COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Chester School District
Board of Education
Chester, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

Chester School District
Board of Education
Finance Department

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

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Introductory Section

Chester School District
50 North Road, Building 4
Chester, New Jersey 07930

Telephone (908) 879-7373
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Christina VanWoert , Ed.D.
Superintendent of Schools

Mary Jane Canose
School Business Administrator
Board Secretary

November 21, 2011

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

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Chester School District for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Chester Board of Education. 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 presenting all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principals generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. This transmittal letter is designed to be read in conjunction with the Management Discussion and Analysis, which begins on page 14.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, Management Discussion and Analysis as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133,"Audits of States, Local Governments, and Nonprofit Organizations," and the State Treasury Circular Letter 04-04-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. Reporting Entity and its Services: Chester School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB No.14. All funds and account groups of the District are included in this report. The Chester School District Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade Kindergarten through eighth grade for the students residing in Chester Township and Chester Borough. These include regular as well as special services for children with learning disabilities. The District also provides summer special education courses and enrichment programs throughout the year. The District completed the 2010-2011 fiscal year with an enrollment of 1,386 students, which is 56 students less than the previous year's enrollment.

The following details the changes in the student enrollment of the District over the last five years:

Fiscal Year	Average Daily Enrollment Student Enrollment	Percent Change
2010-2011	1,386	- .04%
2009-2010	1,442	.77%
2007-2008	1,431	1.63%
2006-2007	1,408	.64%
2005-2006	1,399	3.25%

2. Economic Condition and Outlook: The Chester School District, as most of the school populations in the United States, is experiencing a period of slow development and expansion, which is expected to continue beyond the year 2011. It has been noted that the available space for future development in Chester Township is limited and there is no additional space in Chester Borough for additional homes.

3. Major Initiatives: The Black River Middle School was selected as a New Jersey School to Watch.

4. Internal Accounting Controls: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure 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 and state financial assistance, the district also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs as well as to determine that the District has complied with applicable laws and regulations.

5. Budgetary Controls: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipalities. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2011.

6. Accounting System and Reports: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7. AWARDS: The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010 was awarded a "Certificate of Excellence in Financial Reporting" by the Association of School Business Officials International.

8. CASH MANAGEMENT: The investment policy of the district is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan, which 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. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. RISK MANAGEMENT: the Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10. OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected VM Associates, Inc. as its auditor. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules, is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

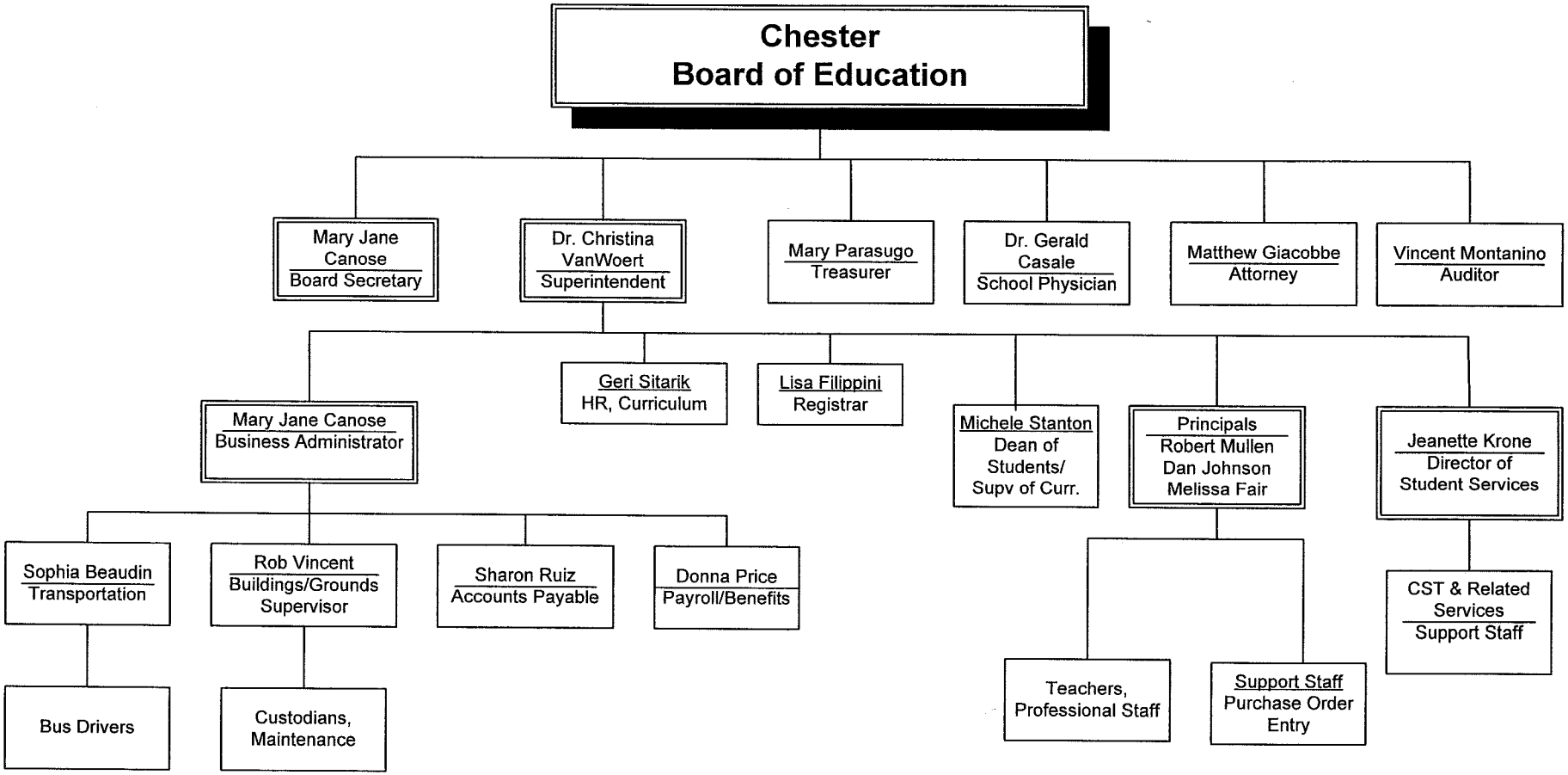
11. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Chester Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial services of our financial and accounting staff.

Respectfully submitted,

Christina VanWoert, Ed.D.
Superintendent of Schools

Mary Jane Canose
School Business Administrator, Board Secretary

Chester Public Schools
Organization Chart



CHESTER SCHOOL DISTRICT
CHESTER, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2011

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Martin Brown, Member	2012
Christine Hofstetter, Member	2012
Gary Lakritz, President	2013
Tracy Young, Member	2012
Angelo Pennisi, Member	2014
Heather Ronco, Member	2013
Ray Trevisan, President	2014
Kerri Wright, Vice President	2013
Laura Fishman, Member	2014

Other Officials

Dr. Christina Van Woert	Superintendent of Schools
Mary Jane Canose	Business Administrator/Board Secretary
Mary Parasugo	Treasurer of School Monies

CHESTER SCHOOL DISTRICT
CHESTER, NEW JERSEY

CONSULTANTS AND ADVISORS
JUNE 30, 2011

ATTORNEY

Matthew J. Giacobbe
Cleary, Giacobbe Alfieri Jacobs, LLC
7 James Street
Florham Park, NJ 07932

DISTRICT AUDITOR

VM Associates, Inc.
111 Howard Boulevard, Suite 212
P.O. Box 397
Mt. Arlington, New Jersey 07856

OFFICIAL DEPOSITORY

Valley National Bank
2 Main Street
Chester, NJ 07930

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

This Certificate of Excellence in Financial Reporting is presented to

CHESTER BOARD OF EDUCATION

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Financial Section

Independent Auditors' Report

VMA

VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chester School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chester School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit 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; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Chester School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2011 on our consideration of the Chester School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on page 13 through 20 and budgetary comparison information on schedules C-1 and C-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chester School District's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables 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 and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Vincent M. Montanino
Public School Accountant
License No. CS000495

Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 21, 2011

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Chester School District financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 23.

FINANCIAL HIGHLIGHTS

- The District's net assets increased $1,621,373 as a result of this year's operations. Net assets of our business-type activities increased by $34,378, and net assets of our governmental activities increased by $ 1,586,995.
- Total cost of all of the District's programs was $22.1 million in 2010-2011 compared to $23.3 million in 2009-2010.
- During the year, the District had expenses for governmental activities that were $1,586,995 less than the $23.357 million generated in tax and other program revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 23 and 24) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 15. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, tuition and state and federal aid finance most of these activities.

- Business-type-activities: the District has one proprietary fund as shown on pages 31 to 33.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 17. The fund financial statements begin on page 27 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation on page 29.

Proprietary funds: when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 35 and 36. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

The District's *combined* net assets changed from a year ago, *increasing* from $20.1 million to $21.7 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental and business-type activities as of June 30.

Table 1
Net Assets

	Governmental Activities		Business-type Activites		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	$ 3,447,605	$ 2,591,619	$ 110,903	$ 71,017	$ 3,558,508	$ 2,662,636
Capital Assets					-	-
Land Improvements & Construction in Progress	36,469,173	35,740,555			36,469,173	35,740,555
Other Assets, Net of Accum. Depreciation	3,049,497	3,692,568	33,893	38,031	3,083,390	3,730,599
Total Assets	42,966,275	42,024,742	144,796	109,048	43,111,071	42,133,790
Long-term Debt Outstanding	20,751,685	21,492,690			20,751,685	21,492,690
Other Liabilities	636,751	541,208	1,460	90	638,211	541,298
Total Liabilities	21,388,436	22,033,898	1,460	90	21,389,896	22,033,988
Net Assets:						
Invested in Capital Assets, Net of Related Debt	19,343,840	18,559,876	33,893	38,031	19,377,733	18,597,907
Restricted	2,438,890	1,926,994			2,438,890	1,926,994
Unrestricted (deficit)	(204,891)	(496,026)	109,443	70,927	(95,448)	(425,099)
Total Net Assets	$ 21,577,839	$ 19,990,844	$ 143,336	$ 108,958	$ 21,721,175	$ 20,099,802

Net assets of the District's governmental activities increased by 8.1 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased $291,135. Restricted net assets, those restricted mainly for capital projects increased by $511,896. Both net asset categories benefited from increased economic activity, which resulted in actual revenues exceeding budgeted revenues. The investment in capital assets, net of debt category increased by $783,964.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activites		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services	$ 129,450	$ 105,546	$ 332,641	$ 343,211	$ 462,091.00	$ 448,757.00
Operating Grants and Contributions	3,759,445	4,205,571	70,163	65,533	3,829,608	4,271,104
General Revenues:						
Property Taxes	19,316,311	18,956,872			19,316,311	18,956,872
Federal and State Aid	11,861	73,820			11,861	73,820
Interest and Investment Earnings	33,893	61,874			33,893	61,874
Prior Year Adjustment			-	25,408	-	25,408
Other General Revenues	106,224	152,214	-	-	106,224	152,214
Total Revenues:	23,357,184	23,555,897	402,804	434,152	23,759,988	23,990,049
Program Expenses Including Indirect Expenses						
Instruction:						
Regular	8,491,652	9,201,870			8,491,652	9,201,870
Special	2,580,749	2,494,809			2,580,749	2,494,809
Other Instruction	641,399	729,034			641,399	729,034
Support Services:						
Tuition	589,971	532,410			589,971	532,410
Student and Instruction Related Services	2,441,415	2,490,221			2,441,415	2,490,221
School Administrative Services	1,154,537	1,112,200			1,154,537	1,112,200
General and Business Administrative Services	1,294,430	1,292,089			1,294,430	1,292,089
Plant Operations and Maintenance	2,035,433	2,521,827			2,035,433	2,521,827
Pupil Transportation	1,404,699	1,487,340			1,404,699	1,487,340
Capital Outlay-Debt Service Assessment	73,244				73,244	
Special Schools	171,127	211,100			171,127	211,100
Interest on Long-Term Debt	891,533	917,284			891,533	917,284
Business-Type Activities:						
Food Services	-	-	368,426	375,012	368,426	375,012
Total Expenses	21,770,189	22,990,184	368,426	375,012	22,138,615	23,365,196
Increase in Net Assets	1,586,995	565,713	34,378	59,140	1,621,373	624,853

THE DISTRICT'S FUNDS
Governmental Activities
Table 3
Information below compares revenues and expenditures for all governmental fund types for 2010-2011 and 2009-2010.

Revenues by Source:	2010-2011	2009-2010	% Change
Local Tax Levy	$ 20,207,844	$ 19,874,156	1.68%
Tuition Charges	129,450	105,546	22.65%
Interest Earned to Investments	33,893	61,874	-45.22%
Miscellaneous	188,972	191,659	-1.40%
Total - Local Sources	20,560,159	20,233,235	1.62%
State Sources	2,363,774	2,566,594	-7.90%
Federal Sources	433,251	724,309	-40.18%
Total Revenues	23,357,184	23,524,138	-0.71%

Expenditures by Function:	2010-2011	2009-2010	% Change
Current:			
Regular Instruction	6,233,263	6,968,003	-10.54%
Special Education	1,959,198	1,951,489	0.40%
Other Instruction	487,631	548,288	-11.06%
Support Services and Undistributed Costs:			
Tuition	589,971	532,410	10.81%
Student and Instruction Related Services	1,920,413	2,023,601	-5.10%
School Administrative Services	797,275	795,130	0.27%
General and Business Administrative Services	912,222	933,686	-2.30%
Plant Operations and Maintenance	1,753,749	2,201,579	-20.34%
Pupil Transportation	1,319,740	1,407,374	-6.23%
Employee Benefits	4,489,815	4,797,724	-6.42%
Capital Outlay	374,395	356,699	4.96%
Capital Outlay-Debt Service Assessment	73,244		100.00%
Special Schools	149,292	182,248	-18.08%
Debt Service:			
Principal	645,000	630,000	2.38%
Interest on Long-Term Debt	900,275	925,059	-2.68%
Total Expenditures	22,605,483	24,253,290	-6.79%

Business-type Activities

District's major Enterprise Funds consist of the Food Service Fund. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net assets.

Table 4

	Food Service
Total Assets	144,796
Net Assets	143,336
Change in Net Assets	34,378
Return on Ending Total Assets	23.74%
Return on Ending Net Assets	-23.98%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Table 5

Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activites		Totals	
	2011	2010	2011	2010	2011	2010
Land Improvements	$ 1,000,125	$ 995,330	$ -	$ -	$ 1,000,125	$ 995,330
Buildings	6,344,305	6,344,305			6,344,305	6,344,305
Machinery and Equipment	1,249,342	1,201,857	101,632	101,632	1,350,974	1,303,489
Construction-in-Progress	35,469,048	34,745,225	-	-	35,469,048	34,745,225
Subtotal	44,062,820	43,286,717	101,632	101,632	44,164,452	43,388,349
Accumulated Depreciation	(4,544,150)	(3,853,594)	(67,739)	(63,601)	(4,611,889)	(3,917,195)
Totals	39,518,670	39,433,123	33,893	38,031	39,552,563	39,471,154

This year's major additions in the Governmental Activities included ongoing renovations to the school facilities and various purchases of instructional equipment. There were no changes to Business-type Activities equipment.

The 2011-2012 budget calls for capital outlay expenditures in the amount of $175,595, which represents Facilities Acquisition and Construction Services. These funds are to replace the flooring in the Black River Middle School cafeteria and to remediate asbestos floor tiles in Dickerson School. More detailed information about the District capital assets is presented in Note II:C. to the basic financial statements.

DEBT

At year – end the District had total debt of $20.7 million outstanding versus $21.4 last year – a decrease of 3.4 percent – as shown in Table 6.

Outstanding Debt, at year –end
Table 6

	Governmental Activities	
	2011	2010
Serial Bonds	$ 20,115,000	$ 20,760,000
Capital Leases	59,830	113,247
Compensated Absences	576,855	619,443
	$ 20,751,685	$ 21,492,690

The District continued to pay down its debt as scheduled, retiring $645,000 of its outstanding serial bonds. Capital Leases decreased by the scheduled pay down for the Technology Lease of $53,417. The District's accrued Compensated Absences decreased by $42,588 from 2010 primarily due to the retirement of 9 employees who received their sick day payout in accordance with policy.

An analysis of District Debt is presented in Note III: B. to the basic financial statements.

BUDGETS

The District's budget is prepared according to New Jersey Department of Education guidelines. The most significant budgetary fund is the General Fund. Revisions in the general fund budget were made through budget transfers to prevent over commitments in specific line item accounts. These transfers were made by a resolution of the Board of Education pursuant to N.J.S.A. 18A:22-8.1.

Described below are explanations for variations in 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 necessary.

Revenues

There were no revenue fluctuations between the original and modified budgets.

Expenditures

The modified budget for Regular Programs-Instruction- Grades 1-5 Salaries of Teachers decreased by $79,960 because a senior teacher was transferred to the Basic Skills/Remedial Instruction account based on student need.

The modified budget for Basic Skills/Remedial Instruction-Salaries of Teachers increased $77,590 because of an increase in students at the Bragg School requiring remedial instruction. A teacher from Regular Programs-Instruction-Grades 1-5 was transferred to cover this need.

The modified budget for Undistributed Expenditures-Health Services-Purchased Professional and Technical Services increased by $69,510 due to an additional unbudgeted special needs child who required nursing services.

The modified budget for Undistributed Expenditures-Educational Media Services/School Library-Other Purchased Services increased by $54,000 because a technician position was outsourced.

Expenditures (Continued)

The modified budget for Undistributed Expenditures-Care and Upkeep of Grounds -Purchased Professional and Technical Services increased $53,150 because of additional costs for snow plowing as a result of an unusual amount of snowfall and icy conditions.

The modified budget for Allocated Benefits-Grades 1-5 Salaries of Teachers decreased by $56,908 due to changes to the benefits program achieved through the negotiations process.

Capital Outlay-Equipment increased $213,440 because SmartBoards were purchased for the classrooms with grant funds and the phone system was upgraded to share with the municipality. Funds were transferred from the instructional salary accounts after a settlement was reached with the teachers union.

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

Revenues

Actual miscellaneous income was more than the modified budget by approximately $89,000 as a result of collecting additional income that was not anticipated.

Expenditures

The actual amounts expended for Undistributed Expenditures-Other Operation& Maintenance of Plant-Energy and Electricity was less than the final budget by approximately $153,009 as a result of the District incurring less expenditures for energy than was previously anticipated when the budget was prepared.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Jane Canose, the School Business Administrator, Chester School District, Chester, New Jersey.

BASIC FINANCIAL STATEMENTS

Section A

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 596,749	$ 94,874	$ 691,623
Receivables, Net	1,319,785	4,098	1,323,883
Inventory		11,931	11,931
Restricted Assets:			
Cash	336,336		336,336
Capital Reserve Account - Cash	1,194,735		1,194,735
Capital Assets, Net	39,518,670	33,893	39,552,563
Total Assets	42,966,275	144,796	43,111,071
LIABILITIES			
Accounts Payable	268,296	-	268,296
Interfunds Payable	-	1,460	1,460
Interest Payable	294,516		294,516
Payable to State Government	6,979		6,979
Deferred Revenue	66,960		66,960
Noncurrent Liabilities			
Due Within One Year	729,830		729,830
Due Beyond One Year	20,021,855	-	20,021,855
Total Liabilities	21,388,436	1,460	21,389,896
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	19,343,840	33,893	19,377,733
Restricted For:			
Capital Projects	593,316		593,316
Other Purposes	1,845,574		1,845,574
Unrestricted	(204,891)	109,443	(95,448)
Total Net Assets	$21,577,839	$143,336	$21,721,175

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Exhibit A-2

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:						
Instruction:						
Regular	$ 8,491,652	$ 129,450	$ 708,731	$ (7,653,471)		$ (7,653,471)
Special Education	2,580,749		1,108,206	(1,472,543)		(1,472,543)
Other Instruction	641,399		53,276	(588,123)		(588,123)
Support Services:						
Tuition	589,971		384,321	(205,650)		(205,650)
Student and Instruction Related Services	2,441,415		284,692	(2,156,723)		(2,156,723)
School Administrative Services	1,154,537		89,699	(1,064,838)		(1,064,838)
General and Business Administrative Services	1,294,430		58,698	(1,235,732)		(1,235,732)
Plant Operations and Maintenance	2,035,433		81,098	(1,954,335)		(1,954,335)
Pupil Transportation	1,404,699		84,467	(1,320,232)		(1,320,232)
Capital Outlay-Debt Service Assessment	73,244			(73,244)		(73,244)
Special Schools	171,127		14,724	(156,403)		(156,403)
Interest on Long-Term Debt	891,533		891,533	-		-
Total Governmental Activities	21,770,189		3,759,445	(17,881,294)		(17,881,294)
Business-Type Activities:						
Food Service	368,426	332,641	70,163		34,378	34,378
Total Business-Type Activities	368,426	332,641	70,163	-	34,378	34,378
Total Primary Government	$ 22,138,615	$ 332,641	$ 3,829,608	$ (17,881,294)	$ 34,378	$ (17,846,916)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				$ 18,662,569		$ 18,662,569
Property Taxes, Levied for Debt Service				653,742		653,742
Federal and State Aid Not Restricted				11,861		11,861
Investment Earnings				33,893		33,893
Miscellaneous Income				106,224	-	106,224
Total General Revenues				19,468,289	-	19,468,289
Change in Net Assets				1,586,995	34,378	1,621,373
Net Assets—Beginning				19,990,844	108,958	20,099,802
Net Assets—Ending				$ 21,577,839	$ 143,336	$ 21,721,175

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Section B

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

Exhibit B-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 747,630	$(150,881)	$ 336,336	$ -	$ 933,085
Interfunds Receivable	471,700		181,968		653,668
Receivables from Other Governments	464,225	224,820	557,776		1,246,821
Other	4,924	-	68,040		72,964
Restricted Cash and Cash Equivalents	1,194,735	-	-	-	1,194,735
Total Assets	$ 2,883,214	$ 73,939	$1,144,120	$ -	$ 4,101,273
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 189,192	$ -	$ 79,104	$ -	$ 268,296
Interfunds Payable	181,968		471,700		653,668
Payable to State Government		6,979			6,979
Deferred Revenue	-	66,960	-		66,960
Total Liabilities	371,160	73,939	550,804		995,903
Fund Balances:					
Restricted for:					
Capital Reserve Account	994,735				994,735
Maintenance Reserve Account	200,000				200,000
Excess Surplus-Current Year	521,416				521,416
Excess Surplus – Prior Year Designated for Subsequent Year's Expenditures	129,423				129,423
Unassigned:					
General Fund	666,480				666,480
Capital Projects Fund	-	-	593,316	-	593,316
Total Fund Balances	2,512,054	-	593,316	-	3,105,370
Total Liabilities and Fund Balances	$ 2,883,214	$ 73,939	$1,144,120	$ -	

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

The District has financed capital assets through the issuance of serial bonds. The adjustment to net assets for the accrual of interest expense is:	(294,516)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $43,286,717 and the accumulated depreciation is $3,853,594.	39,518,670
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(20,751,685)
Net assets of governmental activities	$ 21,577,839

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	$ 18,662,569	$ -	$ -	$ 1,545,275	$ 20,207,844
Tuition Charges	129,450				129,450
Interest Earned on Investments	33,893		-		33,893
Miscellaneous	106,224	82,748	-	-	188,972
Total - Local Sources	18,932,136	82,748	-	1,545,275	20,560,159
State Sources	2,274,218	89,556			2,363,774
Federal Sources	-	433,251	-	-	433,251
Total Revenues	21,206,354	605,555	-	1,545,275	23,357,184
EXPENDITURES					
Current:					
Regular Instruction	6,180,711	52,552			6,233,263
Special Education Instruction	1,543,167	416,031			1,959,198
Other Instruction	487,631				487,631
Support Services and Undistributed Costs:					
Tuition	589,971				589,971
Student and Instruction Related Services	1,785,301	135,112			1,920,413
School Administrative Services	797,275				797,275
General and Business Administrative Services	912,222				912,222
Plant Operations and Maintenance	1,753,749				1,753,749
Pupil Transportation	1,319,740				1,319,740
Allocated Benefits	2,567,461				2,567,461
Unallocated Benefits	1,922,354				1,922,354
Special Schools	149,292				149,292
Capital Outlay	216,415	1,860	156,120		374,395
Capital Outlay-Debt Service Assessment	73,244				73,244
Debt Service:					
Principal				645,000	645,000
Interest and Other Charges	-	-	-	900,275	900,275
Total Expenditures	20,298,533	605,555	156,120	1,545,275	22,605,483
Excess (Deficiency) of Revenues Over (Under) Expenditures	907,821	-	(156,120)	-	751,701
OTHER FINANCING SOURCES AND (USES)					
Transfers In	-		279,748		279,748
Transfers (Out)	(279,748)		-		(279,748)
Total Other Financing Sources and (Uses)	(279,748)		279,748		-
Net change in fund balances	628,073	-	123,628	-	751,701
Fund Balance—July 1	1,883,981	-	469,688	-	2,353,669
Fund Balance—June 30	$ 2,512,054	$ -	$ 593,316	$ -	$ 3,105,370

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Exhibit B-3

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 751,701
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 outlays exceeded depreciation in the period.		
Depreciation Expense	$ (288,848)	
Capital Outlays	374,395	85,547
Repayment of bond and Capital Lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		698,417
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)		
Interest Paid	900,275	
Interest Accrued	(891,533)	
		8,742
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 (+).		42,588
Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)		-
Change in Net Assets of Governmental Activities		$ 1,586,995

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

Exhibit B-4

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 94,874	$ 94,874
Accounts Receivable		-
Federal and State Programs	4,098	4,098
Inventories	11,931	11,931
Total Current Assets	110,903	110,903
Noncurrent Assets:		
Furniture, Machinery and Equipment	101,632	101,632
Less Accumulated Depreciation	(67,739)	(67,739)
Total Noncurrent Assets	33,893	33,893
Total Assets	144,796	144,796
LIABILITIES		
Current Liabilities:		
Interfund Payable	1,460	1,460
Total Current Liabilities	1,460	1,460
Total Liabilities	1,460	1,460
NET ASSETS		
Invested in Capital Assets, Net Of Related Debt	33,893	33,893
Unrestricted	109,443	109,443
Total Net Assets	$ 143,336	$ 143,336

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Exhibit B-5

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	$218,824	$ 218,824
Daily Sales - Non-Reimbursable Programs	112,755	112,755
Special Functions	1,062	1,062
Total Operating Revenues	332,641	332,641
Operating Expenses:		
Cost of Sales	126,005	126,005
Salaries	116,099	116,099
Employee Benefits	33,392	33,392
Purchased Property Service	59,587	59,587
Cleaning, Repair and Maintenance Services	2,809	2,809
Other Purchased Services	1,683	
General Supplies	24,713	24,713
Depreciation	4,138	4,138
Total Operating Expenses	368,426	366,743
Operating (Loss)	(35,785)	(34,102)
Nonoperating Revenues and Expenses:		
State Sources:		
State School Lunch Program	3,864	3,864
Federal Sources:		
National School Lunch Program	46,905	46,905
Food Distribution Program	17,835	17,835
Interest Income	1,559	1,559
Total Nonoperating Revenues and Expenses	70,163	70,163
Change in Net Assets	34,378	34,378
Total Net Assets—Beginning	108,958	108,958
Total Net Assets—Ending	$143,336	$ 143,336

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Exhibit B-6

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 332,641	$ 332,641
Payments to Employees	(116,099)	(116,099)
Payments for Employee Benefits	(33,392)	(33,392)
Payments to Suppliers	(219,526)	(219,526)
Net Cash (Used For) Operating Activities	(36,377)	(36,377)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	3,908	3,908
Federal Sources	47,088	47,088
Food Distribution Program	17,835	17,835
Vending Machine Proceeds Due BRMS Student Account	2,477	2,477
Paid to BRMS Student Account	(1,017)	(1,017)
Net Cash Provided By Non-Capital Financing Activities	70,291	70,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends	1,559	1,559
Net Cash Provided by Investing Activities	1,559	1,559
Net Increase In Cash	35,473	35,473
Balances—Beginning of Year	59,400	59,400
Balances—End of Year	$ 94,874	$ 94,874
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Operating (Loss)	$ (35,785)	$ (35,785)
Adjustments to Reconcile Operating (Loss) To Net Cash (Used For) Operating Activities:		
Depreciation and Net Amortization	4,138	4,138
(Increase) in Inventories	(4,639)	(4,639)
(Increase) in Other Current Assets	(1)	(1)
(Decrease) in Accounts Payable	(90)	(90)
Total Adjustments	(592)	(592)
Net Cash (Used For) Operating Activities	$ (36,377)	$ (36,377)

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

Exhibit B-7

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 125,209	$ 111,259
Total Assets	$ 125,209	$ 111,259
LIABILITIES		
Payable to Student Groups		$ 44,754
Payroll Deductions and Withholdings		66,505
Total Liabilities		$ 111,259
NET ASSETS		
Held in Trust for Unemployment Claims	$ 125,209	

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

Exhibit B-8

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan Member	$ 17,229
Total Contributions	17,229
Investment Earnings:	
Interest	1,927
Net Investment Earnings	1,927
Total Additions	19,156
DEDUCTIONS	
Quarterly Contribution Reports	41,777
Total Deductions	41,777
Change in Net Assets	(22,621)
Net Assets—Beginning	147,830
Net Assets—Ending	$ 125,209

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Chester School District (District) have been prepared in conformity with generally accepted accounting principles (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 District is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

The Chester School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary, junior and senior high schools located in Chester, New Jersey. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund – The general fund is the general operating fund of the District. It 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 movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution and, excluding equipment, with County Superintendent approval.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounted principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non capital financing activities, or investing activities normally would not be reported as components of operating income.

The District's Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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".

Upon the filing of certified adopted budgets by the School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. 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 referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Appropriation of additional fund balance in the amount of $43,064, were made during the year ended June 30, 2011. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

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 generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment 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. 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.

The special revenue fund had no encumbrances at June 30, 2011.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased 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.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents 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.

3. Receivables from other Governments

The following is an analysis of receivables from State Governments (See K-4 for Analysis):

A. Fund 10-State Aid-$454,234
B. Fund 30 –NJ EDA-$557,775
C. Fund 60- Child Nutrition-$346

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Inventories

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

Enterprise fund inventories are valued at cost, which approximates market, using the first–in–first–out (FIFO) method.

5. Capital Assets

Capital assets purchased or acquired with an original cost of $2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

6. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note VIII)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

7. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

8. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

9. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Note I: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements

The District elected to implement GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions,* in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable-includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted- includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed- includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned- includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned- includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

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Note II: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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 Governmental Unit Deposit Protection Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2011 the Chester School District's cash and cash equivalent's amounted to $2,868,186. Of this amount, $250,000 was covered by federal depository insurance (F.D.I.C.) and $2,568,037 was covered by a collateral pool maintained by the banks as required by GUDPA and $50,148 was on deposit with MBIA.

At June 30, 2011 the Chester School District had no participation in the State of New Jersey Cash Management Fund..

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 a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2011, $50,148 of the Chester School District's cash and cash equivalents of $2,868,186 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Public Depository or by its' Trust Department not in the Chester School District's name	$50,148

The District does not have a policy for the management of custodial credit risk, except as noted above, 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.

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Chester School District to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
(2) Government money market mutual funds;
(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
(4) Bonds or other obligations of the school district or bonds or other obligations of local unit or units within which the school district is located;
(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by school district;
(6) Local government investment pools:
(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
(8) Agreements for the repurchase of fully collateralized securities, if:
(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
(b) the custody of collateral is transferred to a third party;
(c) the maturity of the agreement is not more than 30 days;
(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures 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, 2011.

Interest Rate Risk: The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments at June 30, 2011.

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, 2011.

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Interfund Receivables and Payables

As of June 30, 2011, interfund receivables and payables resulting from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 471,700	$ 181,968
Capital Projects Fund	181,968	471,700
	$653,668	$653,668

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Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions		Adjustment	Ending Balance
Governmental Activities:					
Capital Assets not Being Depreciated:					
Land	$ -	$ -		$ -	$ -
Construction in Progress	34,745,225	219,180		504,643	35,469,048
Total Capital Assets Not Being Depreciated	34,745,225	219,180		504,643	35,469,048
Land Improvements	995,330	4,795			1,000,125
Buildings and Improvements	6,344,305	-		-	6,344,305
Machinery and Equipment	1,201,857	150,420		(102,935)	1,249,342
Totals at Historical Cost	8,541,492	155,215		(102,935)	8,593,772
Less Accumulated Depreciation For:					
Land Improvements	-	(49,886)		(443,043)	(492,929)
Buildings and Improvements	(3,261,440)	(126,886)		-	(3,388,326)
Machinery and Equipment	(592,154)	(112,076)		41,335	(662,895)
Total Accumulated Depreciation	(3,853,594)	(288,848)	(1)	(401,708)	(4,544,150)
Net Capital Assets Being Depreciated	4,687,898	(133,633)		(504,643)	4,049,622
Governmental Activities Capital Assets, Net	39,433,123	85,547		-	39,518,670
Business - Type Activities:					
Equipment	101,632				101,632
Less Accumulated Depreciation	(63,601)	(4,138)		-	(67,739)
Business - Type Activities Capital Assets, Net	$ 38,031	$ (4,138)		$ -	$ 33,893

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	$ 33,610
School Administrative Services	28,073
General and Business Administrative Services	200,708
Plant Operations and Maintenance	1,973
Pupil Transportation	24,484
	288,848

Note III: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copiers under operating leases which expire in 2015. Total operating lease payments made during the year ended June 30, 2011 were $ 74,339. Future minimum

Year Ended	Amount
June 30, 2012	$ 74,339
June 30, 2013	74,339
June 30, 2014	74,339
June 30, 2015	61,949
Total future minimum lease	$ 284,966

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions		Ending Balance	Amounts Due Within One Year
Governmental Activities:						
Long - Term Debt:						
Serial Bonds	$20,760,000	$ -	$ 645,000		$ 20,115,000	$ 670,000
Total Debt Payable	20,760,000	-	645,000	(1)	20,115,000	670,000
Other Liabilities:						
Compensated Absences	619,443	32,552	75,140		576,855	-
Capital Leases	113,247	-	53,417		59,830	59,830
Total Other Liabilities	732,690	32,552	128,557	(2)	636,685	59,830
Governmental Activities						
Long - Term Liabilities	$21,492,690	$ 32,552	$ 773,557		$ 20,751,685	$ 729,830

(1) Paid by Debt Service Fund
(2) Paid by General Fund

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. Bonds Payable

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

Serial Bonds outstanding as of June 30, 2011 consisted of the following:

Description	Interest Rate	Due Date	Maturity Date	Amount Issued	Amount Outstanding
Refunding Bonds	Various	9/1	9/1/17	$ 5,195,000	$ 3,710,000
School Bonds	Various	3/1	3/1/35	17,230,000	16,405,000
					$ 20,115,000

Principal and interest due on serial bonds outstanding is as follows:

Year ending June 30,	Principal	Interest	Total
2012	$ 670,000	$ 873,550	$ 1,543,550
2013	695,000	845,925	1,540,925
2014	715,000	817,588	1,532,588
2015	735,000	788,412	1,523,412
2016	760,000	758,637	1,518,637
2017	780,000	727,925	1,507,925
2018	810,000	695,450	1,505,450
2019	590,000	672,750	1,262,750
2020	620,000	646,200	1,266,200
2021	650,000	618,300	1,268,300
2022	685,000	589,050	1,274,050
2023	675,000	558,225	1,233,225
2024	715,000	527,850	1,242,850
2025	750,000	495,675	1,245,675
2026	800,000	461,925	1,261,925
2027	840,000	425,925	1,265,925
2028	885,000	388,125	1,273,125
2029	940,000	348,300	1,288,300
2030	990,000	306,000	1,296,000
2031	1,040,000	261,450	1,301,450
2032	1,100,000	214,650	1,314,650
2033	1,160,000	165,150	1,325,150
2034	1,220,000	112,950	1,332,950
2035	1,290,000	58,050	1,348,050
	$20,115,000	$13,358,062	$32,473,062

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

2. Bonds Authorized But Not Issued

As of June 30, 2011 the Board had authorized but not issued bonds in the amount of $988.

3. Capital Leases Payable

The District is leasing energy performance and technology equipment totaling $2,031,061 under capital leases. All capital leases are for terms of five to seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2011.

Year	Amount
2012	$ 125,000
2013	65,000
Total Minimum Lease Payments	190,000
Less: Amount Representing Interest	(7,451)
Present Value of Net Minimum Lease Payments	$182,549

4. Refunding Bonds Payable

Refunding bonds in the amount of $5,195,000 were issued on August 1, 2004. The purpose of the Bonds were to (i) advance refund all of the $4,950,000 aggregate principal amount of School Bonds of the Board dated September 1, 1997 originally issued in the principal amount of $8,400,000 maturing on or after September 1, 2008 (the "Refunded Bonds") and callable on or after September 1, 2007 (the "Redemption Date") at 100% of par (the "Redemption Price") plus unpaid accrued interest to the Redemption Date and (ii) pay the costs of issuance associated with the Bonds.

Note IV: Detailed Disclosure Regarding Fund Equity

A. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C.73 (S1701),the designation for Reserved Fund Balance—Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance 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, 2011 is $650,839. The reserved fund balance of $129,423 has been appropriated in the fiscal year 2011-2012 and $521,416 will be appropriated in the fiscal year 2012-2013.

B. Capital Reserve Account

Capital reserve accounts may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A 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 outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. Funds withdrawn from the account must be included in the annual budget certified for taxes as a revenue labeled "Withdrawal from Capital Reserve".

Increases in the account from sources other than investment income cannot exceed the amount appropriated in the annual budget certified for taxes as an increase in the capital reserve account.

During fiscal year 2001 the Board passed a resolution for the establishment of a capital reserve account. The 2002 certified budget included an increase in the capital reserve account of $399,009; comprised of a $399,009 voter approved transfer from unreserved fund balance.

The 2002-2003 certified budget included an increase in the capital reserve account of $400,000 comprised of $400,000 voter approved transfer from unreserved fund balance. In 2003-2003 the Board passed a resolution transferring $432,202 from the capital reserve to the Capital Projects Fund for the local share of EDA projects.

The 2003-2007 certified budget included an increase in the capital reserve account of $409,000 comprised of $400,000 voter approved transfer from unreserved fund balance and $9,000 of investment earnings. In 2003-2004 $78,375 was transferred in to Capital Reserve. This represented unexpended local share monies from approved EDA projects.

In 2005-2006 the Board passed a resolution transferring $500,000 from the Capital Reserve to the Capital Projects Fund for the local share of EDA project.

The 2006-2007 certified budget included an increase in the Capital Reserve account of $259,000 comprised of $250,000 voter approved transfer from unreserved fund balance and $9,000 of investment earnings.

The 2007-2008 certified budget included an increase in the Capital Reserve account of $315,000 comprised of $300,000 voter approved transfer from unreserved fund balance and $15,000 of investment earnings.

The 2008-2009 certified budget included an increase in the Capital Reserve account comprised of $15,000 of investment earnings.

Note IV: Detailed Disclosure Regarding Fund Equity (Continued)

B. Capital Reserve Account (Continued)

The 2009-2010 certified budget included an increase in the Capital Reserve account comprised of $20,000 of investment earnings. The 2009-2010 also included a withdrawal from Capital Reserve of $285,000 from the capital reserve for excess Costs and Other Capital Projects.

The 2010-2011 certified budget included an increase in the capital reserve account of $20,000 comprised of investment earnings. The 2010-2011 budget also included a withdrawal from Capital Reserve of $100,000 for excess Costs and Other Capital Projects. Resolutions were also passed to transfer and additional $179,748 to the Capital Projects Fund for a Roofing Project, and to transfer $500,000 from unreserved fund balance to capital reserve.

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. 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. 6:23A-5.1(d) 7, 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, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	$ 754,483
Interest Earnings	20,000
Transfer from Unreserved Fund Balance	500,000
Withdrawal from Capital Reserve-Excess Costs	(279,748)
Ending Balance June 30, 2011	$ 994,735

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects at June 30, 2011 is $40,114,000.

C. Maintenance Reserve Account

New Jersey Statute 18A:7G-9 permits districts to accumulate funds for the required maintenance of a facility in accordance with the Educational Facilities Construction and Financing Act (EFCFA). The balance may only be increased through an appropriation in the annual general fund budget certified for taxes. Upon completion of a school facilities project, districts are required to submit a plan for the maintenance of that facility. As of June 30, 2011, the District has reserved $200,000.00 for maintenance.

Note V: Pension Plans

Description of Systems

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 New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations 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 PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) 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 district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 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 post – retirement health care coverage.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Retirement Benefits

For PERS and TPAF employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS and TPAF who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

Significant Legislation

Chapter 89, P.L. 2008, effective November 1, 2008, increased TPAF and PERS retirement age. If a person becomes a member on or after November 1, 2008 that person must be at least 62 years of age in order to retire without reduction in their retirement allowance.

Chapter 99, P.L. 2009, effective March 17, 2009 gives local PERS employers the option to defer 50% of their contributions in fiscal year 2009 the normal and accrued liability and pay 50 percent of the certified amount as determined by the actuary or pay the full 100% certified amount.

Note V: Pension Plans (Continued)

Contribution Requirements – Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.50 percent for TPAF and PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2010, for TPAF, annual pension cost equals annual required contribution. For PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Contributions – Actual

The District's total payroll for the year ended June 30, 2011 was $11,577,977 and covered payroll was $8,768,740 for TPAF and $1,793,256 for PERS. Contributions to the TPAF and the PERS for the year ended June 30, 2011 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		TPAF	Percent of Covered Payroll	PERS	Percent of Covered Payroll
Employees	6/30/09	511,555	5.58%	101,685	5.52%
	6/30/10	516,586	5.53%	110,296	5.61%
	6/30/11	485,134	5.53%	99,170	5.53%
Board of Education	6/30/09	N/A	N/A	134,701	7.31%
	6/30/10	N/A	N/A	162,411	8.25%
	6/30/11	N/A	N/A	204,281	11.39%
State of New Jersey	6/30/09	587,603	13.17%	N/A	N/A
	6/30/10	620,890	6.41%	N/A	N/A
	6/30/11	647,075	7.37%	N/A	N/A

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $649,226 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note VI: Post-Retirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS who retired from a board of education or county college with 25 years of service. The State paid $126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The Reporting and Disclosure Requirements Promulgated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* are not applicable for the District.

The District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

Note VII: Risk Management

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

The District is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium. (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The District pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsuror to secure the payment of benefits.

The Chester School District continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Note VII: Risk Management (Continued)

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.

Fiscal Year	School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2010-2011	$0.00	$17,229	$41,777	$125,209
2009-2010	$0.00	20,940	29,430	$147,830
2008-2009	0.00	23,947	16,613	154,234

Note VIII: Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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 fifteen years of service.

In the government-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

Note IX: Contingent Liabilities

The Chester School District is a defendant in a few lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

Note X: Subsequent Events

The Chester School District's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

Section C

BUDGETARY COMPARISON SCHEDULES

Exhibit C-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

		Original Budget	Budget Transfers	Final Budget	Actual-Budgetary Basis	Variance Final to Actual
REVENUES:						
Local Sources:						
Local Tax Levy		$ 18,662,569	$ -	$ 18,662,569	$ 18,662,569	$ -
Tuition		80,000	-	80,000	129,450	49,450
Interest Earned on Investments		80,000	-	80,000	33,893	(46,107)
Interest Earned on Capital Reserve Funds		20,000	-	20,000		(20,000)
Miscellaneous		17,000	-	17,000	106,224	89,224
Total - Local Sources		18,859,569	-	18,859,569	18,932,136	72,567
State Sources:						
Categorical Special Education Aid		452,272	-	452,272	452,272	-
TPAF Wage Freeze			-		385	385
Non-Public Transportation Aid			-		14,138	14,138
Extraordinary Aid		95,000	-	95,000	384,321	289,321
TPAF Pension (On-Behalf - Non-Budgeted)		-	-		647,075	647,075
TPAF Social Security (Reimbursed - Non-Budgeted)		-	-	-	649,226	649,226
Total State Sources		547,272	-	547,272	2,147,417	1,600,145
Total Revenues		19,406,841	-	19,406,841	21,079,553	1,672,712
EXPENDITURES:						
Current Expense:						
Regular Programs - Instruction						
Preschool/Kindergarten - Salaries of Teachers	110-100-101	$ 409,003	$ 2,419	$ 411,422	$ 411,422	$ -
Grades 1-5 - Salaries of Teachers	120-100-101	3,070,843	(79,960)	2,990,883	2,984,740	6,143
Grades 6-8 - Salaries of Teachers	130-100-101	2,407,202	(33,991)	2,373,211	2,322,107	51,104
Regular Programs - Home Instruction:						
Salaries of Teachers	150-100-101	3,500	-	3,500	2,433	1,067
Purchased Professional-Educational Services	150-100-320	3,000	1,152	4,152	4,152	-
Regular Programs - Undistributed Instruction						
Other Purchased Services (400-500 series)	190-100-500	205,000	-	205,000	201,307	3,693
General Supplies	190-100-610	203,093	24,567	227,660	218,708	8,952
Textbooks	190-100-640	46,525	(22,534)	23,991	18,853	5,138
Other Objects	190-100-800	27,680	(1)	27,679	16,989	10,690
TOTAL REGULAR PROGRAMS - INSTRUCTION		6,375,846	(108,348)	6,267,498	6,180,711	86,787
SPECIAL EDUCATION - INSTRUCTION						
Multiple Disabilities:						
Salaries of Teachers	212-100-101	117,435	2,438	119,873	112,002	7,871
Salaries of Teachers	212-100-106	57,068	(18,185)	38,883	37,579	1,304
General Supplies	212-100-610	4,645	-	4,645	22	4,623
Total Multiple Disabilities		179,148	(15,747)	163,401	149,603	13,798
Resource Room/Resource Center:						
Salaries of Teachers	213-100-101	1,027,581	27,205	1,054,786	1,040,885	13,901
Other Salaries for Instruction	213-100-106	303,961	(23,429)	280,532	271,071	9,461
General Supplies	213-100-610	15,980	1	15,981	144	15,837
Textbooks	213-100-640	241	23	264	264	-
Total Resource Room/Resource Center		1,347,763	3,800	1,351,563	1,312,364	39,199
Preschool Disabilities - Part-Time:						
Salaries of Teachers	215-100-101	76,455	(29,643)	46,812	37,856	8,956
Other Salaries for Instruction	215-100-106	44,353	-	44,353	43,344	1,009
General Supplies	215-100-610	1,220	-	1,220	-	1,220
Total Preschool Disabilities - Part-Time		122,028	(29,643)	92,385	81,200	11,185
TOTAL SPECIAL EDUCATION - INSTRUCTION		1,648,939	(41,590)	1,607,349	1,543,167	64,182
Basic Skills/Remedial - Instruction						
Salaries of Teachers	230-100-101	251,220	77,590	328,810	281,905	46,905
General Supplies	230-100-610	3,198	-	3,198	3,111	87
Total Basic Skills/Remedial - Instruction		254,418	77,590	332,008	285,016	46,992
Bilingual Education - Instruction						
Salaries of Teachers	240-100-101	134,954	(32,061)	102,893	96,564	6,329
General Supplies	240-100-610	5,197	-	5,197	3,444	1,753
Total Bilingual Education - Instruction		140,151	(32,061)	108,090	100,008	8,082
School-Spon. Cocurricular Actvts. - Inst.						
Salaries	401-100-100	55,015	-	55,015	50,163	4,852
Supplies and Materials	401-100-600	5,448	(1)	5,447	3,222	2,225
Total School-Spon. Cocurricular Actvts. - Inst.		60,463	(1)	60,462	53,385	7,077

Exhibit C-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual-Budgetary Basis	Variance Final to Actual
Other Instructional Programs - Instruction						
Salaries	402-100-100	$ 42,999	$ -	$ 42,999	$ 37,163	$ 5,836
Purchased Services (300-500 series)	402-100-500	8,800	-	8,800	5,136	3,664
Supplies and Materials	402-100-600	10,870	-	10,870	6,282	4,588
Other Objects	402-100-800	800	-	800	641	159
Total Other Instructional Programs - Instruction		63,469	-	63,469	49,222	14,247
Total Instruction		8,543,286	(104,410)	8,438,876	8,211,509	227,367
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Special	000-100-562	162,000	(472)	161,528	145,396	16,132
Tuition to Private Schools for the Disabled - Within State	000-100-566	440,597	3,978	444,575	444,575	-
Total Undistributed Expenditures - Instruction:		602,597	3,506	606,103	589,971	16,132
Undist. Expend. - Health Services						
Salaries	000-213-100	181,729	2,144	183,873	183,504	369
Purchased Professional and Technical Services	000-213-300	206,775	69,510	276,285	233,061	43,224
Supplies and Materials	000-213-600	5,008	1,294	6,302	6,294	8
Total Undistributed Expenditures - Health Services		393,512	72,948	466,460	422,859	43,601
Undist. Expend. - Other Supp. Serv. Students - Related Serv.						
Salaries of Other Professional Staff	000-216-100	402,256	(17,389)	384,867	341,982	42,885
Purchased Professional - Educational Services	000-216-320	131,300	670	131,970	89,356	42,614
Supplies and Materials	000-216-600	4,762	(3,678)	1,084	-	1,084
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.		538,318	(20,397)	517,921	431,338	86,583
Undist. Expend. - Other Supp. Serv. Students-Reg.						
Salaries of Other Professional Staff	000-218-104	118,128	-	118,128	112,163	5,965
Salaries of Secretarial and Clerical Assistants	000-218-105	62,831	-	62,831	62,118	713
Supplies and Materials	000-218-600	2,518	(1)	2,517	1,787	730
Total Undist. Expend. - Other Supp. Serv. Students-Reg.		183,477	(1)	183,476	176,068	7,408
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	415,416	-	415,416	409,456	5,960
Salaries of Secretarial and Clerical Assistants	000-219-105	42,605	-	42,605	42,330	275
Purchased Professional - Educational Services	000-219-320	38,550	(15,680)	22,870	22,247	623
Supplies and Materials	000-219-600	5,874	-	5,874	2,901	2,973
Other Objects	000-219-800	13,280	-	13,280	12,267	1,013
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		515,725	(15,680)	500,045	489,201	10,844
Undist. Expend. - Improvement of Inst. Serv.						
Salaries of Other Professional Staff	000-221-104	40,000	-	40,000	15,891	24,109
Supplies and Materials	000-221-600	2,000	-	2,000	31	1,969
Total Undist. Expend. - Improvement of Inst. Serv.		42,000	-	42,000	15,922	26,078
Undist. Expend. - Edu. Media Serv./Sch. Library						
Salaries	000-222-100	181,499	(41,164)	140,335	140,335	-
Other Purchased Services (400-500 series)	000-222-500	-	54,000	54,000	54,000	-
Supplies and Materials	000-222-600	32,711	(4,885)	27,826	23,082	4,744
Total Undist. Expend. - Edu. Media Serv./Sch. Library		214,210	7,951	222,161	217,417	4,744
Undist. Expend. - Instructional Staff Training Serv.						
Purchased Professional - Educational Service	000-223-320	14,000	4,343	18,343	16,716	1,627
Other Purchased Services (400-500 series)	000-223-500	22,100	(4,343)	17,757	15,780	1,977
Total Undist. Expend. - Instructional Staff Training Serv.		36,100	-	36,100	32,496	3,604
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	236,545	-	236,545	235,618	927
Legal Services	000-230-331	45,000	(12,506)	32,494	32,494	-
Auditing Services	000-230-332	17,000	(141)	16,859	16,850	9
Other Purchased Professional Services	000-230-339	16,549	(2,806)	13,743	12,020	1,723
Communications/Telephone	000-230-530	64,620	6,531	71,151	64,402	6,749
Other Purchased Services (400-500 series)	000-230-590	82,182	213	82,395	81,672	723
Total Undist. Expend. - Supp. Serv. - General Admin.		461,896	(8,709)	453,187	443,056	10,131
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	604,638	5,000	609,638	609,558	80
Salaries of Other Professional Staff	000-240-104	176,100	-	176,100	174,679	1,421
Supplies and Materials	000-240-600	14,783	-	14,783	8,615	6,168
Other Objects	000-240-800	5,654	-	5,654	4,423	1,231
Total Undist. Expend. - Support Serv. - School Admin.		801,175	5,000	806,175	797,275	8,900
Undist. Expend. - Central School Admin.						
Salaries	000-251-100	279,250	-	279,250	277,579	1,671
Other Purchased Services (400-500 series)	000-251-500	27,948	3,138	31,086	31,086	-
Total Undist. Expend. - Central School Admin.		307,198	3,138	310,336	308,665	1,671
Undist. Expend. - Technology Admin.						
Salaries	000-252-100	-	-	-	-	-
Other Purchased Services (400-500 series)	000-252-500	90,306	2,345	92,651	92,651	-
General Supplies	000-252-600	53,050	14,800	67,850	67,850	-
		143,356	17,145	160,501	160,501	-

Exhibit C-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual-Budgetary Basis	Variance Final to Actual
Undist. Expend. - Required Maint. for Sch. Facil.						
Cleaning, Repair and Maintenance Services	000-261-420	$ 240,549	$ 6,444	$ 246,993	$ 234,069	$ 12,924
General Supplies	000-261-610	18,100	(4,534)	13,566	8,071	5,495
Total Undist. Expend. - Required Maint. for Sch. Facil.		258,649	1,910	260,559	242,140	18,419
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Salaries	000-262-100	718,820	3,891	722,711	709,037	13,674
Cleaning, Repair and Maintenance Services	000-262-420	11,100	12,180	23,280	23,047	233
Rental of Land and Building, Other Than Lease Purchase Agreement	000-262-441	60,100	-	60,100	41,319	
Insurance	000-262-520	98,343	(581)	97,762	95,017	2,745
General Supplies	000-262-610	71,545	(2,410)	69,135	61,758	7,377
Energy (Energy and Electricity)	000-262-620	603,000	(29,691)	573,309	420,300	153,009
Other Objects	000-262-800	37,155	826	37,981	37,981	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant		1,600,063	(15,785)	1,584,278	1,388,459	195,819
Undist. Expend. - Care & Upkeep of Grounds						
Purchased Professional and Technical Services	000-263-300	70,000	53,150	123,150	123,150	-
Total Care and Upkeep of Grounds		70,000	53,150	123,150	123,150	-
Undist. Expend. - Student Transportation Serv.						
Salaries of Non-Instructional Aides	000-270-107	$ 31,202	4,624.00	$ 35,826	$ 35,826	-
Salaries for Pupil Trans. (Between Home & School) - Regular	000-270-161	109,915	15,596.00	125,511	125,511	-
Management Fees - ESC & CTSA Transportation Programs	000-270-350	12,000	-	12,000	7,685	4,315
Cleaning, Repair and Maintenance Services	000-270-420	31,800	(13,890)	17,910	7,761	10,149
Rental Payments - School Buses	000-270-442	500	3,518	4,018	4,018	-
Contracted Services (Between Home and School) - Vendors	000-270-511	830,581	(1,470)	829,111	792,338	36,773
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	26,100	(1,260)	24,840	5,125	19,715
Contracted Services (Special Education Students) - Vendors	000-270-514	230,000	(39,387)	190,613	186,068	4,545
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	100,000	-	100,000	79,882	20,118
Contracted Services - Aid in Lieu of Payments-Non Public Schools	000-270-503	62,000	-	62,000	55,977	6,023
Transportaion Supplies	000-270-615	21,600	-	21,600	19,549	2,051
Total Undist. Expend. - Student Transportation Serv.		1,455,698	(32,269)	1,423,429	1,319,740	103,689
ALLOCATED BENEFITS						
Preschool/Kindergarten - Salaries of Teachers	110-100-270	113,045	(4,988)	108,057	101,486	6,571
Grades 1-5 - Salaries of Teachers	120-100-270	786,667	(56,908)	729,759	694,719	35,040
Grades 6-8 - Salaries of Teachers	130-100-270	583,486	(41,217)	542,269	506,090	36,179
Special Education - Multiple Disabilities	212-100-270	43,090	-	43,090	38,449	4,641
Special Education - Resource Room	213-100-270	326,322	(13,900)	312,422	288,854	23,568
Special Education - Preschool Disabilities	215-100-270	29,807	-	29,807	27,635	2,172
Basic Skills	230-100-270	44,459	-	44,459	38,624	5,835
Bilingual Education	240-100-270	33,517	-	33,517	26,370	7,147
Health Services	000-213-270	44,918	(3,415)	41,503	40,505	998
Other Support Services - Related Services	000-216-270	98,214	-	98,214	88,244	9,970
Other Support Services - Regular	000-218-270	61,157	-	61,157	55,965	5,192
Other Support Services - Special	000-219-270	113,095	-	113,095	101,390	11,705
Improvement of Instructional Services	000-221-270	19,997	-	19,997	18,886	1,111
Media Services	000-222-270	58,840	(3,273)	55,567	55,567	-
General Administration	000-230-270	58,773	(5,173)	53,600	50,371	3,229
School Administration	000-240-270	184,326	-	184,326	179,426	4,900
Central services	000-251-270	69,192	(3,138)	66,054	60,271	5,783
Operation and Maintenance of Plant	000-262-270	180,759	(5,219)	175,540	161,904	13,636
Pupil Transportation	000-270-270	34,802	(87)	34,715	32,705	2,010
TOTAL ALLOCATED BENEFITS		2,884,466	(137,318)	2,747,148	2,567,461	179,687
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	235,000	-	235,000	215,992	19,008
Other Retirement Contributions - Regular	000-291-241	202,764	3,643	206,407	205,758	649
Workmen's Compensation	000-291-260	120,000	(13,056)	106,944	105,610	1,334
Health Benefits	000-291-270	7,900	-	7,900	7,616	284
Tuition Reimbursement	000-291-280	40,000	14,813	54,813	54,813	-
Other Employee Benefits	000-291-290	56,000	(3,600)	52,400	36,264	16,136
TOTAL UNALLOCATED BENEFITS		661,664	1,800	663,464	626,053	37,411
On-behalf TPAF pension Contributions (non-budgeted)					647,075	(647,075)
Reimbursed TPAF Social Security Contributions (non-budgeted)					649,226	(649,226)
TOTAL ON-BEHALF CONTRIBUTIONS					1,296,301	(1,296,301)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		3,546,130	(135,518)	3,410,612	4,489,815	(1,079,203)
TOTAL UNDISTRIBUTED EXPENDITURES		11,170,104	(63,611)	11,106,493	11,648,073	(541,580)
TOTAL GENERAL CURRENT EXPENSE		19,713,390	(168,021)	19,545,369	19,859,582	(314,213)
CAPITAL OUTLAY						
Equipment						
Regular Programs - Instruction:						
Grades 1-5	120-100-730	-	55,748	55,748	55,748	-
Grades 6-8	130-100-730	-	23,892	23,892	23,892	-
Special Education - Instruction:						
Undist.Expend.-Support Serv.-Students - Special	000-219-730	-	2,710	2,710	2,710	-
Undistributed Expenditures - General Admin.	000-230-730	-	85,361	85,361	83,515	1,846
Undistributed Expenditures - Inst. EQ Sch	000-261-730	-	52,729	52,729	50,550	2,179
Undistributed Expenditures - Custodial Services	000-262-730	7,000	(7,000)	-	-	-
Total Equipment		7,000	213,440	220,440	216,415	4,025
Facilities Acquisition and Construction Services						
Other Objects	000-400-800	73,244	-	73,244	73,244	-
Total Facilities Acquisition and Construction Services		73,244	-	73,244	73,244	-
TOTAL CAPITAL OUTLAY		80,244	213,440	293,684	289,659	4,025

Exhibit C-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Concluded)

		Original Budget	Budget Transfers	Final Budget	Actual-Budgetary Basis	Variance Final to Actual
SPECIAL SCHOOLS						
Summer School - Instruction						
Salaries of Teachers	422-100-101	$ 160,607	$ (28,345)	$ 132,262	$ 128,732	$ 3,530
Purchased Professional and Technical Services	422-100-300	-	25,990	25,990	16,424	9,566
General Supplies	422-100-610	6,000	-	6,000	4,136	1,864
Total Summer School - Instruction		166,607	(2,355)	164,252	149,292	14,960
Total Summer School		166,607	(2,355)	164,252	149,292	14,960
TOTAL SPECIAL SCHOOLS		166,607	(2,355)	164,252	149,292	14,960
TOTAL EXPENDITURES		19,960,241	43,064	20,003,305	20,298,533	(295,228)
Excess (Deficiency) of Revenues Over (Under) Expenditures		(553,400)	(43,064)	(596,464)	781,020	1,377,484
Other Financing (Uses):						
Operating Transfer Out:						
Transfer to Capital Projects Fund		(100,000)	-	(100,000)	(279,748)	(179,748)
Total Other Financing (Uses)		(100,000)	-	(100,000)	(279,748)	(179,748)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources		(653,400)	(43,064)	(696,464)	501,272	1,197,736
Fund Balance, July 1		2,033,785	-	2,033,785	2,033,785	-
Fund Balance, June 30		$ 1,380,385	$ (43,064)	$ 1,337,321	$ 2,535,057	$ 1,197,736
Recapitulation of Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources :						
Increase in Capital Reserve		$ 20,000	$ -	$ 20,000	$ 520,000	$ 500,000
Withdrawal from Capital Reserve			-	-	(279,748)	(279,748)
Increase in Maintenance Reserve				-	200,000	200,000
Budgeted Fund Balance		(673,400)	(43,064)	(716,464)	28,024	744,488
Total		$ (653,400)	$ (43,064)	$ (696,464)	$ 468,276	$ 1,164,740

Analysis of Fund Balance June 30, 2011:

Restricted Fund Balance:	
Excess Surplus-Current Year	$ 521,416
Excess Surplus - Designated for Subsequent Year's Expenditures	129,423
Capital Reserve Account	994,735
Maintenance Reserve Account	200,000
Unassigned Fund Balance	689,483
	$ 2,535,057

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:

Fund Balance June 30, 2011	$ 2,535,057
Last Current Year State Aid Payment Not Realized on GAAP Basis	(23,003)
	$ 2,512,054

Exhibit C-2

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	$ 97,200	$ 25,574	$ 122,774	$ 89,556	$ (33,218)
Federal Sources	384,915	103,541	488,456	433,251	(55,205)
Local Sources	105,000	19,324	124,324	82,748	(41,576)
Total Revenues	587,115	148,439	735,554	605,555	(129,999)
EXPENDITURES:					
Instruction					
Personal Services - Salaries	190,000	(161,642)	28,358	28,358	-
Purchased Professional and Technical Services	-	219,484	219,484	204,743	14,741
Other Purchased Services (400-500 series)	113,115	11,659	124,774	124,774	-
General Supplies	98,000	21,947	119,947	110,708	9,239
Total Instruction	401,115	91,448	492,563	468,583	23,980
Support Services					
Purchased Professional and Technical Services	37,000	-	37,000	28,624	8,376
Purchased Professional - Educational Services	10,000	5,935	15,935	13,050	2,885
Supplies & Materials	139,000	21,288	160,288	93,438	66,850
Total Support Services	186,000	27,223	213,223	135,112	78,111
Facilities Acquisition and Construction Services:					
Noninstructional Equipment	-	29,768	29,768	1,860	27,908
Total Facilities Acquisition and Construction Serv	-	29,768	29,768	1,860	27,908
Total Expenditures	587,115	148,439	735,554	605,555	129,999
Total Outflows	$ 587,115	$ 148,439	$ 735,554	$ 605,555	$ 129,999

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C-3

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended

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

	Exhibit	General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	**[C-1] & [C-2]**	$ 21,079,553	$ 605,555
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		126,801	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	**[B-2]**	$ 21,206,354	$ 605,555
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	**[C-1] & [C-2]**	$ 20,298,533	$ 605,555
Differences - budget to GAAP			
Encumbrances for supplies and services ordered but not received are reported in the year the order is placed for *budgetary* purposes, but in the year the supplies are received for *financial reporting* purposes.		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	**[B-2]**	$ 20,298,533	$ 605,555

OTHER SUPPLEMENTARY INFORMATION

Section D

SCHOOL LEVEL SCHEDULES

NOT APPLICABLE

Section E

SPECIAL REVENUE FUND

Exhibit E-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

		Total	State Aid	Federal Aid	Local Aid
REVENUES					
State Sources		$ 89,556	$ 89,556	$ -	$ -
Federal Sources		433,251	-	433,251	-
Local Sources		82,748	-	-	82,748
Total Revenues		605,555	89,556	433,251	82,748
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	28,358		28,358	
Purchased Professional and Techn	100-300	204,743		204,743	
Other Purchased Services- (400-500 series)	100-500	124,774	36,774	88,000	
General Supplies	100-600	110,708	24,158	86,550	-
Total Instruction		468,583	60,932	407,651	-
Support Services:					
Purchased Professional and Technical Services	200-300	28,624	28,624		
Purchased Professional - Educational Services	200-320	13,050	-	13,050	
Supplies and Materials	200-600	93,438	-	10,690	82,748
Total Support Services		135,112	28,624	23,740	82,748
Total Expenditures		$ 605,555	$ 89,556	$ 433,251	82,748

Exhibit E-1a

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

		Total	N.J. Nonpublic Textbook Aid	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services
REVENUES					
State Sources		$ 89,556	$ 24,158	$ 36,774	$28,624
Total State Revenues		89,556	24,158	36,774	28,624
EXPENDITURES:					
Instruction:					
Other Purchased Services	100-500	36,774		36,774	
General Supplies	100-600	24,158	24,158	-	
Total Instruction		60,932	24,158	36,774	
Support Services:					
Purchased Professional and Technical Services	200-300	28,624	-	-	28,624
Total Support Services		28,624	-	-	28,624
Total Expenditures		$ 89,556	$ 24,158	$ 36,774	$ 28,624

Exhibit E-1b

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

			N.C.L.B.		I.D.E.A. Part B	
		Total	Title I	Title II	Basic	Preschool
REVENUES						
Federal Sources		$ 433,251	$28,358	$19,826	$366,242	$18,825
Total Federal Revenues		433,251	28,358	19,826	366,242	18,825
EXPENDITURES:						
Instruction:						
Personal Services - Salaries	100-100	28,358	28,358			
Purchased Professional and Technical Services	100-300	204,743		36	196,000	8,707
Other Purchased Services (400-500 series)	100-500	88,000			88,000	
General Supplies	100-600	86,550	-	-	80,382	6,168
Total Instruction		407,651	28,358	36	364,382	14,875
Support Services:						
Purchased Professional - Educational Services	200-320	13,050		9,100		3,950
Supplies and Materials	200-600	10,690		10,690		-
Total Support Services		23,740	-	19,790	-	3,950
Facilities Acquisition and Const. Serv.:						
Noninstructional Equipment	400-732	1,860			1,860	
Total Facilities Acquisition and Const. Serv.		1,860	-	-	1,860	-
Total Expenditures		$ 433,251	$ 28,358	$ 19,826	$ 366,242	$ 18,825

Exhibit E-1c

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

		Total	Various Local
REVENUES			
Local Sources		$ 82,748	$ 82,748
Total Local Revenues		$ 82,748	$ 82,748
EXPENDITURES:			
Support Services:			
Supplies & Materials	200-600	$ 82,748	$ 82,748
Total Support Services		$ 82,748	$ 82,748
Total Expenditures		$ 82,748	$ 82,748

Section F

CAPITAL PROJECTS FUND

Exhibit F-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Year Ended June 30, 2011

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2011
			Prior Years	Current Year	
Various Additions and Renovations to Bragg Elementary School	6/15/2005	$ 7,010,000	$ 6,979,878	$ 4,040	$ 26,082
Various Additions and Renovations to Dickerson Elementary School	6/15/2005	10,650,000	10,601,970	6,138	41,892
Various Additions and Renovations to Black River Middle School	6/15/2005	5,090,000	5,065,036	2,933	22,031
Energy Performance Contract - Bragg School	5/8/2006	858,186	828,494	18,397	11,295
Energy Performance Contract - Dickerson School	5/8/2006	139,936	134,780	2,965	2,191
Energy Performance Contract - Black River Middle School	5/8/2006	1,102,586	1,065,049	23,367	14,170
Door Replacement Project	1/26/2009	170,100	84,458	-	85,642
Paving Project	7/1/2009	85,000	75,467	-	9,533
Solar Panel Project	7/1/2009	200,000	-	-	200,000
Fiber Optic Project	7/1/2010	100,000	-	98,280	1,720
Roof Replacement Project	4/11/2011	179,748	-	-	179,748
Totals		$25,585,556	$24,835,132	$ 156,120	$594,304
				Fund Balance	593,316
				Authorized but not Issued	988
					$594,304

Exhibit F-2

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2011

REVENUES AND OTHER FINANCING SOURCES	
State Sources - SCC Grant	$ 71,899.00
Transfer from Capital Reserve	207,849.00
Total Revenues	279,748.00
EXPENDITURES AND OTHER FINANCING USES	
Other Purchased Professional and Technical Services (390)	13,611.00
Construction Services (450)	142,509.00
Total Expenditures	156,120.00
Excess (deficiency) of revenues over (under) expenditures	123,628
Fund Balance - July 1	469,688
Fund Balance - June 30	$ 593,316

Exhibit F-2a

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Additions and Renovations to Bragg Elementary School
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ 1,664,887	$ -	$1,664,887	$ 1,664,887
Bond Proceeds	5,345,000	-	5,345,000	5,345,000
Total Revenues	7,009,887	-	7,009,887	7,009,887
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	718,191	4,040	722,231	736,050
Construction Services (450)	5,931,425	-	5,931,425	5,923,450
Other Objects (800)	330,262	-	330,262	350,500
Total Expenditures	6,979,878	4,040	6,983,918	7,010,000
Excess (deficiency) of revenues over (under) expenditures	$ 30,009	$ (4,040)	$ 25,969	$ (113)

ADDITIONAL PROJECT INFORMATION

Project Number	0820-030-04-0ABA
Grant Date	6/15/05
Bond Authorization Date	12/14/04
Bonds Authorized	$ 5,345,113
Bonds Issued	$ 5,345,000
Original Authorized Cost	$ 7,010,000
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 7,010,000
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	99.63%
Original Target Completion Date	9/1/07
Revised Target Completion Date	9/1/07

Exhibit F-2b

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Additions and Renovations to Dickerson Elementary School
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ 2,522,133	$ -	$2,522,133	$ 2,522,133
Bond Proceeds	8,127,000	-	8,127,000	8,127,000
Total Revenues	10,649,133	-	10,649,133	10,649,133
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	1,101,241	6,138	1,107,379	1,118,250
Construction Services (450)	8,998,863		8,998,863	8,999,250
Other Objects (800)	501,866	-	501,866	532,500
Total Expenditures	10,601,970	6,138	10,608,108	10,650,000
Excess (deficiency) of revenues over (under) expenditures	$ 47,163	$ (6,138)	$ 41,025	$ (867)

ADDITIONAL PROJECT INFORMATION

Project Number	0820-040-04-OACI
Grant Date	6/15/05
Bond Authorization Date	12/14/04
Bonds Authorized	$ 8,127,867
Bonds Issued	$ 8,127,000
Original Authorized Cost	$ 10,650,000
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 10,650,000
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	99.61%
Original Target Completion Date	9/1/07
Revised Target Completion Date	9/1/07

Exhibit F-2c

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Additions and Renovations to Black River Middle School
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ 1,331,992	$ -	$ 1,331,992	$ 1,331,992
Bond Proceeds	3,758,000	-	3,758,000	3,758,000
Total Revenues	5,089,992	-	5,089,992	5,089,992
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	523,845	2,933	526,778	534,450
Construction Services (450)	4,301,430		4,301,430	4,301,050
Other Objects (800)	239,761	-	239,761	254,500
Total Expenditures	5,065,036	2,933	5,067,969	5,090,000
Excess (deficiency) of revenues over (under) expenditures	$ 24,956	$ (2,933)	$ 22,023	$ (8)

ADDITIONAL PROJECT INFORMATION

Project Number	0820-020-04-OACH
Grant Date	6/15/05
Bond Authorization Date	12/14/04
Bonds Authorized	$ 3,758,008
Bonds Issued	$ 3,758,000
Original Authorized Cost	$ 5,090,000
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 5,090,000
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	99.57%
Original Target Completion Date	9/1/07
Revised Target Completion Date	9/1/07

Exhibit F-2d

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Energy Performance Contract - Bragg School
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ 652,536	$ -	$652,536	$ 652,536
Transfer from Capital Reserve	205,650	-	205,650	205,650
Total Revenues	858,186	-	858,186	858,186
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	10,598		10,598	12,000
Construction Services (450)	807,348	18,397	825,745	830,000
Other Objects (800)	10,548	-	10,548	16,186
Total Expenditures	828,494	18,397	846,891	858,186
Excess (deficiency) of revenues over (under) expenditures	$ 29,692	$ (18,397)	$ 11,295	$ -

ADDITIONAL PROJECT INFORMATION

Project Number	0820-030-05-OAZM
Grant Date	5/8/06
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 858,186
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 858,186
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	98.68%
Original Target Completion Date	9/1/07
Revised Target Completion Date	9/1/07

Exhibit F-2e

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Energy Performance Contract - Dickerson School
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ 106,786	$ -	$106,786	$ 106,786
Transfer from Capital Reserve	33,150	-	33,150	33,150
Total Revenues	139,936	-	139,936	139,936
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	1,708		1,708	3,494
Construction Services (450)	131,371	2,965	134,336	134,446
Other Objects (800)	1,701	-	1,701	1,996
Total Expenditures	134,780	2,965	137,745	139,936
Excess (deficiency) of revenues over (under) expenditures	$ 5,156	$ (2,965)	$ 2,191	$ -

ADDITIONAL PROJECT INFORMATION	
Project Number	0820-040-05-OAZN
Grant Date	5/8/06
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 139,936
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 139,936
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	98.43%
Original Target Completion Date	9/1/07
Revised Target Completion Date	9/1/07

Exhibit F-2f

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Energy Performance Contract - Black River Middle School
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ 841,386	$ -	$ 841,386	$ 841,386
Transfer from Capital Reserve	261,200	-	261,200	261,200
Total Revenues	1,102,586	-	1,102,586	1,102,586
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	13,462		13,462	20,259
Construction Services (450)	1,038,191	23,367	1,061,558	1,067,198
Other Objects (800)	13,396	-	13,396	15,129
Total Expenditures	1,065,049	23,367	1,088,416	1,102,586
Excess (deficiency) of revenues over (under) expenditures	$ 37,537	$ (23,367)	$ 14,170	$ (0)

ADDITIONAL PROJECT INFORMATION

Project Number	0820-020-05-OAZL
Grant Date	5/8/06
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 1,102,586
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 1,102,586
	-
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	98.71%
Original Target Completion Date	9/1/07
Revised Target Completion Date	9/1/07

Exhibit F-2g

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Door Replacement Project
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ 68,040	$ -	$ 68,040	$ 68,040
Transfer from Capital Reserve	102,060	-	102,060	102,060
Total Revenues	170,100	-	170,100	170,100
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	
Construction Services (450)	84,458		84,458	170,100
Other Objects (800)	-	-	-	-
Total Expenditures	84,458	-	84,458	170,100
Excess (deficiency) of revenues over (under) expenditures	$ 85,642	$ -	$ 85,642	$ -

ADDITIONAL PROJECT INFORMATION	
Project Number	
Grant Date	1/26/09
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 170,100
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 170,100
	-
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	49.65%
Original Target Completion Date	9/1/09
Revised Target Completion Date	9/1/09

Exhibit F-2h

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Paving Project
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ -	$ -	$ -	$ -
Transfer from Capital Reserve	85,000	-	85,000	85,000
Total Revenues	85,000	-	85,000	85,000
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	
Construction Services (450)	75,467	-	75,467	85,000
Other Objects (800)	-	-	-	-
Total Expenditures	75,467	-	75,467	85,000
Excess (deficiency) of revenues over (under) expenditures	$ 9,533	$ -	$ 9,533	$ -

ADDITIONAL PROJECT INFORMATION	
Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 85,000
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 85,000
	-
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	88.78%
Original Target Completion Date	9/1/10
Revised Target Completion Date	9/1/10

Exhibit F-2i

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Solar Panel Project
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ -	$ -	$ -	$ -
Transfer from Capital Reserve	200,000	-	200,000	200,000
Total Revenues	200,000	-	200,000	200,000
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	15,000
Construction Services (450)			-	185,000
Other Objects (800)	-	-	-	-
Total Expenditures	-	-	-	200,000
Excess (deficiency) of revenues over (under) expenditures	$ 200,000	$ -	$200,000	$ -

ADDITIONAL PROJECT INFORMATION	
Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 200,000
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 200,000
	-
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	0.00%
Original Target Completion Date	9/1/11
Revised Target Completion Date	9/1/11

Exhibit F-2j

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Fiber Optic Project
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ -	$ -	$ -	$ -
Transfer from Capital Reserve	-	100,000	100,000	100,000
Total Revenues	-	100,000	100,000	100,000
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)		500	500	2,220
Construction Services (450)		97,780	97,780	97,780
Other Objects (800)	-	-	-	-
Total Expenditures	-	98,280	98,280	100,000
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 1,720	$ 1,720	$ -

ADDITIONAL PROJECT INFORMATION

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 100,000
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 100,000
	-
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	98.28%
Original Target Completion Date	9/1/11
Revised Target Completion Date	9/1/11

Exhibit F-2k

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Roof Replacement Project
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	$ -	$ 71,899	$ 71,899	$ 71,899
Transfer from Capital Reserve	-	107,849	107,849	107,849
Total Revenues	-	179,748	179,748	179,748
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)			-	10,000
Construction Services (450)			-	169,748
Other Objects (800)	-	-	-	-
Total Expenditures	-	-	-	179,748
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 179,748	$179,748	$ -

ADDITIONAL PROJECT INFORMATION	
Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	$ 179,748
Additional Authorized Cost	$ -
Revised Authorized Cost	$ 179,748
	-
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completed	0.00%
Original Target Completion Date	9/1/11
Revised Target Completion Date	9/1/11

Section G

PROPRIETARY FUNDS

NOT APPLICABLE

INTERNAL SERVICE FUND

Section H

FIDUCIARY FUND

Exhibit H-3

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011

Schools	Balance June 30, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
Elementary Schools:				
Bragg School	$ 20,860	$ 20,946	$ 36,312	$ 5,494
Dickerson School	6,151	14,790	14,408	6,533
Middle School:				
Activity	25,704	131,206	124,183	32,727
Athletic	-	5,565	5,565	-
	$ 52,715	$ 172,507	$ 180,468	$ 44,754

Exhibit H-4

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011

	Balance June 30, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
Payroll Deductions and Withholdings	$ 70,705	$ 5,754,798	$ 5,758,998	$ 66,505
Net Salaries and Wages	-	7,647,781	7,647,781	-
	$ 70,705	$ 13,402,579	$ 13,406,779	$ 66,505

Section I

LONG – TERM DEBT

Exhibit I-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Long - Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2011

Purpose	Date of Issue	Amount of Issue	Annual Maturities of Bonds Outstanding June 30, 2011 Date	Amount	Interest Rate	Balance June 30, 2010	Retired Current Year	Balance June 30, 2011
Refunding Bonds	8/1/2004	$ 5,195,000	9/1/11	$ 500,000	4.00%	$ 4,185,000	$ 475,000	$ 3,710,000
			9/1/12	520,000	4.00%			
			9/1/13	525,000	4.00%			
			9/1/14	530,000	4.00%			
			9/1/15	540,000	3.88%			
			9/1/16	545,000	4.00%			
			9/1/17	550,000	4.00%			
School Bonds	3/1/2005	17,230,000	3/1/12	170,000	4.25%	16,575,000	170,000	16,405,000
			3/1/13	175,000	4.25%			
			3/1/14	190,000	4.25%			
			3/1/15	205,000	4.25%			
			3/1/16	220,000	4.25%			
			3/1/17	235,000	4.50%			
			3/1/18	260,000	4.50%			
			3/1/19	590,000	4.50%			
			3/1/20	620,000	4.50%			
			3/1/21	650,000	4.50%			
			3/1/22	685,000	4.50%			
			3/1/23	675,000	4.50%			
			3/1/24	715,000	4.50%			
			3/1/25	750,000	4.50%			
			3/1/26	800,000	4.50%			
			3/1/27	840,000	4.50%			
			3/1/28	885,000	4.50%			
			3/1/30	1,930,000	4.50%			
			3/1/35	5,810,000	4.50%			
						-	-	-
						$ 20,760,000	$ 645,000	$ 20,115,000

Exhibit I-2

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Long - Term Debt
Schedule of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2011

Purpose	Interest Rate Payable	Amount Outstanding June 30, 2010	Retired Current Year	Amount Outstanding June 30, 2011
Technology Equipment	3.950%	$ 113,247	$ 53,417	$ 59,830
		$ 113,247	$ 53,417	$ 59,830

Exhibit I-3

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 1,545,275	$ -	$ 1,545,275	$ 1,545,275	$ -
Total Revenues	1,545,275	-	1,545,275	1,545,275	-
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds and Notes	900,275	-	900,275	900,275	-
Redemption of Principal	645,000	-	645,000	645,000	-
Total Regular Debt Service	1,545,275	-	1,545,275	1,545,275	-
Total Expenditures	1,545,275	-	1,545,275	1,545,275	-
Excess of Revenues Over Expenditures	-		-	-	-
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	$ -	$ -	$ -	$ -	$ -
Recapitulation of (Deficiency) of Revenues and Other Financing Sources (Under) Expenditures					
Budgeted Fund Balance	$ -	$ -	$ -	$ -	$ -

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers
J-9	Property Tax Levies and Collections

Debt Capacity

J-10	Ratios of Outstanding Debt by Type
J-11	Ratios of Net General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt as of June 30
J-13	Legal Debt Margin Information

Demographic and Economic Information

J-14	Demographic and Economic Statistics
J-15	Principal Employers

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Required Maintenance for School Facilities
J-20	Insurance Schedule

Certain Exhibits do not contain ten years of information since GASBS No. 44 was implemented as of the fiscal year ending June 30, 2003.

Exhibit J-1

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	$ 19,343,840	$ 18,495,876	$ 17,345,927	$ 16,006,657	$ 7,656,616	$ (7,883,005)	$ (9,544,835)	$ 7,066,784	$ (1,845,165)
Restricted	2,438,890	1,933,652	2,573,150	2,834,965	9,971,472	24,415,156	23,493,230	765,611	1,148,907
Unrestricted	(204,891)	(500,078)	(493,946)	(266,425)	35,910	(292,833)	(521,950)	(391,701)	(468,360)
Total Governmental Activities Net Assets	$ 21,577,839	$ 19,929,450	$ 19,425,131	$ 18,575,197	$ 17,663,998	$ 16,239,318	$ 13,426,445	$ 7,440,694	$ (1,164,618)
Business-Type Activities									
Invested in Capital Assets, Net of Related Debt	$ 33,893	$ 38,031	$ -	$ -	$ -	$ 2,405	$ 5,549	$ 8,693	$ 11,837
Unrestricted	109,443	70,927	49,818	5,671	(5,051)	5,992	(7,085)	(5,598)	(3,440)
Total Business-Type Activities Net Assets	$ 143,336	$ 108,958	$ 49,818	$ 5,671	$ (5,051)	$ 8,397	$ (1,536)	$ 3,095	$ 8,397
Government-Wide									
Invested in Capital Assets, Net of Related Debt	$ 19,377,733	$ 18,533,907	$ 17,345,927	$ 16,006,657	$ 7,656,616	$ (7,880,600)	$ (9,539,286)	$ 7,075,477	$ (1,833,328)
Restricted	2,438,890	1,933,652	2,573,150	2,834,965	9,971,472	24,415,156	23,493,230	765,611	1,148,907
Unrestricted	(95,448)	(429,151)	(444,128)	(260,754)	30,859	(286,841)	(529,035)	(397,299)	(471,800)
Total District Net Assets	$ 21,721,175	$ 20,038,408	$ 19,474,949	$ 18,580,868	$ 17,658,947	$ 16,247,715	$ 13,424,909	$ 7,443,789	$ (1,156,221)

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental activities									
Instruction									
Regular	$ 8,491,652	$ 9,199,264	$ 8,933,928	$ 9,160,518	$ 9,015,933	$ 8,872,392	$ 7,873,380	$ 7,400,962	$ 6,945,366
Special Education	2,580,749	2,494,809	2,159,785	2,031,051	2,034,703	1,759,510	1,588,215	1,579,576	1,462,866
Other Instruction	641,399	729,034	782,303	676,171	413,669	653,526	780,121	730,392	522,595
Support Services:									
Tuition	589,971	532,410	802,237	591,267	564,190	434,075	257,578	257,944	248,852
Student and Instruction Related Services	2,441,415	2,554,221	2,220,146	2,455,519	2,066,429	1,892,328	2,050,789	2,004,696	1,869,889
School Administrative Services	1,154,537	1,112,200	1,096,525	1,098,588	1,066,236	967,474	837,613	882,877	695,000
General and Business Admin. Services	1,294,430	1,292,089	1,249,974	1,191,434	1,204,802	1,179,877	1,119,458	875,424	855,428
Plant Operations and Maintenance	2,035,433	2,521,827	2,492,807	2,339,405	2,099,439	1,738,961	1,486,199	1,589,329	1,597,119
Pupil Transportation	1,404,699	1,487,340	1,441,215	1,373,043	1,531,072	1,201,575	1,076,408	1,037,098	941,691
Capital Outlay-Debt Service Assessment	73,244	-	-	-	-	-	-	-	-
Special Schools	171,127	211,100	169,245	153,935	153,024	163,256	136,024	83,758	76,067
Charter Schools	-	-	-		31,801	37,477	52,586	46,117	39,846
Interest on Long-Term Debt	891,533	917,284	1,084,746	963,788	990,954	950,665	599,262	338,755	351,779
Total Governmental Activities Expenses	21,770,189	23,051,578	22,432,911	22,034,718	21,172,252	19,851,116	17,857,633	16,826,928	15,606,498
Business-Type Activities:									
Food service	368,426	375,012	363,743	352,911	365,694	323,198	313,147	310,509	290,388
Total Business-Type Activities Expense	368,426	375,012	363,743	352,911	365,694	323,198	313,147	310,509	290,388
Total Government-Wide Expenses	$22,138,615	$23,426,590	$22,796,654	$22,387,629	$21,537,946	$20,174,314	$18,170,780	$17,137,437	$15,896,886
Program Revenues									
Governmental Activities:									
Charges for Services:									
Instruction (Tuition)	$ 129,450	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating Grants and Contributions	3,759,445	4,205,571	4,570,388	4,454,772	4,334,019	3,709,813	3,240,051	2,913,988	2,657,091
Total Governmental Activities Program Revenues	3,888,895	4,205,571	4,570,388	4,454,772	4,334,019	3,709,813	3,240,051	2,913,988	2,657,091

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-Type Activities:									
Charges for Services									
Food Service	$ 332,641	$ 343,211	$ 351,006	$ 315,423	$ 310,284	$ 284,829	$ 268,031	$ 264,628	$ 255,959
Operating Grants and Contributions	70,163	65,533	56,885	48,210	41,962	48,302	40,485	40,579	32,138
Total Business-Type Activities Program Revenues	402,804	408,744	407,891	363,633	352,246	333,131	308,516	305,207	288,097
Total Government-Wide Program Revenues	$ 4,291,699	$ 4,614,315	$ 4,978,279	$ 4,818,405	$ 4,686,265	$ 4,042,944	$ 3,548,567	$ 3,219,195	$ 2,945,188
Net (Expense)/Revenue									
Governmental Activities	$(17,881,294)	$(18,846,007)	$(17,862,523)	$(17,579,946)	$(16,838,233)	$(16,141,303)	$(14,617,582)	$(13,912,940)	$(12,949,407)
Business-Type Activities	34,378	33,732	44,148	10,722	(13,448)	9,933	(4,631)	(5,302)	(2,291)
Total Government-Wide Net Expense	$(17,846,916)	$(18,812,275)	$(17,818,375)	$(17,569,224)	$(16,851,681)	$(16,131,370)	$(14,622,213)	$(13,918,242)	$(12,951,698)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes:									
Property Taxes, Levied for General Purposes	$ 18,662,569	$ 18,319,097	$ 17,646,634	$ 17,175,292	$ 16,543,289	$ 15,835,388	$ 14,665,467	$ 13,627,311	$ 12,665,017
Property Taxes, Levied for Debt Service Principal	653,742	637,775	617,531	599,188	536,003	633,073	235,938	502,609	340,646
Federal and State Aid Not Restricted	11,861	73,820	108,586	213,316	174,426	118,167	116,915	115,090	158,358
Tuition (Other Than Special Schools)	-	105,546	132,147	86,172	67,084	89,950	57,385	30,125	137,681
Investment Earnings	33,893	61,874	51,397	339,279	903,288	659,876	237,497	19,778	22,230
Account Payable Canceled		31,759							
Miscellaneous Income	106,224	120,455	156,162	77,898	38,824	7,014	16,119	47,113	96,824
N.J. Economic Development Authority Grants	-	-	-	-	-	1,610,708	5,519,012	(104,096)	288,134
Refunding Bond Proceeds							(245,000)		
Total Governmental Activities	19,468,289	19,350,326	18,712,457	18,491,145	18,262,914	18,954,176	20,603,333	14,237,930	13,708,890
Business-Type Activities:									
Prior Year Adjustments		25,408							
Total Business-Type Activities	-	25,408	-	-	-	-	-	-	-
Total Government-Wide General Revenues	$ 19,468,289	$ 19,375,734	$ 18,712,457	$ 18,491,145	$ 18,262,914	$ 18,954,176	$ 20,603,333	$ 14,237,930	$ 13,708,890
Change in Net Assets									
Governmental Activities	$ 1,586,995	$ 504,319	$ 849,934	$ 911,199	$ 1,424,681	$ 2,812,873	$ 5,985,751	$ 324,990	$ 759,483
Business-Type Activities	34,378	59,140	44,148	10,722	(13,448)	9,933	(4,631)	(5,302)	(2,291)
Total Government-Wide Change in Net Assets	$ 1,621,373	$ 563,459	$ 894,082	$ 921,921	$ 1,411,233	$ 2,822,806	$ 5,981,120	$ 319,688	$ 757,192

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

Exhibit J-3

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund									
Restricted	$1,845,574	$1,663,964	$2,333,863	$ 2,675,550	$ 2,159,794	$ 999,760	$ 1,624,739	$ 864,364	$ 474,301
Unassigned	666,480	422,623	477,912	403,631	691,353	967,186	253,417	253,033	493,391
Total General Fund	$2,512,054	$2,086,587	$2,811,775	$ 3,079,181	$ 2,851,147	$ 1,966,946	$ 1,878,156	$ 1,117,397	$ 967,692
All Other Governmental Funds									
Restricted	$ -	$ -	$ -	$ -	$ -	$18,335,764	$ 1,088,171	$ -	$ -
Unassigned, Reported In:									
Special Revenue Fund					-	-	-	-	(2,936)
Capital Projects Fund	593,316	269,688	239,287	477,981	8,139,430	4,773,836	21,147,147	-	720,352
Debt Service Fund	-	-	-	(2)	(2)	42,816	42,818	16	-
Total All Other Governmental Funds	$ 593,316	$ 269,688	$ 239,287	$ 477,979	$ 8,139,428	$23,152,416	$22,278,136	$ 16	$ 717,416
Total Fund Balances	$3,105,370	$2,356,275	$3,051,062	$ 3,557,160	$10,990,575	$25,119,362	$24,156,292	$ 1,117,413	$1,685,108

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues									
Tax Levy	$20,207,844	$19,874,156	$19,348,911	$ 18,738,267	$ 18,070,246	$17,419,126	$15,500,667	$14,468,675	$ 13,357,442
Tuition Charges	129,450	105,546	132,147	86,172	67,084	89,950	57,385	30,125	137,681
Transportation Fees	-	-	-	-	-	-	-	14,700	-
Interest Earnings	33,893	61,874	51,397	339,279	903,288	659,876	237,497	19,778	22,230
Miscellaneous	188,972	191,659	258,266	77,898	38,824	7,014	16,119	47,113	96,824
State Sources	2,363,774	2,566,594	3,126,933	3,356,368	3,190,923	2,572,642	2,492,294	2,401,806	2,062,362
Federal Sources	433,251	724,309	365,191	347,933	326,568	304,673	265,410	277,457	401,308
Total Revenues	23,357,184	23,524,138	23,282,845	22,945,917	22,596,933	21,053,281	18,569,372	17,259,654	16,077,847
Expenditures									
Instruction									
Regular Instruction	6,233,263	6,965,397	6,920,871	6,580,415	6,526,090	6,714,111	5,712,253	5,470,928	5,213,794
Special Education Instruction	1,959,198	1,951,489	1,669,625	1,505,247	1,433,182	1,347,537	1,229,159	1,186,067	1,033,964
Other Instruction	487,631	548,288	616,093	493,824	386,097	503,171	584,952	556,225	498,269
Support Services:									
Tuition	589,971	532,410	802,237	591,267	564,190	434,075	257,578	257,944	248,851
Student and Instruction Related Services	1,920,413	2,023,601	1,857,478	1,904,041	1,591,167	1,523,560	1,603,744	1,566,902	1,460,195
School Administrative Services	797,275	795,130	797,036	765,284	761,233	703,921	672,087	604,977	521,005
General and Business Administrative Services	912,222	933,686	903,297	915,099	928,898	894,146	859,539	794,597	678,829
Plant Operations and Maintenance	1,753,749	2,201,579	2,212,760	2,058,688	1,827,342	1,500,970	1,411,125	1,451,842	1,377,081
Pupil Transportation	1,319,740	1,407,374	1,385,334	1,313,042	1,462,458	1,205,938	1,036,617	1,005,499	910,302
Employee Benefits	4,489,815	4,797,724	4,282,656	4,695,463	4,489,185	3,838,828	3,431,332	3,279,441	2,875,315
Special Schools	149,292	182,248	147,147	128,188	127,875	121,788	100,669	83,757	76,067
Charter Schools	-	-	-	-	31,801	37,477	52,586	46,117	39,846
Capital Outlay	374,395	356,699	734,830	7,865,801	15,301,427	2,807,718	516,194	628,589	662,343
Capital Outlay-Debt Service Assessment	73,244								
Debt Service:									
Principal	645,000	630,000	610,000	590,000	570,000	560,000	510,000	495,000	340,000
Interest and Other Charges	900,275	925,059	1,092,275	972,975	999,775	1,023,740	301,670	346,363	352,425
Total Expenditures	22,605,483	24,250,684	24,031,639	30,379,333	37,000,720	23,216,980	18,279,505	17,774,248	16,288,286
Excess (Deficiency) of Revenues over (under) Expenditures	751,701	(726,546)	(748,794)	(7,433,415)	(14,403,787)	(2,163,699)	289,867	(514,594)	(210,439)

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Changes in Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing sources (uses)									
N.J. Economic Development Authority Grants			-	-	-	1,610,708	5,519,012	(104,096)	288,134
Capital Leases (Non-Budgeted)			226,664	-	275,000	1,516,061	-	50,996	342,280
Accounts Payable Canceled		31,759							
Bond Proceeds			-	-	-	-	17,230,000	-	-
Transfers In	279,748	85,000	102,060	-	-	1,038,711	195,906	78,390	432,202
Transfers Out	(279,748)	(85,000)	(102,060)	-	-	(1,038,711)	(195,906)	(78,390)	(432,202)
Total Other Financing Sources (Uses)	-	31,759	226,664	-	275,000	3,126,769	22,749,012	(53,100)	630,414
Net Change in Fund Balances	$751,701	$(694,787)	$(522,130)	$(7,433,415)	$(14,128,787)	$ 963,070	$23,038,879	$(567,694)	$ 419,975
Debt Service as a Percentage of Noncapital Expenditures	6.95%	6.51%	7.31%	6.94%	7.23%	7.76%	4.57%	4.91%	4.43%

Source: Comprehensive Annual Financial Report

Note: 10 years of data will eventually be presented.

Exhibit J-5

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Fiscal Year Ending June 30,	Interest	Tuition	Miscellaneous	Annual Totals
2002	$ 2,135	$ 8,339	$ 27,392	$ 37,866
2003	22,230	137,681	96,823	256,734
2004	19,778	30,125	61,813	111,716
2005	41,591	57,385	16,119	115,095
2006	121,165	89,950	7,014	218,129
2007	903,288	67,084	38,824	1,009,196
2008	339,279	86,172	77,898	503,349
2009	51,397	132,147	156,162	339,706
2010	61,874	105,546	120,455	287,875
2011	33,893	129,450	188,972	352,315

Source: District records

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

CHESTER BOROUGH:

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2001							-		279,267,191	250,738,334	0.777
2002							-		299,651,888	266,217,038	0.784
2003							-		302,393,233	279,994,210	0.775
2004							-		304,200,284	295,408,587	0.801
2005	5,229,200	217,617,700	3,612,300	140,571,400		2,010,000	369,040,600	1,747,166	370,787,766	312,925,143	0.699
2006	7,949,000	239,618,900	3,972,800	165,277,300		2,214,500	419,032,500	2,010,392	421,042,892	387,402,977	0.684
2007	7,114,300	241,279,800	3,972,800	192,169,300		2,214,500	446,750,700	2,100,655	448,851,355	445,186,305	0.702
2008	5,466,500	245,143,100	1,354,500	198,742,100	-	2,214,500	452,920,700	2,432,737	455,353,437	467,628,951	0.717
2009	5,466,500	244,889,900	1,354,500	197,828,600	-	2,214,500	451,754,000	2,050,374	453,804,374	471,258,932	0.916
2010	4,875,000	213,961,800	1,224,600	165,600,100	-	1,914,100	387,575,600	1,705,656	389,281,256	468,704,509	-

Source: Municipal Tax Assessor

CHESTER TOWNSHIP:

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2001							-		866,877,997	1,107,647,323	1.130
2002							-		925,558,206	1,281,282,862	1.180
2003							-		943,800,188	1,394,563,868	1.220
2004							-		971,424,626	1,558,530,336	1.290
2005	16,402,700	892,335,662	40,966,380	29,388,100	1,930,000	353,400	981,376,242	1,354,657	982,730,899	1,688,282,341	1.414
2006	37,822,300	2,080,826,200	96,103,300	51,080,100	1,230,300	3,493,000	2,270,555,200	2,266,037	2,272,821,237	1,905,993,213	0.654
2007	33,925,400	2,072,231,633	96,399,200	52,360,000	3,493,000	-	2,258,409,233	2,120,659	2,260,529,892	2,131,841,434	0.678
2008	31,112,000	2,074,551,033	105,368,200	50,305,200	4,704,800	910,000	2,266,951,233	2,060,200	2,269,011,433	2,230,761,264	0.690
2009	28,337,400	2,059,943,433	106,972,300	51,086,800	5,163,700	910,000	2,247,415,933	1,868,749	2,249,284,682	2,195,682,116	0.719
2010	19,506,100	1,676,536,800	91,975,600	49,247,800	3,908,600	835,200	1,842,010,100	2,190,835	1,844,200,935	2,159,919,381	-

Source: Municipal Tax Assessor

Note: Revaluation of property effective for 2006.

Exhibit J-7

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)
Unaudited

CHESTER BOROUGH:

	School District Direct Rate			Overlapping Rates				
Fiscal Year Ended December 31,	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	Open Space	County	Total Direct and Overlapping Tax Rate
2001	0.777		0.777	0.527	0.516		0.270	2.090
2002	0.784		0.784	0.559	0.475		0.262	2.080
2003	0.719	0.056	0.775	0.581	0.481		0.273	2.110
2004	0.737	0.064	0.801	0.687	0.457		0.295	2.240
2005	0.582	0.117	0.699	0.668	0.327		0.226	1.920
2006	0.626	0.058	0.684	0.601	0.294		0.231	1.810
2007	0.644	0.058	0.702	0.642	0.276		0.240	1.860
2008	0.655	0.062	0.717	0.661	0.275		0.239	1.892
2009	0.700	0.058	0.758	0.666	0.307	0.02	0.239	1.990
2010	0.847	0.069	0.916	0.806	0.363	0.035	0.241	2.361

Source: Municipal Tax Collector

CHESTER TOWNSHIP:

	School District Direct Rate			Overlapping Rates				
Fiscal Year Ended December 31,	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	Open Space	County	Total Direct and Overlapping Tax Rate
2001	1.130		1.130	0.380	0.650		0.380	2.540
2002	1.180		1.180	0.360	0.660		0.410	2.610
2003	1.164	0.056	1.220	0.380	0.730		0.430	2.760
2004	1.226	0.064	1.290	0.380	0.770		0.480	2.920
2005	1.297	0.117	1.414	0.434	0.784	0.02	0.458	3.110
2006	0.596	0.058	0.654	0.269	0.347	0.02	0.210	1.500
2007	0.620	0.058	0.678	0.313	0.372	0.046	0.181	1.590
2008	0.628	0.062	0.690	0.334	0.388	0.061	0.187	1.660
2009	0.661	0.058	0.719	0.347	0.396	0.020	0.222	1.704
2010	1.322	0.069	1.391	0.448	0.498	0.020	0.264	2.621

Source: Municipal Tax Collector

Exhibit J-8

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited

CHESTER BOROUGH:

	2010			2001	
Fiscal Year Ended June 30,	Taxable Assessed Value	% of Total District Net Assessed Value	Fiscal Year Ended June 30,	Taxable Assessed Value	% of Total District Net Assessed Value
Chester Springs LLC	$ 28,500,000	7.32%	Ramco-Gershenson	$ 18,388,000	9.07%
Continental Chester LLC	21,300,000	5.47%	NS-MPG, Inc.	6,164,800	3.04%
Savro, LLC	6,950,000	1.79%	Chester Shopping Center	4,425,800	2.18%
Prospect Square LLC	5,635,000	1.45%	McGreevy, Arthur	2,700,000	1.33%
Williamson Associates	3,737,700	0.96%	Sprint, United Telephone	1,579,037	0.78%
Mill Ridge Farm	3,230,000	0.83%	Chester Franklin Assoc.	1,400,000	0.69%
MGHC Group LLC	3,225,000	0.83%	Group 206 North Assoc.	1,356,000	0.67%
95 W Main Assoc	3,100,000	0.80%	Gregg, Guy, & Linda	1,302,700	0.64%
Skylands Community Bank	2,280,000	0.59%	Storms, Donald & Madelyn	1,245,300	0.61%
Asdal Development LLC	1,900,000	0.49%	Group 6 Associates	1,175,800	0.58%
Total	$ 79,857,700	20.51%	Total	$ 39,737,437	19.59%

Source: Municipal Tax Assessor

CHESTER TOWNSHIP:

	2010			2001	
Fiscal Year Ended June 30,	Taxable Assessed Value	% of Total District Net Assessed Value	Fiscal Year Ended June 30,	Taxable Assessed Value	% of Total District Net Assessed Value
Welkind c/o Select Medical Corp	$ 6,476,600	0.35%	Bell Communications	$ 4,233,000	0.44%
Aresty, David R	4,883,200	0.26%	C.M. Offray	3,401,900	0.36%
Giardina, Salvatore and Diane	3,732,500	0.20%	Giardina, Salvatore & Diane	2,166,700	0.23%
Weisman, Howard/Foss, Pamela	3,485,100	0.19%	Aresty, David	1,889,000	0.20%
Geller, Shari Lynn B	3,213,600	0.17%	East Bay Realty	1,800,000	0.19%
Golden, Michael F/Mary	3,008,300	0.16%	Golden, Michael & Mary	1,727,000	0.18%
CVO Chester LLC	2,988,000	0.16%	Michel, Clifford & Betsy	1,547,100	0.16%
Michaels, Paul S /Trustee	2,739,200	0.15%	Commons at Chester	1,462,400	0.15%
Laroia, Rajiv	2,732,100	0.15%	415 Route 24, Inc.	1,400,000	0.15%
Katz, Hildegard Gruenbaum Trustee	2,621,700	0.14%	Liccardi, Gregory & Julie	1,180,700	0.12%
Total	$ 35,880,300	1.95%	Total	$ 20,807,800	2.18%

Source: Municipal Tax Assessor

Exhibit J-9

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

CHESTER BOROUGH:

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2001	5,852,980	5,677,690	97.00%	5,677,690	97.00%
2002	6,273,455	6,092,024	97.10%	6,092,024	97.10%
2003	6,406,117	6,193,002	96.67%	6,193,002	96.67%
2004	6,796,586	6,684,442	98.34%	6,684,442	98.34%
2005	7,226,301	7,093,494	98.16%	7,093,494	98.16%
2006	7,809,480	7,710,895	98.73%	7,710,895	98.73%
2007	8,384,373	8,204,445	97.85%	8,204,445	97.85%
2008	8,634,695	8,495,623	98.38%	8,495,623	98.38%
2009	9,031,469	8,796,034	97.39%	8,796,034	97.39%
2010	N/A	N/A	N/A	N/A	N/A

Source: Municipal Tax Collector

CHESTER TOWNSHIP:

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2001	23,459,707	22,822,583	97.28%	22,822,583	97.28%
2002	24,854,854	24,388,289	98.12%	24,388,289	98.12%
2003	26,936,399	26,552,894	98.57%	26,552,894	98.57%
2004	28,250,403	27,880,323	98.69%	27,880,323	98.69%
2005	30,987,760	30,713,202	99.11%	30,713,202	99.11%
2006	34,272,182	33,804,296	98.63%	33,804,296	98.63%
2007	36,250,282	35,640,568	98.31%	35,640,568	98.31%
2008	37,797,154	37,124,759	98.22%	37,124,759	98.22%
2009	38,460,519	37,308,895	97.00%	37,308,895	97.00%
2010	N/A	N/A	N/A	N/A	N/A

Source: Municipal Tax Collector

Exhibit J-10

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Total District	Percentage of Personal Income	Per Capita
2002	7,140,000	240,886	7,380,886	9.90%	805
2003	7,250,000	491,903	7,741,903	10.11%	838
2004	6,900,000	404,124	7,304,124	9.26%	785
2005	23,720,000	263,186	23,983,186	29.64%	2,567
2006	23,160,000	1,349,473	24,509,473	29.68%	2,634
2007	22,590,000	1,183,553	23,773,553	28.12%	2,564
2008	22,000,000	771,152	22,771,152	25.60%	2,442
2009	21,390,000	559,180	21,949,180	23.85%	2,442
2010	20,760,000	177,247	20,937,247	22.09%	2,349
2011	20,115,000	59,830	20,174,830	20.67%	2,241

Source: District Records

Exhibit J-11

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2002	7,140,000	7,140,000	0.58%	4,325
2003	7,250,000	7,250,000	0.58%	4,402
2004	6,900,000	6,900,000	0.54%	4,192
2005	23,720,000	23,720,000	1.75%	14,463
2006	23,160,000	23,160,000	0.86%	14,252
2007	22,590,000	22,590,000	0.83%	13,988
2008	22,000,000	22,000,000	0.81%	13,333
2009	21,390,000	21,390,000	0.79%	12,909
2010	20,760,000	20,760,000	0.77%	12,529
2011	20,115,000	20,115,000	0.90%	12,139

Source: District Records

Exhibit J-12

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Direct and Overlapping Governmental Activities Debt
As of December 31, 2010
Unaudited

Net Direct Debt of School District as of December 31, 2010		$20,115,000
Net Overlapping Debt of School District:		
Borough of Chester (100%)	$5,225,000	
Township of Chester (100%)	13,283,022	
County of Morris - Borough's share (.45%)	1,121,553	
County of Morris - Township's share (2.11%)	5,258,840	
		24,888,415
Total Direct and Overlapping Debt as of December 31, 2010		$45,003,415

Source: Borough of Chester's and Township of Chester's Chief Financial Officers and Morris County Treasurer's Office.

Note: The method used to estimate the applicable percentage of overlapping debt was to divide the value of the revenue base within the overlapping geographic area by the total revenue base of the overlapping government, and multiply this ratio by the overlapping government's outstanding debt.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Combined: Chester Borough
Chester Township

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized valuation basis	
2008	3,674,014,692
2009	2,614,098,740
2010	2,502,249,508
	$ 8,790,362,940
Average Equalized Valuation of Taxable Property	$ 2,930,120,980
Debt Limit (3% of Average Equalization Value)	87,903,629
Total Net Debt Applicable to Limit	20,115,000
Legal Debt Margin	$ 67,788,629

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	$ 59,151,330	$ 91,114,027	$ 86,418,324	$ 89,625,350	$ 87,903,629
Total Net Debt Applicable to Limit	22,590,000	22,000,000	21,390,000	20,760,000	20,115,000
Legal Debt Margin	$ 36,561,330	$ 69,114,027	$ 65,028,324	$ 68,865,350	$ 67,788,629
Total Net Debt Applicable To The Limit As A Percentage Of Debt Limit	38.19%	24.15%	24.75%	23.16%	22.88%

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	$ 39,589,284	$ 44,200,945	$ 48,946,827	$ 54,090,029	$ 75,164,393
Total Net Debt Applicable to Limit	7,140,000	7,250,000	6,755,000	23,720,000	23,160,000
Legal Debt Margin	$ 32,449,284	$ 36,950,945	$ 42,191,827	$ 30,370,029	$ 52,004,393
Total Net Debt Applicable To The Limit As A Percentage Of Debt Limit	N/A	16.40%	13.80%	43.85%	30.81%

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

Note: 10 years of data will eventually be presented.

Exhibit J-14

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

CHESTER BOROUGH:

Year	Population	Personal Income	Capita Personal Income	Unemployment Rate
2002	1,651	74,552,800	45,156	3.60%
2003	1,647	76,603,340	46,511	3.60%
2004	1,646	78,853,534	47,906	2.80%
2005	1,640	80,923,080	49,343	4.10%
2006	1,625	82,588,418	50,824	4.20%
2007	1,615	84,542,587	52,348	2.30%
2008	1,650	88,966,023	53,919	5.10%
2009	1,657	92,023,758	55,536	8.60%
2010	1,657 Est.	94,784,471	57,202	8.70%
2011	1,657 Est.	97,628,005	58,919	N/A

CHESTER TOWNSHIP:

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2002	7,513	441,193,395	58,724	3.60%
2003	7,594	459,328,540	60,486	3.50%
2004	7,653	476,784,113	62,300	2.80%
2005	7,704	494,360,271	64,169	1.90%
2006	7,680	507,604,814	66,094	1.40%
2007	7,657	521,267,182	68,077	1.30%
2008	7,675	538,167,349	70,120	2.80%
2009	7,686	555,106,824	72,223	4.90%
2010	7,686 Est.	571,760,029	74,390	4.90%
2011	7,686 Est.	588,912,829	76,621	N/A

Sources:

Population information provided by the NJ Dept of Labor and Workforce Development.
Personal income has been estimated based upon the municipal population and per capita personal income presented.
Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
Unemployment data provided by the NJ Dept of Labor and Workforce Development

Exhibit J-15

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Principal Employers
Current Year and Nine Years Ago
Unaudited

CHESTER BOROUGH AND TOWNSHIP (COMBINED)

	2010		2001		
Employer	Employees	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment
Shop Rite Supermarket	300	6.57%			
New Jersey Quarter Horse Assn.	300	6.57%			
West Morris Central High School	130	2.85%			
Glenlora Nursing Home	93	2.04%			
Weichert Realtors	90	1.97%			
United Cerebral Palsy	85	1.86%	INFORMATION FROM NINE YEARS AGO NOT AVAILABLE FOR THIS DISTRICT		
Chester Volunteer Fire Co.	65	1.42%			
Coldwell Banker	60	1.31%			
D & C Electrical Contractors	60	1.31%			
Alstede Farms	55	1.21%			
Bragg School	55	1.21%			
Peapack-Gladstone Bank	55	1.21%			
Black River Middle School	50	1.10%			
Harrington Construction	50	1.10%			
Dickerson School	45	0.99%			
Frank Anthony Hair & Skincare	45	0.99%			
Mazey Reed & Brey Insurance	40	0.88%			
Redwoods Caterers	40	0.88%			
Publick House Restaurant	35	0.77%			
Pleasant Pools Inc	35	0.77%			
Andrew E. Hall & Son, Inc.	30	0.66%			
Staples	30	0.66%			
Suburban Hills School	30	0.66%			
	1778	38.96%	0		0.00%

Source: Reference USA

Exhibit J-16

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction										
Regular					100	99.8	100.2	104	101.9	95.5
Special Education					20	18	17.2	19.2	20.2	18.5
Other Instruction					9	8.2	8.6	9.3	9.9	9.3
Support Services:										
Student and Instruction Related Services					29	29	25	24.9	25.5	19.2
School Administrative Services					12	12	10	10.6	10.6	10.6
General and Business Administrative Services					9.4	9.7	9	9	9.5	7.2
Plant Operations and Maintenance					15	15	13.4	16	15.5	14.5
Pupil Transportation					6	5.8	7.6	7.2	6.0	5.7
Total	0	0	0	0	200	198	191	200.2	199.1	180.5

Source: District Personnel Records

Note: 10 years of data will eventually be presented.

Exhibit J-17

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2001	1,231	12,554,925	10,199	3.76%	115	1:13	1:11	1231.0	1,179.0	7.23%	95.78%
2002	1,223	13,391,086	10,949	7.36%	121	1:12.9	1:11.5	1226.0	1,171.0	-0.41%	95.51%
2003	1,241	15,037,800	12,117	10.67%	124	1:10.5	1:9.8	1241.0	1,182.0	1.22%	95.25%
2004	1,302	16,330,665	12,543	3.51%	125	1:10.7	1:9.89	1286.0	1,231.0	3.63%	95.72%
2005	1,355	16,951,641	12,510	-0.26%	128	1:11.2	1:9.8	1347.0	1,285.0	4.74%	95.40%
2006	1,399	18,825,521	13,456	7.56%	121	1:11.8	1:9.67	1375.9	1,311.5	2.15%	95.32%
2007	1,408	21,029,518	14,936	10.99%	126	1:23	1:24	1392.3	1,329.3	1.19%	95.48%
2008	1,431	20,950,557	14,641	-1.98%	129	1:23	1:24	1430.0	1,393.0	2.71%	97.41%
2009	1,442	21,594,534	14,975	2.29%	133	1:21	1:21	1425.0	1,362.8	-0.35%	95.64%
2010	1,378	22,341,532	16,213	8.26%	132	1:19.5	1:20.75	1378.8	1,327.3	-3.24%	96.26%
2011	1,353	20,612,569	15,235	-6.03%	132			1351.6	1,303.5	-1.97%	96.44%

Source: District records

Note: Enrollment based on annual October district count.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

School Building Information
Last Ten Fiscal Years
Unaudited

District Building	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Elementary										
Bragg (1966)										
Square Feet					48,699	49,100	58,082	58,082	58,082	58,082
Capacity (students)					396	396	396	396	396	396
Enrollment					470	471	497	507	467	456
Dickerson (1962)										
Square Feet					39,075	38,990	59,105	59,105	59,105	59,105
Capacity (students)					415	415	415	415	415	415
Enrollment					469	447	438	414	413	371
Middle School										
Black River Middle School (1972)										
Square Feet					58,356	58,356	73,191	73,191	73,191	73,191
Capacity (students)					377	497	497	497	497	497
Enrollment					445	490	496	504	498	520

Number of Schools at June 30, 2007
- Elementary = 2
- Middle School = 1
- Senior High School = 0
- Other = 0

Source: District Facilities Office

Note: 10 years of data will eventually be presented.

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of alterations and additions. Enrollment is based on the annual October district count.

Exhibit J-19

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

GENERAL FUND
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx

*School Facilities	Square Footage	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Black River Middle School	73,191	93,091	90,176	96,955	$ 60,063	$ 45,849	$ 37,454	$ 39,238	$ 44,154	$ 47,608	$ 94,602
Bragg School	58,082	73,874	71,561	76,940	45,762	39,607	23,078	28,892	38,376	25,235	78,946
Dickerson School	59,105	75,175	72,821	78,296	37,182	29,694	37,499	23,547	31,685	24,305	63,345
Grand Total		242,140	234,558	252,191	143,007	115,150	98,031	91,677	114,215	97,148	236,893

*School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

Exhibit J-20

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Insurance Schedule
As of June 30, 2011
Unaudited

	Coverage	Deductible
PROPERTY SECTION:		
Blanket building and contents (Ratable limit)	$ 300,000,000	$ 5,000
Blanket Extra Expense	50,000,000	5,000
Blanket Valuable Papers	10,000,000	5,000
Electronic data processing equipment	546,035	1,000
LIABILITY SECTION:		
Bodily Injury and Property Damage	16,000,000	5,000
Employee benefit liability	16,000,000	1,000
Terrorism	1,000,000	
AUTOMOBILE:		
Bodily Injury and Property Damage	16,000,000	1,000
Uninsured/Underinsured Motorists	1,000,000	1,000
CRIME:		
Faithful Performance Limit	100,000	500
Money and Securities Limit	25,000	500
Forgery	25,000	500
Computer Fraud	100,000	500
SELECTIVE BONDS:		
Business Administrator (7/1/10-7/3/11)	90,000	500
Treasurer (7/1/10-6/30/11)	225,000	1,000

Source: District records.

Single Audit Section

VMA

VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-1
Sheet 1

INDEPENDENT AUDITORS' 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"

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

We have audited the basic financial statements of the Chester School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. We conducted our audit 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; and in compliance with audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chester School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Chester School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chester School District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, the Chester School District and the New Jersey Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vincent M. Montanino
Public School Accountant
License No. CS000495

Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 21, 2011

VMA

VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-2
Sheet 1

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04

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

Compliance

We have audited the compliance of the Chester School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2011. Chester School District's major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Chester School District's management. Our responsibility is to express an opinion on Chester School District's compliance based on our audit.

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 Governmental Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Chester School 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. Our audit does not provide a legal determination on the Chester School District's compliance with those requirements.

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In our opinion, the Board of Education of the Chester School District, in the County of Morris, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2011

Internal Control Over Compliance

The management of Chester School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Chester School District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education of the Chester School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chester School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Chester School District, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Vincent M. Montanino
Public School Accountant
License No. CS000495

Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 21, 2011

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	Cash Received	BUDGETARY EXPENDITURES Disbursements	Accounts Payable	Encumbrances	Total	Repayment of Prior Years' Balances	Balance June 30, 2011 Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Agriculture Passed - Through State Department of Education:														
Food Distribution Program	10.550	7/1/10-6/30/11	$ 17,835	$ 3,511	$ -	$ 17,835	$ 16,552	$ -	$ -	$ 16,552	$ -	$ -	$ 4,794	$ -
National School Lunch Program	10.555	7/1/10-6/30/11	46,905			43,152	46,905			46,905		(3,753)		
National School Lunch Program	10.555	7/1/09-6/30/10	44,656	(3,936)		3,936	-			-		-	-	
Total U.S. Department of Agriculture				(425)		64,923	63,457			63,457		(3,753)	4,794	
U.S. Department of Education Passed - Through State Department of Education:														
E.S.E.A. Title I	84.010A	9/1/10-8/31/11	28,358			15,120	28,358			28,358		(13,238)		
E.S.E.A. Title II A	84.367A	9/1/10-8/31/11	23,915		(656)	12,370	19,790			19,790		(15,121)	7,045	
E.S.E.A. Title II A	84.367A	9/1/09-8/31/10	23,592	(10,598)	815	9,783				-		-		
E.S.E.A. Title II A	84.367A	9/1/08-8/31/09	23,458	(304)		304				-		-		
E.S.E.A. Title II D	84.367A	9/1/10-8/31/11	36				36			36		(36)		
E.S.E.A. Title II D	84.367A	9/1/09-8/31/10	203	(8)		8				-		-		
E.S.E.A. Title IV	84.186A	9/1/09-8/31/10	2,274	17						-		(112)	129	
I.D.E.A. Part B, Basic	84.027A	9/1/10-8/31/11	367,396			234,576	335,829			335,829		(132,820)	31,567	
I.D.E.A. Part B, Basic	84.027A	9/1/09-8/31/10	331,734	(92,955)		71,279				-		(21,676)		
I.D.E.A. Part B, Basic	84.027A	9/1/07-8/31/08	327,509	(45,156)		45,156				-		-		
I.D.E.A. Part B, Basic-ARRA	84.391	9/1/09-8/31/11	391,309	(7,313)		12,374	30,413			30,413		(25,716)	364	
I.D.E.A. Part B, Preschool	84.173A	9/1/10-8/31/11	21,448			8,707	8,707			8,707		(12,741)	12,741	
I.D.E.A. Part B, Preschool	84.173A	9/1/07-8/31/08	21,021	(5,362)		11,530	6,168			6,168		-		
I.D.E.A. Part B, Preschool	84.173A	9/1/07-8/31/08	20,962	(162)		162				-		-		
I.D.E.A. Part B, Preschool - ARRA	84.392	9/1/09-8/31/11	14,160	(3,626)	-	7,576	3,950			3,950		(3,359)	3,359	
Total U.S. Department of Education				(165,467)	159 1	428,945	433,251	-	-	433,251	-	(224,819)	55,205	-
Total Federal Financial Assistance				$ (165,892)	$ 159	$ 493,868	$ 496,708	$ -	$ -	$ 496,708	$ -	$ (228,572)	$ 59,999	$ -

1 - Prior Year Order Canceled

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT

Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	Cash Received	BUDGETARY EXPENDITURES Disbursements	Accounts Payable	Encumbrances	Total	Repayment of Prior Years' Balances	Balance June 30, 2011 Accounts Receivable	Deferred Revenue	Due to Grantor
State Department of Education:														
General Funds:														
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	$ 340,958	$ (51,876)	$ -	$ 51,876	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Special Education Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	452,272			429,269	452,272			452,272		(23,003)		
Special Education Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	568,209	(86,452)		86,452				-		-		
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	75,426	(11,476)		11,476				-		-		
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	384,321				384,321			384,321		(384,321)		
Extraordinary Aid	10-100-034-5120-473	7/1/09-6/30/10	160,627	(160,627)		160,627				-		-		
Non-Public Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11					14,138			14,138		(14,138)		
Non-Public Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	19,833	(19,833)		19,833				-		-		
TPAF Wage Freeze			385			192	385			385		(193)		
Reimbursed TPAF Social Security Contribution	11-495-034-5095-002	7/1/10-6/30/11	649,226			616,647	649,226			649,226		(32,579)		
Reimbursed TPAF Social Security Contribution	10-495-034-5095-002	7/1/09-6/30/10	699,782	(35,074)		35,074				-		-		
On-Behalf TPAF Pension Contributions	11-495-034-5095-001	7/1/10-6/30/11	647,075	-	-	647,075	647,075			647,075		-		
Total General Funds				(365,338)	-	2,058,521	2,147,417			2,147,417		(454,234)		
Special Revenue Funds:														
New Jersey Nonpublic Aid:														
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	24,158			24,158	24,158			24,158		-		
Textbook Aid	10-100-034-5120-064	7/1/09-6/30/10	30,467	39						-	39	-		
Handicapped Services:														
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	16,742			16,742	16,101			16,101		-		641
Examination and Classification	10-100-034-5120-066	7/1/09-6/30/10	9,857	366						-	366	-		
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	20,340			20,340	14,003			14,003		-		6,337
Corrective Speech	10-100-034-5120-066	7/1/09-6/30/10	23,436	11,299						-	11,299	-		
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	6,671			6,671	6,670			6,670		-		1
Supplementary Instruction	10-100-034-5120-066	7/1/09-6/30/10	4,460							-		-		
Nursing Services	11-100-034-5120-070	7/1/10-6/30/11	28,624			28,624	28,624			28,624		-		
				-	-	-	-	-	-	-	-	-	-	-
Total Special Revenue Funds				11,704	-	96,535	89,556	-	-	89,556	11,704	-	-	6,979
Capital Project Funds:														
N.J. Economic Development Authority Grant	0820-040-04-OACI		2,522,133	(113,496)						-		(113,496)		
N.J. Economic Development Authority Grant	0820-020-04-OACH		1,331,992	(59,939)								(59,939)		
N.J. Economic Development Authority Grant	0820-030-04-OABA		1,664,887	(74,920)								(74,920)		
N.J. Economic Development Authority Grant	0820-020-05-0AZL		841,386	(161,598)								(161,598)		
N.J. Economic Development Authority Grant	0820-030-05-0AZM		662,536	(127,312)								(127,312)		
N.J. Economic Development Authority Grant	0820-040-05-0AZN		106,786	(20,510)		-						(20,510)		
Total Capital Project Funds				(557,775)		-						(557,775)		
Enterprise Funds:														
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	3,864			3,518	3,864			3,864		(346)		
State School Lunch Program	10-100-010-3350-023	7/1/09-6/30/10	4,338	(389)		389	-			-		-		
				(389)	-	3,907	3,864	-	-	3,864	-	(346)	-	-
Total All Funds				$ (911,798)	$ -	$ 2,158,963	$ 2,240,837	$ -	$ -	$ 2,240,837	$ 11,704	$ (1,012,355)	$ -	$ 6,979

The accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Chester School District Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using 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 Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 audit 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 with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent year due to the state deferral and recording of one or more June 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. The special revenue fund also recognizes one or more June state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $126, 801 for the general fund and $-0- for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	$	$2,274,218	$2,274,218
Special Revenue Fund	433,251	89,556	522,807
Food Service Fund	63,457	3,864	67,321
Total Awards and Financial Assistance	$496,708	$2,367,638	$2,864,346

Note 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.

Note 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Part I – Summary of Auditor's Results

Financial Statement Section

A) Type of auditor's report issued	Unqualified	
B) Internal Control over financial reporting:		
1) Material weakness(es) identified?	_____yes	___X__no
2) Were significant deficiencies identified that were not considered to be material weaknesses?	_____yes	___X__no
C) Noncompliance material to basic financial statements noted?	_____yes	___X__no

Federal Awards Section

NOT APPLICABLE

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Part I – Summary of Auditor's Results (Continued)

State Financial Assistance Section

J) Dollar threshold used to determine Type A Programs — $300,000

K) Auditee qualified as low-risk auditee? — ____yes __X__no ____n/a

L) Type of auditor's report on compliance for major programs. — Unqualified

M) Internal Control over compliance:

1) Material weakness(es) identified? — ____yes __X__no
2) Were significant deficiencies identified that were not considered to be material weaknesses? — ____yes __X__no

N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? — ____yes __X__no

O) Identification of major programs:

GMIS Number(s)	Name of State Program
11-495-034-5120-089	Special Education Categorical Aid
11-100-034-5120-473	Extraordinary Aid
11-495-034-5095-002	Reimbursed TPAF Social Security Contributions

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs
(Continued)

Not Applicable

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs
(Continued)

Not Applicable

BOARD OF EDUCATION
CHESTER SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2011

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

Not Applicable