

Year Ended December 31,	School District of the Chathams Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	(From J-6) Total Direct School Tax Rate	Municipality	Morris County	
<b>Borough of Chatham</b>						
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
2018	*	*	*	*	*	*
<b>Township of Chatham</b>						
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
2018	*	*	*	*	*	*

**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

	2018		2009	
	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	10,004,500 0.49%
Chatham Project, LLC	7,310,000	0.35%	Foursome Associates	8,100,000 0.40%
Levin Properties, LP	7,194,500	0.35%	Chatham Project	7,310,000 0.36%
Foresome Group	6,613,600	0.32%	Levin Properties, LP	6,884,600 0.34%
Town Square Partners	5,742,700	0.28%	Hickory Tree Properties	4,530,500 0.22%
Weill, Maurice M Trustee	4,127,500	0.20%	Passaic Ave. Partners	4,261,100 0.21%
Jackson House Apartments LLC	3,800,000	0.18%	Jackson House Apartment	4,000,000 0.20%
<b>Total</b>	<b>\$ 76,679,300</b>	<b>3.72%</b>	<b>Total</b>	<b>\$ 84,087,600 4.14%</b>
<u>Township of Chatham*</u>				
Home Popteries Chatham Hill, LLC	*	*	Home Popteries Chatham Hill, LLC	\$ 46,050,000 1.68%
Hickory Square Associates LP	*	*	Hickory Square Associates LP	22,360,000 0.82%
Fairmount Country Club	*	*	Fairmount Country Club	18,390,100 0.67%
Texas Eastern Transmission Corp.	*	*	Texas Eastern Transmission Corp.	15,127,200 0.55%
Giralda Farms	*	*	Rosepond LLC	13,560,600 0.50%
Transcontinental Gas Pipeline Corp.	*	*	Giralda Farms	11,881,800 0.43%
Chatham Hills, Inc.	*	*	Transcontinental Gas Pipeline Corp.	10,976,300 0.40%
Juniper Assisted Living Residence	*	*	Chatham Hills, Inc	10,000,000 0.37%
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%
<b>Total</b>	<b>*</b>	<b>*</b>	<b>Total</b>	<b>\$ 165,478,000 6.04%</b>

Source: District CAFR & Municipal Tax Assessor.

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

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

Unaudited

Year Ended June 30,	Taxes Levied for the Fiscal Year - School District of the Chathams	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	-
2018	64,622,959	64,622,959	100.00%	-

Year Ended December 31,	Taxes Levied for the Fiscal Year - Borough of Chatham	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2017	*	*	*	*

Year Ended December 31,	Taxes Levied for the Fiscal Year - Township of Chatham	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2017	*	*	*	*

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

Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita Income <sup>a</sup>
	General Obligation Bonds	Energy Lease				
2009	\$ 38,870,000	\$ 687,870	\$ 39,557,870	0.18%	\$ 71,361	
2010	37,810,000	369,998	38,179,998	0.20%	74,460	
2011	36,700,000	489,989	37,189,989	0.21%	77,207	
2012	35,535,000	157,152	35,692,152	0.22%	80,027	
2013	34,325,000		34,325,000	0.24%	80,868	
2014	33,055,000		33,055,000	0.25%	83,687	
2015	29,325,000		29,325,000	0.30%	87,896	
2016	27,835,000	5,390,000	33,225,000	0.27%	89,065	
2017	42,414,000	4,949,609	47,363,609	0.19%	89,065	
2018	41,089,000	4,363,146	45,452,146	0.20%	89,065	

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.

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

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

Unaudited

Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Energy Lease	Deductions			
2009	\$ 38,870,000	\$ 687,870		\$ 39,557,870	2.07%	\$ 71,361
2010	37,810,000	369,998		38,179,998	1.99%	74,460
2011	36,700,000	489,989		37,189,989	1.94%	77,207
2012	35,535,000	157,152		35,692,152	1.87%	80,027
2013	34,325,000		\$ 77,646	34,247,354	1.79%	80,868
2014	33,055,000		154,034	32,900,966	1.72%	83,687
2015	29,325,000		254,397	29,070,603	1.51%	87,896
2016	27,835,000	5,390,000	254,225	32,970,775	1.71%	89,065
2017	42,414,000	4,949,609	115,184	47,248,425	2.44%	89,065
2018	41,089,000	4,363,146	168,464	45,283,682	2.33%	89,065

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.

School District of the Chathams  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2018

Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Chatham Township		Not Available	
Chatham Borough		Not Available	
Morris County General Obligation Debt		Not Available	
Subtotal, overlapping debt			Not Available
<b>School District the Chathams</b>			<u>\$ 45,283,682</u>
<b>Total</b>			<u><u>\$ 45,283,682</u></u>

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

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

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

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

Unaudited

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized valuation basis		Total
	Chatham Borough	Chatham Township	
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>\$ 2,321,206,993</u>	<u>\$ 3,396,932,412</u>	<u>\$ 17,540,280,022</u>
Average equalized valuation of taxable property			<u>\$ 5,911,070,309</u>
Debt limit (4% of average equalization value)			\$ 236,442,812 a
Total Net Debt Applicable to Limit			<u>45,283,682</u>
Legal debt margin			<u>\$ 191,159,130</u>

	Year ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 236,442,812
Total net debt applicable to limit	<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>	<u>45,283,682</u>
Legal debt margin	<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>	<u>\$ 191,159,130</u>
Total net debt applicable to the limit as a percentage of debt limit	18.02%	17.16%	16.30%	16.09%	15.24%	14.62%	12.86%	14.42%	20.20%	19.15%

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

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

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

Unaudited

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
<b>Borough of Chatham</b>				
2009	8,171	\$ 583,090,731	\$ 71,361	2.99%
2010	8,196	610,274,160	74,460	5.20%
2011	8,960	691,774,720	77,207	5.20%
2012	8,996	719,922,892	80,027	5.10%
2013	9,004	728,135,472	80,868	5.30%
2014	9,026	755,358,862	83,687	2.90%
2015	9,020	792,821,920	87,896	3.70%
2016	8,993	800,961,545	89,065	3.30%
2017	8,977	799,536,505 **	89,065 **	2.80%
2018	8,977 **	799,536,505 **	89,065 **	2.70%
<b>Township of Chatham</b>				
2009	10,107	\$ 721,245,627	\$ 71,361	1.65%
2010	10,175	757,630,500	74,460	2.90%
2011	10,467	808,125,669	77,207	3.00%
2012	10,514	841,403,878	80,027	2.90%
2013	10,550	853,157,400	80,868	3.00%
2014	10,612	888,086,444	83,687	5.20%
2015	10,610	932,576,560	87,896	4.00%
2016	10,585	942,753,025	89,065	3.40%
2017	10,466	932,154,290 **	89,065 **	3.10%
2018	10,466 **	932,154,290 **	89,065 **	3.10%

Source:

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

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

<sup>c</sup> Per capita personal income by County (Morris) estimated based upon the regional economic information system,

US Bureau of Economic Analysis, November 2017.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development.

\*\* This information is not available from State.



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

Unaudited

<u>Employer</u>	<u>2018</u>		<u>2009</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. 110	*	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>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>	<u>2018</u>
Instruction										
Regular	243.70	247.58	271.50	280.00	286.00	292.90	292.90	299.90	302.40	315.50
Special Education	69.30	73.00	84.20	89.30	95.30	120.30	127.80	133.90	135.40	141.20
Support Services										
Student & instruction related services	60.50	50.63	30.80	34.10	36.60	30.40	30.40	30.40	31.40	32.80
General administrative services	2.50	2.50	10.40	9.40	10.40	5.00	5.00	5.00	6.00	6.10
School administrative services	25.50	23.00	28.50	28.50	28.50	35.70	35.70	35.70	35.70	37.20
Business administrative services	9.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.40
Plant operation & maintenance	51.00	42.00	42.90	42.90	42.90	44.00	45.00	45.00	45.00	47.20
Pupil transportation	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u>462.50</u>	<u>446.71</u>	<u>476.30</u>	<u>493.20</u>	<u>508.70</u>	<u>537.30</u>	<u>545.80</u>	<u>558.90</u>	<u>564.90</u>	<u>589.40</u>

Source: District Personnel Records  
and 2018 budget support document.

School District of the Chathams  
Operating Statistics  
Last Ten Fiscal Years

Unaudited

Pupil/Teacher Ratio

Year Ended June 30,	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	4 Elementary Schools	1 Middle School	1 High School	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
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	4,145	3,999	0.66%	96.48%
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	1.64%	96.27%
2018	4,172	73,433,004	17,601	5.82%	360.67	10.3:1	11.7:1	11.7:1	4,164	3,985	-1.16%	95.70%

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
Milton Avenue School (1948)										
Square Feet	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050	42,050
Capacity (students)	336	336	336	336	336	336	336	336	336	336
Enrollment	342	366	373	371	389	370	364	356	356	291
Southern Boulevard School (1928)										
Square Feet	76,890	76,890	76,890	76,890	76,890	76,890	76,890	76,890	76,890	76,890
Capacity (students)	615	615	615	615	615	615	615	615	615	615
Enrollment	490	502	493	491	463	452	456	464	464	499
Washington Avenue School (1952)										
Square Feet	62,100	62,100	62,100	62,100	62,100	62,100	62,100	62,100	62,100	62,100
Capacity (students)	497	497	497	497	497	497	497	497	497	497
Enrollment	401	446	455	448	444	457	433	428	397	377
Lafayette Avenue School (1954)										
Square Feet	72,690	72,690	72,690	72,690	72,690	72,690	72,690	72,690	72,690	72,690
Capacity (students)	582	582	582	582	582	582	582	582	582	582
Enrollment	636	637	598	635	695	709	680	652	691	696
<b><u>Middle School</u></b>										
Chatham Middle School (1957)										
Square Feet	144,445	144,445	191,720	191,720	191,720	191,720	191,720	191,720	191,720	191,720
Capacity (students)	1,078	1,078	1,431	1,431	1,431	1,431	1,431	1,431	1,431	1,431
Enrollment	849	891	958	962	961	941	991	1,054	1,086	1,037
<b><u>High School</u></b>										
Chatham High School (1962)										
Square Feet	220,065	220,065	220,065	237,730	237,730	237,730	237,730	237,730	243,790	243,790
Capacity (students)	1,457	1,457	1,457	1,574	1,574	1,574	1,574	1,574	1,574	1,574
Enrollment	999	1,054	1,056	1,146	1,157	1,201	1,188	1,198	1,239	1,272
Number of Schools at June 30, 2018										
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**

<u>Year ended June 30</u>	<u>Chatham HS</u>	<u>Chatham MS</u>	<u>Lafayette Avenue School</u>	<u>Washington Avenue School</u>	<u>Southern Blvd School</u>	<u>Milton Avenue School</u>	<u>Total</u>
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
2018	366,185	287,972	109,184	93,277	115,492	63,161	1,035,271
Grand Total School Facilities	<u>\$ 3,911,914</u>	<u>\$ 2,899,882</u>	<u>\$ 1,241,893</u>	<u>\$ 826,531</u>	<u>\$ 1,178,146</u>	<u>\$ 755,343</u>	<u>\$ 10,813,709</u>

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

Source: District records of required maintenance.

School District of the Chathams  
Insurance Schedule  
Year ended June 30, 2018

Unaudited

	Coverage	Deductible
<b>School Multi Peril Package Policy - Utica</b>		
Property - Blanket, building and contents	\$ 178,475,075	\$ 5,000
Property - Equipment Breakdown	178,475,075	2,500
Business Income	5,000,000	
Commercial General Liability	3,000,000 (aggregate)	
Electronic Data Processing	2,500,000	1,000
Educators Legal Liability	1,000,000	7,500
	3,000,000 (aggregate)	
<b>Leased / Contractor Equipment - Utica</b>	50,000	1,000
<b>Commercial Automotive Liability - Utica</b>	1,000,000	1,000
<b>Workers Compensation - NJSIG</b>	2,000,000	
<b>Pollution - Commerce &amp; Industry Ins. - Beazley</b>	1,000,000	10,000
<b>Umbrella Excess Liability - Utica</b>	10,000,000	10,000
<b>Crime - Utica</b>		
Employee Theft	400,000	1,000
Forgery / Alteration	50,000	1,000
Computer Fraud	50,000	1,000
<b>School District and Educators Legal Liability - Zurich</b>	1,000,000	7,500
	3,000,000 (aggregate)	
<b>CAP</b>	50,000,000	
<b>Student Accident - Bollinger &amp; Zurich</b>		
Maximum Benefit	500,000	
<b>Public Officials Bonds - Selective</b>		
Treasurer of School Monies - Selective Insurance	325,000	
Business Administrator - Selective Insurance	300,000	
Assistant Business Administrator - Selective Insurance	150,000	

Source: District Records and Insurance Company.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of the Chathams, in the County of Morris, New Jersey (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2019.

**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.



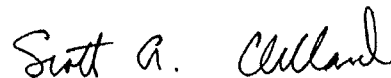
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

February 12, 2019  
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, 2018. 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, 2018.

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

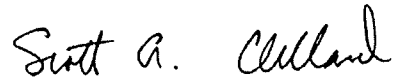
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

February 12, 2019  
Livingston, New Jersey

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

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, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2018			
					From	To							(Accounts Receivable)	Unearned Revenue	Due to Grantor	
<b>Enterprise Fund:</b>																
U.S. Department of Agriculture Passed - Through State Department of Agriculture: Child Nutrition Program Cluster																
Food Donation Program (NC)	10.555	181NJ304N1099	N/A	\$ 38,942	7/1/2017	6/30/2018			\$ 38,942	\$ 37,072			\$ 1,870			
Food Donation Program (NC)	10.555	171NJ304N1099	N/A	38,059	7/1/2016	6/30/2017	\$ 1,700			1,700						
National School Lunch Program	10.555	181NJ304N1099	N/A	38,963	7/1/2017	6/30/2018			35,898	38,963			\$ (3,065)			
National School Lunch Program	10.555	171NJ304N1099	N/A	39,013	7/1/2016	6/30/2017	(3,685)		3,685							
Federal PB Lunch - Healthy Hunger-Free Kids Act of 2010	10.555	181NJ304N1099	N/A	5,761	7/1/2017	6/30/2018			5,761	5,761						
Federal PB Lunch - Healthy Hunger-Free Kids Act of 2010	10.555	171NJ304N1099	N/A	5,903	7/1/2015	6/30/2016	(578)		578	-						
Total U.S. Department of Agriculture Passed - Through State Department of Agriculture and Child Nutrition Program Cluster							(2,563)		84,864	83,496			(3,065)	1,870		
<b>Special Revenue Fund:</b>																
U.S. Department of Education Passed - Through State Department of Education:																
E.S.E.A. Title I A	84.010A	S010A160030	N/A	70,819	7/1/2016	6/30/2017	(7,384)		7,384							
E.S.E.A. Title II A	84.367A	S367A170029	N/A	47,419	7/1/2017	6/30/2018			37,633	47,419			(9,786)			
E.S.E.A. Title II A	84.367A	S367A160029	N/A	52,649	7/1/2016	6/30/2017	(9,096)		9,096							
Language Instruction for English Learners and Immigrant Students																
E.S.E.A. Title III	84.365A	S365A170030	N/A	10,467	7/1/2017	6/30/2018			10,212	10,467			(255)			
E.S.E.A. Title III	84.365A	S365A160030	N/A	12,331	7/1/2016	6/30/2017	(2,042)		2,042							
E.S.E.A. Title III - Supplemental Immigrant Student Aid	84.365A	S365A170030	N/A	10,464	7/1/2017	6/30/2018			5,158	10,244			(5,086)			
E.S.E.A. Title III - Supplemental Immigrant Student Aid	84.365A	S365A160030	N/A	8,017	7/1/2016	6/30/2017	(1,311)		1,311	-						
Subtotal Language Instruction for English Learners and Immigrant Students							(3,353)		18,723	20,711			(5,341)			
Special Education Cluster:																
I.D.E.A. Part B, Basic	84.027A	H027A170100	N/A	854,707	7/1/2017	6/30/2018			654,267	826,391			(172,124)			
I.D.E.A. Part B, Basic	84.027A	H027A160100	N/A	868,799	7/1/2016	6/30/2017	(139,425)		139,425							
I.D.E.A. Preschool	84.173A	H173A170114	N/A	23,760	7/1/2017	6/30/2018			23,760	23,760						
I.D.E.A. Preschool	84.173A	H173A160114	N/A	23,701	7/1/2016	6/30/2017	(929)		929	-						
Subtotal of Special Education Cluster							(140,355)		818,382	850,151			(172,124)			
Total Special Revenue Fund							(160,188)		891,218	918,281			(187,251)			
Total expenditures of Federal Awards							\$ (162,751)	\$ -	\$ 976,082	\$ 1,001,777	\$ -	\$ -	\$ (190,316)	\$ 1,870	\$ -	

NC - Non-cash expenditures

BOARD OF EDUCATION  
SCHOOL DISTRICT OF THE CHATHAMS

Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period		Award Amount	Balance July 1, 2017	Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2018			MEMO	
		From	To							(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education:</b>														
<b>General Fund:</b>														
Categorical Special Education Aid	495-034-5120-089	7/1/2017	6/30/2018	\$ 1,806,940			\$ 1,636,393	\$ 1,806,940					\$ (170,547)	\$ 1,806,940
Categorical Special Education Aid	495-034-5120-089	7/1/2016	6/30/2017	1,638,810	\$ (153,794)		153,794							
Transportation Aid	495-034-5120-014	7/1/2017	6/30/2018	171,366			155,192	171,366					(16,174)	171,366
Transportation Aid	495-034-5120-014	7/1/2016	6/30/2017	171,366	(16,082)		16,082							
Security Aid	495-034-5120-084	7/1/2017	6/30/2018	71,443			64,700	71,443					(6,743)	71,443
Security Aid	495-034-5120-084	7/1/2016	6/30/2017	71,443	(6,705)		6,705							
Additional Adjustment Aid	495-034-5120-085	7/1/2017	6/30/2018	1			1	1						1
PARCC Readiness Aid	495-034-5120-098	7/1/2017	6/30/2018	40,600			36,768	40,600					(3,832)	40,600
PARCC Readiness Aid	495-034-5120-098	7/1/2016	6/30/2017	40,600	(3,810)		3,810							
Per Pupil Growth Aid	495-034-5120-097	7/1/2017	6/30/2018	40,600			36,768	40,600					(3,832)	40,600
Per Pupil Growth Aid	495-034-5120-097	7/1/2016	6/30/2017	40,600	(3,810)		3,810							
Professional Learning Comm Aid	495-034-5120-101	7/1/2017	6/30/2018	40,670			36,831	40,670					(3,839)	40,670
Professional Learning Comm Aid	495-034-5120-101	7/1/2016	6/30/2017	40,670	(3,817)		3,817							
Extraordinary Aid	100-034-5120-473	7/1/2017	6/30/2018	398,478			398,478			\$ (398,478)				398,478
Extraordinary Aid	100-034-5120-473	7/1/2016	6/30/2017	392,097	(392,097)		392,097							-
Non-Public Transportation Aid	495-034-5120-014	7/1/2017	6/30/2018	96,178			96,178	96,178		(96,178)				96,178
Non-Public Transportation Aid	495-034-5120-014	7/1/2016	6/30/2017	96,178			96,178							-
On-Behalf Teachers' Pension and Annuity Fund	495-034-5094-002	7/1/2017	6/30/2018	4,226,417			4,226,417	4,226,417						4,226,417
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	495-034-5095-001	7/1/2017	6/30/2018	2,729,752			2,729,752	2,729,752						2,729,752
On-Behalf Teachers' Pension and Annuity Fund - Non-contributory Insurance	495-034-5094-004	7/1/2017	6/30/2018	8,124			8,124	8,124						8,124
Reimbursed TPAF Social Security Contribution	495-034-5094-003	7/1/2017	6/30/2018	2,134,496			2,134,496	2,134,496						2,134,496
Reimbursed TPAF Social Security Contribution	495-034-5094-003	7/1/2016	6/30/2017	2,101,650	(211,723)		211,723							-
Total General Funds					(851,650)		11,917,092	11,765,065		(494,656)			(204,967)	11,765,065
<b>Special Revenue Fund:</b>														
<b>New Jersey Nonpublic Aid:</b>														
Textbook Aid	100-034-5120-064	7/1/2017	6/30/2018	22,350			22,350	21,912					\$ 438	21,912
Auxiliary Services:														
Compensatory Education	100-034-5120-067	7/1/2017	6/30/2018	24,804			24,804	11,516					13,288	11,516
Compensatory Education	100-034-5120-067	7/1/2016	6/30/2017	15,229	3,673				\$ 3,673					
English as a Second Language	100-034-5120-067	7/1/2017	6/30/2018	632			632	632						632
Handicapped Services:														
Examination and Classification	100-034-5120-066	7/1/2017	6/30/2018	39,318			39,318	25,850					13,468	25,850
Corrective Speech	100-034-5120-066	7/1/2017	6/30/2018	19,642			19,642	11,606					8,036	11,606
Corrective Speech	100-034-5120-066	7/1/2016	6/30/2017	19,083	1,236					1,236				
Supplementary Instruction	100-034-5120-066	7/1/2017	6/30/2018	31,718			31,718	15,542					16,176	15,542
Supplementary Instruction	100-034-5120-066	7/1/2016	6/30/2017	27,622	3,610					3,610				
Technology Initiative	100-034-5120-373	7/1/2017	6/30/2018	14,800			14,800	14,018					782	14,018
Technology Initiative	100-034-5120-373	7/1/2016	6/30/2017	11,180	156					156				
Security Aid	100-034-5120-509	7/1/2017	6/30/2018	30,000			30,000	27,289					2,711	27,289
Nursing Services	100-034-5120-070	7/1/2017	6/30/2018	38,800			38,800	38,800						38,800
Total Special Revenue Funds					8,675		222,064	167,165		8,675			54,899	167,165
<b>Debt Service Fund:</b>														
Debt Service Aid	495-034-5120-075	7/1/2017	6/30/2018	86,743			86,743	86,743						86,743
Total Debt Service Funds							86,743	86,743						86,743
<b>Enterprise Fund:</b>														
State School Lunch Program	100-010-3350-023	7/1/2017	6/30/2018	4,818			4,471	4,818					(347)	4,818
State School Lunch Program	100-010-3350-023	7/1/2016	6/30/2017	3,986	(389)		389							-
Total Enterprise Fund					(389)		4,860	4,818		(347)				4,818
Total All Funds					\$ (843,364)	\$ -	\$ 12,230,759	\$ 12,023,791	\$ 8,675	\$ (495,003)	\$ -	\$ 54,899	\$ (204,967)	\$ 12,023,791
<b>State Financial Assistance Not Subject to Single Audit Determination:</b>														
On-Behalf Teachers' Pension and Annuity Fund	495-034-5094-002	7/1/2017	6/30/2018	4,226,417			4,226,417	4,226,417						4,226,417
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	495-034-5095-001	7/1/2017	6/30/2018	2,729,752			2,729,752	2,729,752						2,729,752
On-Behalf Teachers' Pension and Annuity Fund - Non-contributory Insurance	495-034-5094-004	7/1/2017	6/30/2018	8,124			8,124	8,124						8,124
Total State Financial Assistance Subject to Single Audit Determination					\$ (843,364)	\$ -	\$ 5,266,466	\$ 5,059,498	\$ 8,675	\$ (495,003)	\$ -	\$ 54,899	\$ (204,967)	\$ 5,059,498

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

Year ended June 30, 2018

**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 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.

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

Year ended June 30, 2018

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$16,949 for the general fund and \$161,183 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, debt service fund and enterprise fund. The adjustment to reconcile from budgetary basis accounts receivable to GAAP basis accounts receivable is \$131 for the special revenue fund. This is a result of recognizing encumbrances as expenditures on the budgetary basis but not the GAAP basis. Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		\$ 11,748,116	\$ 11,748,116
Special Revenue Fund	\$ 918,151	167,165	1,085,316
Debt Service Fund		86,743	86,743
Food Service Enterprise Fund	83,496	4,818	88,314
Total financial award revenues	\$ 1,001,647	\$ 12,006,842	\$ 13,008,489

**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, 2018.

The post retirement pension, disability insurance and medical benefits received on-behalf of the District for the year ended June 30, 2018 amounted to \$6,964,293. 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

Year ended June 30, 2018

**Part I - Summary of Auditors' Results**

**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	H027A170100/H173A170114	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

Year ended June 30, 2018

**Part I - Summary of Auditors' Results**

**State Financial Assistance**

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:

<b>GMIS/Program Number</b>	<b>Name of State Program or Cluster</b>
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, 2018

**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

Year ended June 30, 2018

**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) or New Jersey State OMB Circular 15-08.

School District of the Chathams  
Summary Schedule of Prior Year Audit Findings

Year ended June 30, 2018

No prior year findings were noted.