

**CHESTER SCHOOL DISTRICT**

**Chester School District  
Chester, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**Chester School District  
Board of Education**

**Chester, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

**Chester School District  
Board Office**

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INTRODUCTORY SECTION

# Chester Board of Education

Dickerson School ~ Bragg School ~ Black River Middle School  
***Excellence in Education***

Christina Van Woert Ed.D.  
Superintendent

Melissa Simmons  
Business Administrator  
Board Secretary

September 23, 2016

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

Dear Honorable President and Board Members:

The comprehensive annual financial report of the Chester School District for the fiscal year ended June 30, 2016 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 School District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of officials and a list of consultants and advisors. The financial section includes The Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** The Chester School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Codification Section 2100. All funds of the District are included in this report. Chester School District and its schools constitute the District's reporting entity.

The Honorable President and Members of  
the Board of Education  
Chester School District  
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The District provides a full range of educational services appropriate to preschool through eighth grade for the students residing in Chester Township and Chester Borough and is considered a Consolidated School District. These include regular as well as special services for children with learning disabilities. The District also provides summer special education courses throughout the year. The schools are organized on a K-2, 3-5 and 6-8 system and include Dickerson Elementary School, Bragg Intermediate School and Black River Middle School, all operating on a full-day schedule including Kindergarten, along with an integrated preschool.

(2) ENROLLMENT: The District completed the 2015-2016 fiscal year with an enrollment of 1,140 students, which is 26 students less than the previous year's enrollment.

The District's highest enrollment of 1,457 was in the 2008-09 school year and has declined steadily from that point, with a projected enrollment in 2018-19 of 863 students. According to the Chester Borough Planning Board, there is little or no development planned in the near future. The surrounding elementary school districts, which sent their students to the West Morris Regional High School District, are also experiencing enrollment declines. The five municipalities, Chester Township, Chester Borough, Mendham Township, Mendham Borough and Washington Township have been meeting and discussing consolidation and de-regionalization options. A feasibility study has been commissioned to explore these options further.

(3) 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 2016. 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. Because the housing market is still somewhat depressed, home sales have been slow. Therefore, fewer families with school age children are moving in to the community. Enrollment has dropped over the past several years and we expect that it will do so next year as well.

Although Chester is considered a fairly affluent community, the District has had an increase over the past two years in families receiving free and reduced lunch benefits as a result of the current economy. This is the fourth year the District was eligible for Title I funds, which is unusual for a school system that is in the J District Factor Group.

(4) MAJOR INITIATIVES: The Black River Middle School is a New Jersey School to Watch for the second time.

The Chester School District's curriculum meets and exceeds the New Jersey Core Curriculum Content Standards. Listed below are the enhancements that the District's budget supports:

#### MATH

The District's focus is on fully implementing the Common Core State Standards and preparation for the PARCC assessments in the spring of 2016. Recently, a new K-3 Math Curriculum and Program was implemented from Pearson EnVision with a focus on Common Core Standards and Technology. The District has also added a Math Core Coach to the faculty to focus on peer coaching and professional development.



The Honorable President and Members of  
 the Board of Education  
 Chester School District  
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### SCIENCE

The District is now offering a STEM class at all three schools for students in grades K – 8. These classes have been very well received and focus directly on integrating the STEM subjects through all these areas of curriculum. In addition, we are piloting a middle school Science Program called STEM Scopes which is aligned with the Next Generation Science Standards due to be implemented in the middle school in 16-17.

### LANGUAGE ARTS LITERACY

Student portfolio assessments have been developed across the District utilizing benchmark writing assessments to chart student progress longitudinally from Kindergarten through eighth grade. The District is moving towards full implementation of the Common Core State Standards and preparation for the PARCC assessments.

### SOCIAL STUDIES

A new class titled the History of Innovation and Design has been added to the curriculum, combining elements of the new STEM initiative with the Social Studies Curriculum.

### TECHNOLOGY

The District continues to enhance the technology in the classroom and district-wide. The District has doubled its bandwidth in preparation for PARCC testing. Interactive white boards have been installed in almost every classroom. Working with the Educational Foundation of the Chesters and the PTO, the District has purchased carts of laptops and Chromebooks, iPads, and document cameras. The Black River Middle School now has a 1:1 student to device ratio. A Technology and Communications Committee, consisting of teachers, administrators and parents, has been actively meeting to enhance the integration of technology into the curriculum. Four Technology Instructional Coaches have also been added to the faculty to focus on peer coaching and professional development.

### FACILITIES

The District has made it a priority to deposit excess funds in the Capital Reserve and Maintenance Reserve Accounts to ensure that the District's infrastructure remains in good condition. Future projects include enhanced security measures in each of the school buildings, roof replacements and the development of a revised Long-Range Facility Plan to assist the District in budgeting for future projects.

(5) 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 is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and adjustments by management.

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

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

The Honorable President and Members of  
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 Chester School District  
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(6) 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 a voter of the Board of Education. 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 restrictions, commitments and assignments of fund balance at June 30, 2016.

(7) 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. These funds are explained in the "Notes to the Basic Financial Statements," Note 1.

(8) FINANCIAL POLICIES: As a result of the current economic situation, the District has put policies in place to implement the efficiency standards as established by the State of New Jersey. The District is using shared services and purchasing cooperatives whenever possible. The District also participated in the Morris County Improvement Authority's Renewable Energy Program, significantly reducing the District's energy costs, allowing more funding to be directed into the classroom.

The District adopted the following financial policies to guide budget development and oversight:

- Provide funds for programs and services that support District goals and education excellence
- Provide funding for all programs required by state and federal mandate, Board policy and contractual obligations
- Be prudent in the expenditure of District funds, respecting the impact on local taxpayers
- Build the budget from a zero base; requiring justification for all line items, including contingencies for unanticipated needs
- Prepare a budget in compliance with N.J.A.C. 6A:23A. School district Fiscal Accountability, Efficiency and Budgeting Procedures, Subchapter 8. Annual Budget Development and Submission
- Prepare a budget in compliance with the tax levy cap law, P.L. 2010, c. 44.

(9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. 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, where the funds are secured in accordance with the Act.

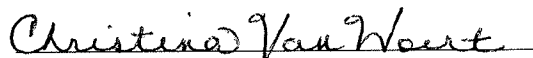
(10) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.


The Honorable President and Members of  
the Board of Education  
Chester School District  
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September 23, 2016

(11) OTHER INFORMATION: Independent Audit -- State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected Nisivoccia, LLP as its auditor. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet requirements of the Uniform Guidance and New Jersey's OMB Circular 15-08. The auditor's report on the basic financial statements and specific required supplementary information, is included in the financial section of this report. The auditor's reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

(12) 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.

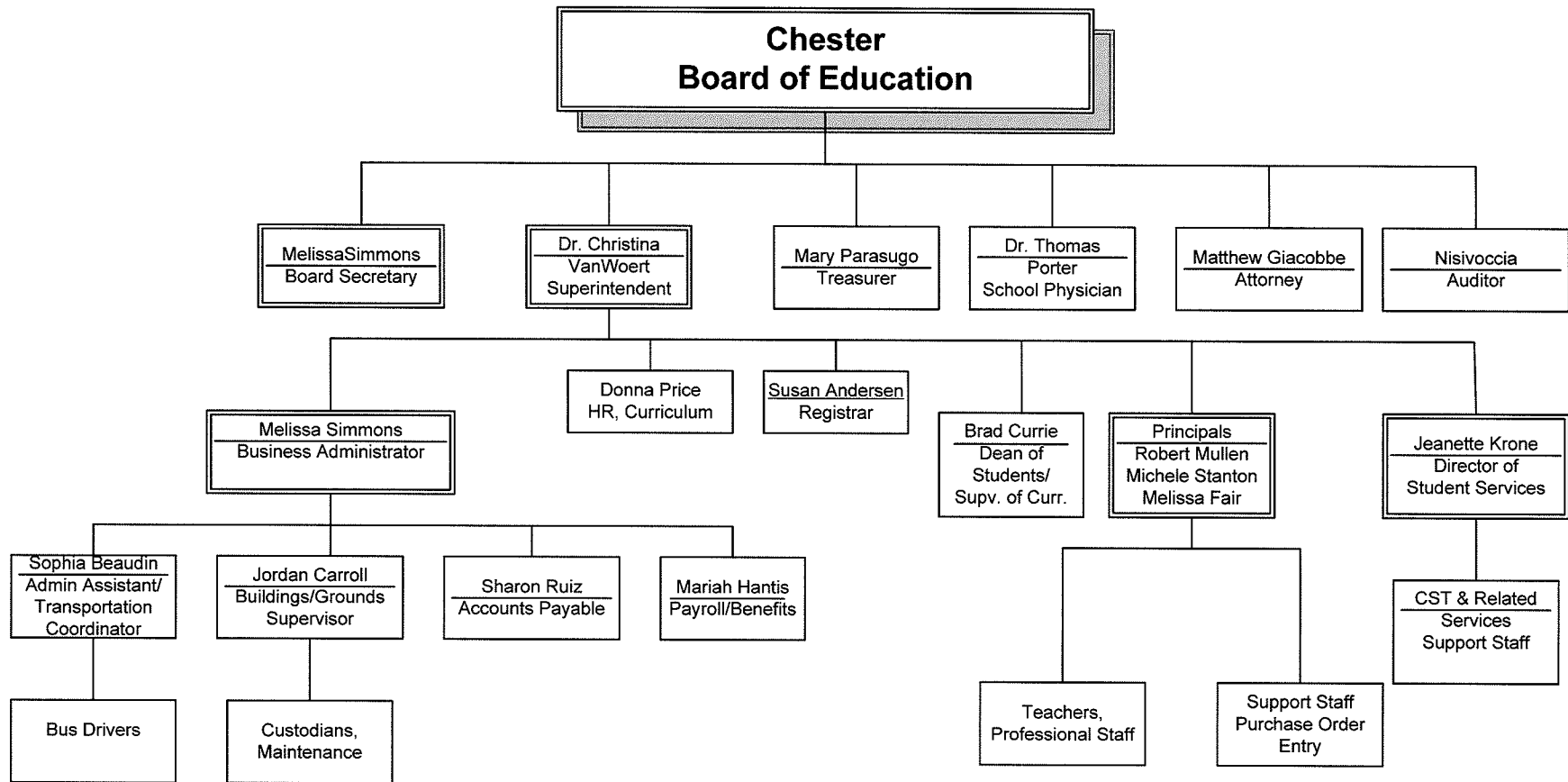
Respectfully submitted,

  
Christina Van Woert, Ed. D.  
Superintendent of Schools

  
Melissa Simmons  
School Business Administrator/Board Secretary

# Chester Public Schools Organization Chart

2015-2016



**CHESTER SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Heather Ronco - President	2016
Michael Tomasco - Vice President	2018
Amy Collins - Trustee	2016
Caroline Kleppe-Collins - Trustee	2018
Christopher Lowry - Trustee	2017
Liz Madinabeitia - Trustee	2017
Jonathan Rochelle - Trustee	2017
Raj Sha - Trustee	2018
Kerri Wright - Trustee	2016

Other OfficersTitle

Dr. Christina Van Woert	Superintendent
Melissa Simmons	Business Administrator/Board Secretary
Mary Parasugo, Treasurer	Treasurer

**CHESTER SCHOOL DISTRICT**

Consultants and Advisors

**Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road Suite 300  
Mount Arlington, NJ 07856-1320

and

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Attorney**

Matthew J. Giacobbe  
Giacobbe, Alfieri, Jacobs, LLC  
169 Ramapo Valley Road  
Oakland, NJ 07436

**Official Depository**

Valley National Bank  
2 Main Street  
Chester, NJ 07930

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of Chester Board of Education (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



The Honorable President and Members  
of the Board of Education  
Chester School District  
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### ***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 Board of Education of the Chester Board of Education, in the County of Morris, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

The financial statements of the Chester School District as of June 30, 2015 were audited by another auditor whose report dated December 15, 2015 expressed an unmodified opinion on those statements.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

The Honorable President and Members  
of the Board of Education  
Chester School District  
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accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

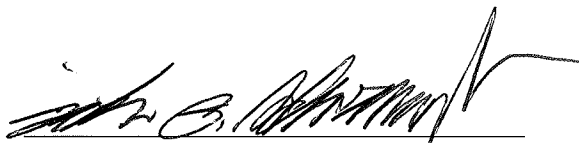
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

September 23, 2016  
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

This section of the Chester School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The District's financial status increased on a district-wide basis over the course of the year.
- Overall revenue was approximately \$28.5 million and overall expenses were approximately \$28.3 million.
- Enrollment in the District decreased in the current year.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Organization of the School District's Financial Report**

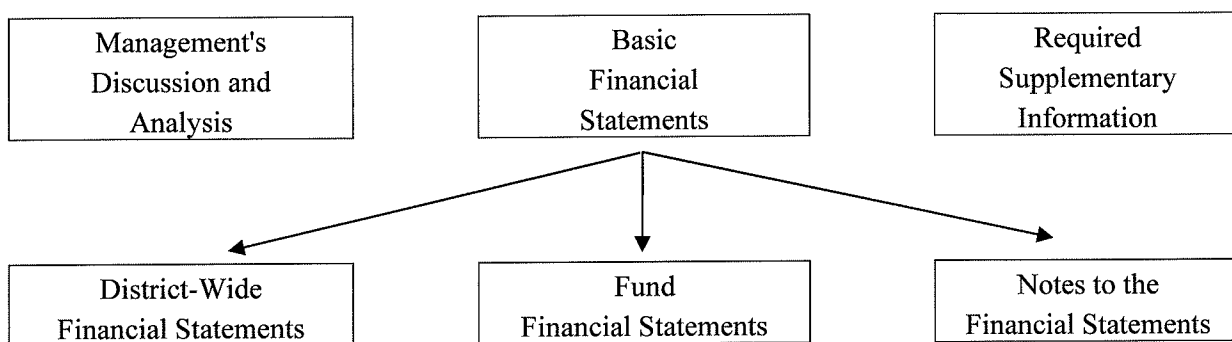


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**Figure A-2**

***Major Features of the District-Wide and Fund Financial Statements***

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food service	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### ***District-wide Statements***

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes, tuition and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise fund* (one type of proprietary fund) is the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**Notes to the Basic Financial Statements:**

Provide additional information essential to a full understanding of the District-wide and fund financial statements.

**Financial Analysis of the District as a Whole**

*Net Position.* The District's combined net position increased by \$200,152. Net position from governmental activities increased by \$228,238 and net position from business-type activities decreased by \$28,086. Net investment in capital assets decreased by \$1,140,349, restricted net position increased by \$155,997, and unrestricted net position increased by \$1,184,504.

**Figure A-3****Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2015/2016	2014/2015*	2015/2016	2014/2015*	2015/2016	2014/2015*	Change 2015/2016
<b>Assets:</b>							
Current and							
Other Assets	\$6,094,750	\$5,626,097	\$ 59,634	\$ 82,653	\$6,154,384	\$5,708,750	7.81%
Capital Assets, Net	23,963,828	25,124,323	82,273	90,199	24,046,101	25,214,522	-4.63%
Total Assets	<u>30,058,578</u>	<u>30,750,420</u>	<u>141,907</u>	<u>172,852</u>	<u>30,200,485</u>	<u>30,923,272</u>	-2.34%
Deferred Outflow of Resources	<u>2,284,583</u>	<u>1,582,763</u>			<u>2,284,583</u>	<u>1,582,763</u>	44.34%
<b>Liabilities:</b>							
Long-Term Debt							
Outstanding	24,378,783	24,261,908			24,378,783	24,261,908	0.48%
Other Liabilities	265,168	414,913	29,292	32,151	294,460	447,064	-34.13%
Total Liabilities	<u>24,643,951</u>	<u>24,676,821</u>	<u>29,292</u>	<u>32,151</u>	<u>24,673,243</u>	<u>24,708,972</u>	-0.14%
Deferred Inflow of Resources	<u>96,587</u>	<u>281,977</u>			<u>96,587</u>	<u>281,977</u>	-65.75%
<b>Net Position:</b>							
Net Investment in							
Capital Assets	7,999,576	7,783,923	82,273	90,199	8,081,849	7,874,122	2.64%
Restricted	4,912,463	4,756,466			4,912,463	4,756,466	3.28%
Unrestricted/(Deficit)	<u>(5,309,416)</u>	<u>(5,166,004)</u>	<u>30,342</u>	<u>50,502</u>	<u>(5,279,074)</u>	<u>(5,115,502)</u>	-3.20%
Total Net Position	<u>\$7,602,623</u>	<u>\$7,374,385</u>	<u>\$ 112,615</u>	<u>\$ 140,701</u>	<u>\$7,715,238</u>	<u>\$7,515,086</u>	2.66%

\*As Restated

*Changes in Net Position.* The District's combined net position was \$7,715,238 on June 30, 2016, an increase of \$200,152 or 2.66% more than it was the year before (See Figure A-3). Net Investment in Capital Assets increased by \$207,727 primarily due to the deletions of \$9,331 of capital assets, \$1,348,076 of deferred amount on refunding, and the \$603,696 of current year capital assets additions offset by the \$1,754,860 of depreciation expense. Restricted net position increased by \$155,997 due to the increase in capital reserve of \$286,557, the increase in maintenance reserve of \$72,509 offset by a decrease in excess surplus of \$74,706 and a decrease in capital projects of \$128,363. The unrestricted net position decreased by \$163,572 due primarily to the net decrease in compensated absences payable of \$15,845, the \$307,682 increase in year-end encumbrances, offset by the increase in the net pension liability and related deferred inflows and outflows.

Figure A-4

Changes in Net Position from Operating Results							
	Governmental Activities 2015/2016	Business- Type Activities 2015/2016	Governmental Activities 2014/2015	Business- Type Activities 2014/2015	Total School District 2015/2016	Total School District 2014/2015	Percentage Change 2015/2016
Revenue:							
Program Revenue:							
Charges for Services	\$ 252,149	\$ 239,962	\$ 249,521	\$ 283,534	\$ 492,111	\$ 533,055	-7.68%
Operating Grants and Contributions	6,475,375	71,783	4,468,720	62,557	6,547,158	4,531,277	44.49%
General Revenue:							
Property Taxes	21,199,168		20,426,941		21,199,168	20,426,941	3.78%
Unrestricted State and Federal Aid	94,947		31,250		94,947	31,250	203.83%
Other	129,246	147	122,147	263	129,393	122,410	5.70%
<b>Total Revenue</b>	<b>28,150,885</b>	<b>311,892</b>	<b>25,298,579</b>	<b>346,354</b>	<b>28,462,777</b>	<b>25,644,933</b>	<b>10.99%</b>
Expenses:							
Instruction	15,727,765		12,736,707		15,727,765	12,736,707	23.48%
Pupil and Instruction Services	3,459,886		3,647,838		3,459,886	3,647,838	-5.15%
Administrative and Business	3,991,017		4,008,231		3,991,017	4,008,231	-0.43%
Maintenance and Operations	2,294,703		2,188,130		2,294,703	2,188,130	4.87%
Transportation	1,633,905		1,610,197		1,633,905	1,610,197	1.47%
Other	815,371	362,725	860,658	338,190	1,178,096	1,198,848	-1.73%
<b>Total Expenses</b>	<b>27,922,647</b>	<b>362,725</b>	<b>25,051,761</b>	<b>338,190</b>	<b>28,285,372</b>	<b>25,389,951</b>	<b>11.40%</b>
Special Item:							
FSMC Contribution		22,747			22,747		100.00%
<b>Increase in Net Position</b>	<b>\$ 228,238</b>	<b>\$ (28,086)</b>	<b>\$ 246,818</b>	<b>\$ 8,164</b>	<b>\$ 200,152</b>	<b>\$ 254,982</b>	<b>-21.50%</b>

*Revenue Sources.* The District's total revenue for the 2015/2016 school year was \$28,485,524. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$21,199,168 of the total, or 74.42 percent.(See Figure A-5). Another 23.32 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5

## Sources of Revenue for Fiscal Year 2016

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 6,547,158	22.99%
Property Taxes	21,199,168	74.42%
Federal and State Categorical Grants	94,947	0.33%
Charges for Services	492,111	1.73%
Other	152,140	0.53%
	<b>\$ 28,485,524</b>	<b>100.00%</b>



The total cost of all programs and services was \$28,285,372. The District's expenses are predominantly related to instruction, pupil and instruction services and transportation (73.61 percent). (See Figure A-6). Administrative and business activities accounted for 14.11 percent of expenses. The District's maintenance and operations activities accounted for 8.11 percent of total costs.

**Figure A-6****Expenses for Fiscal Year 2016**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 15,727,765	55.60%
Pupil and Instruction Services	3,459,886	12.23%
Administrative and Business	3,991,017	14.11%
Maintenance and Operations	2,294,703	8.11%
Transportation	1,633,905	5.78%
Other	1,178,096	4.17%
	<u>\$ 28,285,372</u>	<u>100.00%</u>

**Governmental Activities**

As discussed elsewhere in this commentary, the financial position of the District increased during the course of the year. However, maintaining existing programs for regular pupil enrollment and the provision of special programs and services for disabled pupils place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health.

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for salary increases, new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of the following functions:

**Figure A-7**

	<b>Net Cost of Governmental Activities</b>			
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2015/2016	2015/2016	2014/2015	2014/2015
Instruction	\$ 15,727,765	\$ 10,406,434	\$ 12,736,707	\$ 9,897,113
Pupil and Instruction Services	3,459,886	2,846,804	3,647,838	2,954,427
Administrative and Business	3,991,017	3,575,656	4,008,231	3,771,146
Maintenance and Operations	2,294,703	2,131,023	2,188,130	1,994,110
Transportation	1,633,905	1,448,969	1,610,197	1,463,609
Other	815,371	886,237	860,658	253,115
	<u>\$ 27,922,647</u>	<u>\$ 21,295,123</u>	<u>\$ 25,051,761</u>	<u>\$ 20,333,520</u>

- The federal and state governments subsidized certain programs with grants and contributions of \$6.57 million.
- Approximately \$21.20 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from, miscellaneous revenue and investment earnings.

### Business-Type Activities

The District's business-type activities decreased by \$28,086. The decrease is due primarily to an increase in operating expenses in the Food Service Fund of approximately \$24,535.

### Financial Analysis of the District's Funds

The District's financial position improved primarily due to unexpended budget appropriations in the General Fund. However, as the number of low-income students rises, so do the expenditures related to meeting their additional needs. Difficult economic times have had a direct impact upon the District's revenue sources.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The budget was amended for transfers to prevent over-expenditures of specific line item accounts.

### Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2015/2016
	Government Activities		Business-Type Activities		Total School District		
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Construction in Progress	\$ 919,384	\$ 919,384			\$ 919,384	\$ 919,384	0.00%
Buildings and Building Improvements	22,066,451	23,314,230			22,066,451	23,314,230	-5.35%
Site Improvements	380,408	390,556			380,408	390,556	-2.60%
Machinery and Equipment	597,585	500,153	\$ 82,273	\$ 90,199	679,858	590,352	15.16%
Total Capital Assets (Net of Depreciation)	<u>\$ 23,963,828</u>	<u>\$ 25,124,323</u>	<u>\$ 82,273</u>	<u>\$ 90,199</u>	<u>\$ 24,046,101</u>	<u>\$ 25,214,522</u>	-4.63%

During the current fiscal year, the District had capital additions of \$603,696, depreciated \$1,771,190 of its capital assets and had a net adjustment of \$927.

### Long-term Liabilities

At year-end, the District had \$24,378,783 in long term liabilities – an increase of \$116,875 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

Figure A-9

	<b>Outstanding Long-Term Liabilities</b>		Percentage Change
	Total School District		
	<u>2015/2016</u>	<u>2014/2015*</u>	
Serial Bonds Payable	\$ 17,175,000	\$ 18,030,000	-4.74%
Net Pension Liability	5,848,822	4,679,176	
Other Long-Term Liabilities	<u>1,354,961</u>	<u>1,552,732</u>	-12.74%
Other Long-Term Liabilities	<u><u>\$ 24,378,783</u></u>	<u><u>\$ 24,261,908</u></u>	0.48%

\* Restated

The District continued to pay down its debt, which included retiring \$137,415 capital lease obligations and \$855,000 in serial bonds payable. There was also a net decrease of \$15,845 in compensated absences payable and \$44,511 in unamortized bond premium. The District's net pension liability increased \$1,169,646 or 25.00%.

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

The Chester School District remains financially stable even with continued uncertainty in State funding. The District has maintained programs and class size despite this uncertainty.

The District will continue to look at ways to contain and cut costs in order to keep the School District solvent.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the money it receives. Questions about this report or additional financial information needs should be directed to Melissa Simmons, School Business Administrator, Chester Board of Education, 50 North Road, Chester, New Jersey.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

CHESTER SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,069,524	\$ 28,483	\$ 1,098,007
Receivables from State Government	460,078	225	460,303
Receivables from Federal Government	240,094	4,170	244,264
Receivables from Other Governments	72,383		72,383
Other Accounts Receivable	29,137	26,756	55,893
Restricted Assets:			
Restricted Cash and Cash Equivalents	4,223,534		4,223,534
Capital Assets, Net:			
Construction in Progress	919,384		919,384
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	23,044,444	82,273	23,126,717
Total Assets	<u>30,058,578</u>	<u>141,907</u>	<u>30,200,485</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Amount on Refunding	1,348,076		1,348,076
Changes in Assumptions - Pensions	628,117		628,117
Changes in Proportions - Pensions	168,858		168,858
Difference Between Expected and Actual Experience - Pension	139,532		139,532
Total Deferred Outflows of Resources	<u>2,284,583</u>		<u>2,284,583</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	55,452	25,309	80,761
Payable to State Government	1,438		1,438
Accrued Interest Payable	184,167		184,167
Unearned Revenue	24,111	3,983	28,094
Noncurrent Liabilities:			
Due Within One Year	938,244		938,244
Due Beyond One Year	23,440,539		23,440,539
Total Liabilities	<u>24,643,951</u>	<u>29,292</u>	<u>24,673,243</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Investment Gains - Pensions	94,038		94,038
Changes in Proportions - Pensions	2,549		2,549
Total Deferred Inflows of Resources	<u>96,587</u>		<u>96,587</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,999,576	82,273	8,081,849
Restricted for:			
Capital Projects	3,229,139		3,229,139
Debt Service	21		21
Maintenance Reserve	1,084,012		
Other Purposes	599,291		599,291
Unrestricted/(Deficit)	<u>(5,309,416)</u>	<u>30,342</u>	<u>(5,279,074)</u>
Total Net Position	<u>\$ 7,602,623</u>	<u>\$ 112,615</u>	<u>\$ 6,631,226</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

CHESTER SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 11,316,725		\$ 2,767,716	\$ (8,549,009)		\$ (8,549,009)
Special Education	3,393,470	\$ 252,149	2,051,950	(1,089,371)		(1,089,371)
Other Special Instruction	730,605		184,181	(546,424)		(546,424)
School Sponsored	286,964		65,335	(221,629)		(221,629)
Support Services:						
Tuition	344,859			(344,859)		(344,859)
Student and Instruction Related Services	3,115,027		613,082	(2,501,945)		(2,501,945)
General Administrative Services	2,154,010		41,597	(2,112,413)		(2,112,413)
School Administrative Services	1,415,790		320,910	(1,094,880)		(1,094,880)
Central Services	395,896		52,854	(343,042)		(343,042)
Administrative Information Technology	25,321			(25,321)		(25,321)
Plant Operations and Maintenance	2,294,703		163,680	(2,131,023)		(2,131,023)
Pupil Transportation	1,633,905		184,937	(1,448,969)		(1,448,969)
Special Schools	216,346		29,134	(187,212)		(187,212)
Interest on Long-Term Debt	599,025			(599,025)		(599,025)
Total Governmental Activities	<u>27,922,647</u>	<u>252,149</u>	<u>6,475,375</u>	<u>(21,195,123)</u>		<u>(21,195,123)</u>
Business-Type Activities:						
Food Service	<u>362,725</u>	<u>239,962</u>	<u>71,783</u>		\$ (50,980)	<u>(50,980)</u>
Total Business-Type Activities	<u>362,725</u>	<u>239,962</u>	<u>71,783</u>		<u>(50,980)</u>	<u>(50,980)</u>
Total Primary Government	<u>\$ 28,285,372</u>	<u>\$ 492,111</u>	<u>\$ 6,547,158</u>	<u>(21,195,123)</u>	<u>(50,980)</u>	<u>(21,246,103)</u>

CHESTER SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenue and Special Item:			
Property Taxes, Levied for General Purposes	\$ 21,199,168		\$ 21,199,168
Federal, State and Local Aid not Restricted	94,947		94,947
Interest Earnings	17,148	\$ 147	17,295
Miscellaneous Income	112,098		112,098
Special Item - Food Service Management Contractor Contribution		22,747	22,747
Total General Revenues and Special Item	21,423,361	22,894	21,446,255
Change in Net Position	228,238	(28,086)	200,152
Net Position - Beginning (Restated)	7,374,385	140,701	7,515,086
Net Position - Ending	\$ 7,602,623	\$ 112,615	\$ 7,715,238

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



FUND FINANCIAL STATEMENTS

CHESTER SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,069,503			\$ 21	\$ 1,069,524
Interfund Receivable	374,592				374,592
Receivables From State Government	150,658		\$ 309,420		460,078
Receivables From Federal Government		\$ 240,094			240,094
Receivables From Other Governments	4,343		68,040		72,383
Other Accounts Receivable	27,407	1,730			29,137
Restricted Cash and Cash Equivalents	4,223,534				4,223,534
<b>Total Assets</b>	<b><u>\$ 5,850,037</u></b>	<b><u>\$ 241,824</u></b>	<b><u>\$ 377,460</u></b>	<b><u>\$ 21</u></b>	<b><u>\$ 6,469,342</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 53,139	\$ 2,313			\$ 55,452
Interfund Payable		215,112	\$ 159,480		374,592
Payable to State Government		1,438			1,438
Unearned Revenue	1,150	22,961			24,111
<b>Total Liabilities</b>	<b><u>54,289</u></b>	<b><u>241,824</u></b>	<b><u>159,480</u></b>		<b><u>455,593</u></b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Excess Surplus	400,000				400,000
Excess Surplus - For Subsequent Year's Expenditures	199,291				199,291
Capital Reserve Account	3,139,522				3,139,522
Maintenance Reserve Account	1,084,012				1,084,012
Capital Projects Fund			\$ 89,617		89,617
Debt Service				\$ 21	21
<b>Committed:</b>					
Capital Projects Fund			128,363		128,363
<b>Assigned:</b>					
Encumbrances	459,505				459,505
Designated for Subsequent Year's Expenditures	159,044				159,044
Unassigned	354,374				354,374
<b>Total Fund Balances</b>	<b><u>5,795,748</u></b>	<b><u>-0-</u></b>	<b><u>217,980</u></b>	<b><u>21</u></b>	<b><u>6,013,749</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 5,850,037</u></b>	<b><u>\$ 241,824</u></b>	<b><u>\$ 377,460</u></b>	<b><u>\$ 21</u></b>	<b><u>\$ 6,469,342</u></b>

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Fund Balances at June 30, 2016	\$ 6,013,749
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$39,925,866 and the Accumulated Depreciation is \$15,962,038.	23,963,828
Bond Issuance Premiums are Reported as Revenue in the Governmental Funds in the Year the Bonds are Sold. The Amount is \$793,375 and the Accumulated Amortization is \$178,044.	(615,331)

CHESTER SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

Total  
Governmental  
Funds

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Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

The Deferred Amount on Refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.	\$ 1,348,076
Interest on Long-Term Debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.	(184,167)
Long-Term Liabilities, including the Net Pension Liability for PERS, Bonds Payable and Capital Leases Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(23,763,452)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	628,117
Changes in Proportions - Pensions	168,858
Difference Between Expected and Actual Experience - Pensions	139,532
Investment Gains - Pensions	(94,038)
Changes in Proportions - Pensions	(2,549)
Net Position of Governmental Activities	<u>\$ 7,602,623</u>

Exhibit B-2

CHESTER SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 19,781,205			\$ 1,417,963	\$ 21,199,168
Tuition Charges	252,149				252,149
Rentals and Royalties	40,052				40,052
Interest Earned on Investments	10,796				10,796
Interest Earned on Capital Reserve Funds	6,351				6,351
Miscellaneous	72,047	\$ 67,612			139,659
Total - Local Sources	20,162,600	67,612		1,417,963	21,648,175
State Sources	3,364,412	95,057			3,459,469
Federal Sources		400,297			400,297
Total Revenues	23,527,012	562,966		1,417,963	25,507,941
EXPENDITURES:					
Current:					
Regular Instruction	6,736,592	136,291			6,872,883
Special Education Instruction	1,757,079	331,618			2,088,697
Other Special Instruction	422,533				422,533
School-Sponsored	177,680				177,680
Support Services and Undistributed Costs:					
Tuition	344,859				344,859
Student and Other Instruction Related Services	2,083,104	95,057			2,178,161
General Administrative Services	400,731				400,731
School Administrative Services	832,043				832,043
Central Services	271,168				271,168
Administrative Information Technology	162,736				162,736
Plant Operations and Maintenance	1,832,457				1,832,457
Student Transportation	1,460,208				1,460,208
Unallocated Benefits	5,613,243				5,613,243
Debt Service:					
Principal				855,000	855,000
Interest and Other Charges				562,963	562,963
Capital Outlay	673,654				673,654
Special Schools	147,503				147,503
Total Expenditures	22,915,590	562,966		1,417,963	24,896,519
Excess of Revenue Over Expenditures	611,422				611,422
Fund Balance - July 1	5,184,326		\$ 217,980	21	5,402,327
Fund Balance - June 30	<u>\$ 5,795,748</u>	<u>\$ -0-</u>	<u>\$ 217,980</u>	<u>\$ 21</u>	<u>\$ 6,013,749</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-3

CHESTER SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 611,422

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 differs from deletions/adjustments and depreciation in the period.

	Depreciation Expense	\$ (1,763,265)	
	Capital Outlays	603,696	
	Deletions/ Adjustments	<u>(926)</u>	
			(1,160,495)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 137,415

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. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 6,976

Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 855,000

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+) 44,511

The governmental funds report the effect of the deferred amount on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (87,549)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability			(1,169,646)
Change in Deferred Outflows:			
Changes in Assumptions		480,979	
Changes in Proportion		139,532	
Difference Between Expected and Actual Experience - Pensions		168,858	
Change in Deferred Inflows:			
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		184,815	
		575	

In the statement of activities, certain operating expenses, e.g., compensated absences 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 to the reconciliation (+). 15,845

Change in net position of governmental activities (A-2) \$ 228,238

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

CHESTER SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 28,483
Intergovernmental Accounts Receivable:	
State	225
Federal	4,170
Other Accounts Receivable	22,747
Inventories	4,009
	<hr/>
Total Current Assets	59,634

## Non-Current Assets:

Capital Assets	175,905
Less: Accumulated depreciation	<u>(93,632)</u>
Total Non-Current Assets	<u>82,273</u>

## Total Assets

---

141,907

## LIABILITIES:

## Current Liabilities:

Accounts Payable - Vendors	25,309
Unearned Revenue	<u>3,983</u>
Total Current Liabilities	<u>29,292</u>

## NET POSITION:

Investment in Capital Assets	82,273
Unrestricted	<u>30,342</u>

## Total Net Position

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\$ 112,615

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THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

CHESTER SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 131,207
Daily Sales - Non Reimbursable Programs	91,274
Special Events	17,481
	<hr/>
Total Operating Revenue	239,962
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	99,476
Cost of Sales - Non-Reimbursable Programs	69,134
Salaries, Benefits and Payroll Taxes	147,939
Management Fee	22,747
Supplies and Materials	15,503
Depreciation	7,926
	<hr/>
Total Operating Expenses	362,725
	<hr/>
Operating (Loss)	(122,763)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	2,403
Federal Sources:	
National School Lunch Program	43,445
Food Distribution Program	25,935
Local Sources:	
Interest Revenue	147
	<hr/>
Total Non-Operating Revenue	71,930
	<hr/>
Change in Net Position Before Other Adjustments	(50,833)
	<hr/>
Special Item - Food Service Management Contractor Contribution	22,747
	<hr/>
Change in Net Position	(28,086)
	<hr/>
Net Position - Beginning of Year (Restated)	140,701
	<hr/>
Net Position - End of Year	\$ 112,615
	<hr/> <hr/>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

CHESTER SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Food Service
Cash Flows for Operating Activities:	
Receipts from Customers	\$ 240,199
Payments for Salaries, Payroll Taxes and Benefits	(147,939)
Payments to Suppliers	(183,684)
	(91,424)
Net Cash Used for Operating Activities	
Cash Flows for Noncapital Financing Activities:	
Federal and State Sources Received in Food Service Fund	45,211
Transfer In - FSMC Contribution	22,522
	67,733
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Investing Activities:	
Interest on Investments	147
	147
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(23,544)
Cash and Cash Equivalents, July 1	52,027
Cash and Cash Equivalents, June 30	\$ 28,483
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (122,763)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	7,926
Food Distribution Program	25,935
Changes in Assets and Liabilities:	
Decrease in Inventory	99
Decrease in Other Accounts Receivable	237
(Decrease) in Accounts Payable	(2,853)
(Decrease) in Unearned Revenue	(5)
	(91,424)
Net Cash Used for Operating Activities	\$ (91,424)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$25,935 and utilized commodities valued at \$26,000 for the fiscal year ended June 30, 2016.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT



Exhibit B-7

CHESTER SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 58,970	\$ 96,001
Total Assets	<u>58,970</u>	<u>96,001</u>
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings	9,857	
Due to Student Groups	<u>49,113</u>	
Total Liabilities	<u>58,970</u>	
<u>NET POSITION:</u>		
Held in Trust for Unemployment Claims		<u>96,001</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 96,001</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

CHESTER SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS:</b>	
Contributions:	
Employee Contributions	\$ 21,025
Investment Earnings:	
Interest	<u>252</u>
Total Additions	<u>21,277</u>
<b>DEDUCTIONS:</b>	
Quarterly Contribution Reports/Unemployment Claims	<u>33,980</u>
Change in Net Position	(12,703)
Net Position - Beginning of the Year	<u>108,704</u>
Net Position - End of the Year	<u><u>\$ 96,001</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Chester School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Board 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.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools and one middle school 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.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported 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 NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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 expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria operations. The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and the Unemployment Compensation Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. 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. 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.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for fiscal year ending June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 23,526,064	\$ 578,774
<b>Differences - Budget to GAAP:</b>		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis Does Not:		
Current Year Encumbrances		(15,808)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	98,184	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(97,236)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 23,527,012</u>	<u>\$ 562,966</u>
<b>Uses/Outflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 22,915,590	\$ 578,774
<b>Differences - Budget to GAAP:</b>		
Encumbrances for supplies and equipment 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:		
Current Year Encumbrances		(15,808)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 22,915,590</u>	<u>\$ 562,966</u>

E. Cash and Cash Equivalents and Investments

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

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments (Cont'd)

Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.



CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premiums and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities: (Cont'd)

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages

The District does not allow employees, who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2016.

N. 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 varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee contracts/agreements.

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

O. Unearned Revenue

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned.

P. Fund Balance Appropriated:

General Fund: Of the \$5,795,748 General Fund fund balance at June 30, 2016, \$3,139,522 is restricted in a capital reserve; \$1,084,012 is restricted in a maintenance reserve; \$199,291 is restricted as prior year excess surplus which has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; \$400,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$459,505 is assigned for year-end encumbrances and \$159,044 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year end June 30, 2017. The unassigned fund balance of \$354,374 is \$97,236 less than the actual unassigned fund balance on a budgetary basis due to the final two state aid payments, which are not recognized on a GAAP Basis until the fiscal year ended June 30, 2017.

Capital Projects Fund: Of the \$217,980 Capital Project Fund fund balance at June 30, 2016, \$128,363 is committed for other purposes and \$89,617 is restricted.

Debt Service Fund: The Debt Service Fund has \$21 restricted at June 30, 2016.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated: (Cont'd)

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 Restricted 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 restrict 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 year's budget. The District had excess surplus as noted on the prior page.

The following General Fund fund balance is less on a GAAP basis than budgetary basis as of June 30, 2016 as reported in the fund statements (modified accrual basis): unassigned fund balance - \$97,236. P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record these state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments noted above.

Q. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2016 for the deferred amount on the refundings, the changes in assumptions in pensions, changes in proportion in pensions and the difference between expected and actual experience – pensions as well as the deferred amount on refunding bonds.

The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Deficit Net Position

The District has a deficit in unrestricted net position of \$5,309,416 in governmental activities, which is due to the accrued interest payable of \$184,167, \$602,302 of compensated absences payable, an unamortized bond premium of \$615,331, investment gains in pensions of \$94,038, change in proportion in pensions deferred inflow of \$2,549 and net pension liability of \$5,848,822; offset by \$354,374 of unassigned fund balance; \$459,505 assigned for encumbrances; \$159,044 designated for subsequent year's budget; \$128,363 capital projects fund committed fund balance; changes in pension assumptions of \$628,117, changes in proportion in pensions of \$168,858 and \$139,532 difference between expected and actual pension experience in pensions. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for a capital reserve, a maintenance reserve and excess surplus, the capital projects fund and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources at June 30, 2016 in the Capital Projects Fund.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in the General Fund at June 30, 2016 for year-end encumbrances and for amounts designated for subsequent year's expenditures.

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of fiscal year end.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions: Cont'd)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (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, 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 local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; and
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (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 statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents			Total
	Unrestricted	Restricted		
		Capital Reserve	Maintenance Reserve	
Checking Accounts	\$ 1,252,978	\$ 3,139,522	\$ 1,084,012	\$ 5,476,512

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$5,476,512 and the bank balance was \$6,002,045. The District did not hold any investments during the fiscal year ended June 30, 2016.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution in 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 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, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$2,852,965
Deposit - Board Resolution June 21, 2016	280,206
Interest Earnings	<u>6,351</u>
Ending Balance, June 30, 2016	<u><u>\$3,139,522</u></u>

The balance in the capital reserve at June 30, 2016 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current fiscal year in the advertised recapitulation of balances of the subsequent fiscal year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the fiscal year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.



CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any fiscal year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at fiscal year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current fiscal year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent fiscal year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 1,011,503
Deposit by Board Resolution - June 21, 2016	77,459
Withdrawal by Board Resolution - July 28, 2015	<u>(4,950)</u>
Ending Balance, June 30, 2016	<u><u>\$ 1,084,012</u></u>

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 919,384			\$ 919,384
Total Capital Assets Not Being Depreciated	<u>919,384</u>			<u>919,384</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	35,631,777	\$ 343,148		35,974,925
Site Improvements	1,096,278	22,831		1,119,109
Machinery and Equipment	1,684,062	237,717	\$ (9,331)	1,912,448
Total Capital Assets Being Depreciated	<u>38,412,117</u>	<u>603,696</u>	<u>(9,331)</u>	<u>39,006,482</u>
Governmental Activities Capital Assets	<u>39,331,501</u>	<u>603,696</u>	<u>(9,331)</u>	<u>39,925,866</u>

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	\$ (12,317,547)	\$ (1,590,927)		\$ (13,908,474)
Site Improvements	(705,722)	(32,979)		(738,701)
Machinery and Equipment	<u>(1,183,909)</u>	<u>(139,359)</u>	\$ 8,405	<u>(1,314,863)</u>
	<u>(14,207,178)</u>	<u>(1,763,265)</u>	8,405	<u>(15,962,038)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,124,323</u>	<u>\$ (1,159,569)</u>	<u>\$ (926)</u>	<u>\$ 23,963,828</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 175,905			\$ 175,905
Less Accumulated Depreciation	<u>(85,706)</u>	<u>\$ (7,926)</u>		<u>(93,632)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 90,199</u>	<u>\$ (7,926)</u>	<u>\$ -0-</u>	<u>\$ 82,273</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 54,250
General Administrative Services	1,655,264
School Administrative Services	19,656
Plant Operations and Maintenance	5,362
Pupil Transportation	<u>28,733</u>
	<u>\$ 1,763,265</u>

NOTE 7: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred a total amount of \$121,388 to the capital outlay accounts other than for equipment which required county superintendent approval. The District also transferred \$138,879 to the capital outlay accounts for equipment which did not require county superintendent approval.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Restated Balance 6/30/2015	Accrued	Retired	Balance 6/30/2016
Serial Bonds Payable	\$ 18,030,000		\$ 855,000	\$ 17,175,000
Unamortized Bond Premium	659,842		44,511	615,331
Obligations Under Capital Leases	274,743		137,415	137,328
Compensated Absences Payable	618,147	\$ 10,880	26,725	602,302
Net Pension Liability	4,679,176	1,169,646		5,848,822
	<u>\$ 24,261,908</u>	<u>\$ 1,180,526</u>	<u>\$ 1,063,651</u>	<u>\$ 24,378,783</u>

A. Serial 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 and will be retired through the Debt Service Fund.

The District had bonds outstanding as of June 30, 2016 as follows:

Date of Issue	Final Maturity	Interest Rate	Amount
8/1/2004	9/1/2017	4.00%	\$ 1,095,000
12/12/2012	3/1/2035	3.00%-4.00%	8,045,000
1/15/2013	3/1/2030	3.00%-4.00%	8,035,000
			<u>\$ 17,175,000</u>

The current portion of bonds payable at June 30, 2016 is \$870,000 and the long-term portion is \$16,305,000.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Serial Bonds Payable (Cont'd)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 870,000	\$ 532,150	\$ 1,402,150
2018	900,000	500,500	1,400,500
2019	675,000	479,000	1,154,000
2020	705,000	458,750	1,163,750
2021	720,000	437,600	1,157,600
Thereafter:			
2022-2026	3,855,000	1,870,885	5,725,885
2027-2031	4,715,000	1,238,350	5,953,350
2032-2035	4,735,000	362,100	5,097,100
	<u>\$ 17,175,000</u>	<u>\$ 5,879,335</u>	<u>\$ 23,054,335</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2016 the District has bonds authorized but not issued of \$1,988.

C. Obligations Under Capital Leases:

The District has commitments to lease laptop computers under a capital lease which expires in 2018. Of the \$414,460 of capital leases entered into by the District, \$277,132 has been liquidated as of June 30, 2016. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 69,934
June 30, 2018	<u>69,933</u>
Total future minimum lease payments	139,867
Less: amount representing interest	<u>2,539</u>
Present value of minimum representing interest	<u>\$ 137,328</u>

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire amount of compensated absences payable at June 30, 2016 of \$602,302 is a long-term liability. There is no current portion of the payable.

The liability for vested compensated absences of the proprietary fund is recorded within that funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Food Service Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$5,848,822. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: Public Employee's Retirement System (PERS) of New Jersey, the Teachers' Pension and Annuity Fund (TPAF); or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$236,629 for fiscal year 2016.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2016, the District reported a liability of \$5,848,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.026%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$418,883. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

## NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>        </u>	<u>        </u>	<u>        </u>
Changes in Assumptions - 2014	6.44	\$ 125,199	
Changes in Assumptions - 2015	5.72	502,918	
Changes in Proportion -2014	6.44		\$ 2,549
Changes in Proportion -2015	5.72		168,858
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments -2014	5		218,037
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5		(123,998)
Difference Between Expected and Actual Experience - 2015	5.72	<u>139,532</u>	
		<u>\$ 767,649</u>	<u>\$ 265,446</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	<u>Total</u>
2016	\$ 122,631
2017	122,631
2018	122,631
2019	195,310
2020	<u>110,407</u>
	<u>\$ 673,610</u>

Actuarial Assumptions

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

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected\_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

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



CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 7,269,370	\$ 5,848,822	\$ 4,657,845

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$705,946 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$3,352,942.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$54,913,147. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.087%, which was a decrease of 0.005% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>54,913,147</u>
Total	\$	<u><u>54,913,147</u></u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$3,352,942 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2015	5		(770,568,242)
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,596
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,250</u>

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

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

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

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected\_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

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

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

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

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The following presents the State's proportionate share of net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 65,262,222	\$ 54,913,147	\$ 45,996,799

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial 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.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$11,475 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$21,039 for the fiscal year ended June 30, 2016.

NOTE 10. POST-RETIREMENT 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. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a 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 employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on-behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$840,587, \$745,674 and \$603,022 for 2016, 2015 and 2014, respectively.

NOTE 11. 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. Health benefits are provided through Horizon Blue Cross/Blue Shield of NJ.

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits - Insurance

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group ("NJSIG"). This public entity risk management pool provided general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of this Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The audit for the fiscal year ended June 30, 2016 was not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2015 is as follows:

	<u>New Jersey School Insurance Group</u>
Total Assets	\$ 294,626,089
Net Position	\$ 57,315,326
Total Revenue	\$ 124,104,560
Total Expenses	\$ 121,185,870
Change in Net Position	\$ 2,918,690
Member Dividends	\$ -0-

Financial statements for the Fund are available at the Fund's Executive Director's Office:

New Jersey School Insurance Group  
6000 Midlantic Drive  
Suite 300 North  
Mount Laurel, NJ 08054  
(609) 386-6060



CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

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. The following is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 252	\$ 21,025	\$ 33,980	\$ 96,001
2014-2015	270	19,177	20,977	108,704
2013-2014	267	18,829	17,475	110,234

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 374,592	
Special Revenue Fund		\$ 215,112
Capital Projects Fund		159,480
	<u>\$ 374,592</u>	<u>\$ 374,592</u>

The interfund receivable in the General Fund is due to the cash advance loan to the Capital Projects Fund, and a cash deficit in the Special Revenue Fund due to the delay between the request and receipt of reimbursement on federal grants.

NOTE 14. DEFERRED COMPENSATION

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

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (Continued)

NOTE 14. DEFERRED COMPENSATION (Cont'd)

The 457(b) plan administrators are as follows:

AXA Equitable Life

VOYA

NOTE 15. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipalities and are remitted to the local school district on predetermined mutually agreed-upon schedules.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that any potential claims against it resulting from any additional litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 459,505	\$ 15,808	\$ 475,313

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$15,808 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances (Cont'd)

of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 17. ACCOUNTS PAYABLE

	Governmental Activities		
	General Fund	Special Revenue Fund	Total Governmental Funds
Salaries	\$ 15,587		\$ 15,587
Vendors	37,552	\$ 2,313	39,865
	\$ 53,139	\$ 2,313	\$ 55,452

NOTE 18. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to eliminate unamortized bond issuance costs reported in its Governmental Activities as of June 30, 2015 which was required with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in prior years. This statement establishes standards of accounting and financial reporting for debt issuance costs, should be recognized as an expense in the period incurred. The District also made a prior year adjustment in the District Wide Financial Statements to reclassify the deferred amount on refunding of debt related to the District's 2012 and 2013 refunding bonds as a deferred outflow of resources reported in its Governmental Activities as of June 30, 2015. The District also made a prior year adjustment to reflect the correct Deferred Outflow Changes in Assumptions - Pensions and Deferred Inflows on Investment Gains and Changes in Proportion related to pensions. The District Also made a prior year adjustment to the Food Service Fund Financial Statements to properly record the ending inventory of donated commodities as unearned revenue.

	Balance 6/30/15 as Previously Reported	Retroactive Adjustments	Balance 6/30/15 as Restated
<u>Statement of Net Position (Exhibit A-1):</u>			
Deferred Outflows:			
Deferred Amount on Refunding	\$ 1,624,185	\$ (188,560)	\$ 1,435,625
Change in Assumptions - Pensions	354,169	(207,031)	147,138
Total Deferred Outflows	1,978,354	(395,591)	1,582,763
Deferred Inflows:			
Investment Gains - Pensions	280,750	(1,897)	278,853
Change in Proportions - Pensions	-0-	3,124	3,124
Total Deferred Inflows	280,750	1,227	281,977
Net Position:			
Unrestricted/(Deficit)	(4,769,186)	(396,818)	(5,166,004)
Total Net Position - Governmental Activities	7,771,203	(396,818)	7,374,385

CHESTER SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 18. PRIOR PERIOD ADJUSTMENTS (Cont'd)

	<u>Balance 6/30/15</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/15</u> <u>as Restated</u>
<u>Business-type Activities/Food Service Enterprise Fund:</u>			
Current Assets:			
Inventories	\$ 8,096	\$ (3,988)	\$ 4,108
Total Assets	86,641	(3,988)	82,653
Current Liabilities:			
Unearned Revenue	-0-	3,988	3,988
Total Liabilities	28,163	3,988	32,151
Net Position:			
Unrestricted	58,478	(7,976)	50,502
Total Net Position - Business-Type Activities/Food Service Enterprise Fund	148,677	(7,976)	140,701

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

CHESTER SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,	
	2015	2016
District's proportion of the net pension liability	0.0249919462%	0.0260549859%
District's proportionate share of the net pension liability	\$ 4,679,176	\$ 5,848,822
District's covered employee payroll	\$ 1,750,864	\$ 1,780,522
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	267.25%	328.49%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

CHESTER SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 188,455	\$ 236,629
Contributions in relation to the contractually required contribution	<u>(188,455)</u>	<u>(236,629)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,750,864	\$ 1,780,522
Contributions as a percentage of covered employee payroll	10.76%	13.29%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

CHESTER SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0869373492%	0.0868820200%
State's proportionate share of the net pension liability attributable to the District	\$ 46,465,184	\$ 54,913,147
District's covered employee payroll	\$ 8,960,972	\$ 9,167,632
State's proportionate share of the net pension liability associated with the District as a percentage of its covered employee payroll	518.53%	598.99%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.



CHESTER SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,500,263	\$ 3,352,942
Contributions in relation to the contractually required contribution	<u>(745,674)</u>	<u>(705,946)</u>
Contribution deficiency/(excess)	<u>\$ 1,754,589</u>	<u>\$ 2,646,996</u>
District's covered employee payroll	\$ 8,960,972	\$ 9,167,632
Contributions as a percentage of covered employee payroll	8.32%	7.70%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

CHESTER SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

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

**BUDGETARY COMPARISON SCHEDULES**

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 19,781,205		\$ 19,781,205	\$ 19,781,205	
Tuition from Individuals	32,000		32,000	96,353	\$ 64,353
Tuition from Other LEAs	160,000		160,000	155,796	(4,204)
Interest Earned on Capital Reserve	3,700		3,700	6,351	2,651
Interest on Investments	12,000		12,000	10,796	(1,204)
Rents and Royalties	35,000		35,000	40,052	5,052
Unrestricted Miscellaneous Revenues	35,000		35,000	72,047	37,047
Total - Local Sources	20,058,905		20,058,905	20,162,600	103,695
State Sources:					
Extraordinary Aid	80,000		80,000	99,554	19,554
Categorical Special Education Aid	839,955		839,955	839,955	
Categorical Security Aid	61,450		61,450	61,450	
Adjustment Aid	10,550		10,550	10,550	
Categorical Transportation Aid	105,537		105,537	105,537	
PARCC Readiness Aid	11,430		11,430	11,430	
Per Pupil Growth Aid	11,430		11,430	11,430	
Non Public Transportation Aid				17,858	17,858
On-behalf TPAF Pension Contributions (non-budgeted)				705,946	705,946
On-behalf TPAF Post Retirement Medical Contributions (non-budgeted)				840,587	840,587
Reimbursed TPAF Social Security Contributions (non-budgeted)				659,167	659,167
Total State Sources	1,120,352		1,120,352	3,363,464	2,243,112
TOTAL REVENUES	21,179,257		21,179,257	23,526,064	2,346,807

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 391,813	\$ 1,224	\$ 393,037	\$ 393,006	\$ 31
Grades 1-5 - Salaries of Teachers	2,830,031	(3,390)	2,826,641	2,826,641	
Grades 6-8 - Salaries of Teachers	2,617,891	(12,256)	2,605,635	2,605,635	
Regular Programs - Home Instruction:					
Salaries of Teachers	6,000	326	6,326	6,326	
Purchased Professional - Educational Services	7,500	(5,245)	2,255	2,255	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	43,845	10,941	54,786	54,646	140
Other Purchased Services (400-500 Series)	214,000	(1,904)	212,096	212,096	
General Supplies	357,317	358,760	716,077	577,169	138,908
Textbooks	93,691	(59,268)	34,423	33,167	1,256
Other Objects	27,058	(1,407)	25,651	25,651	
Total Regular Programs - Instruction	<u>6,589,146</u>	<u>287,781</u>	<u>6,876,927</u>	<u>6,736,592</u>	<u>140,335</u>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	1,302,447	(118,841)	1,183,606	1,177,634	5,972
Other Salaries for Instruction	410,317	3,598	413,915	406,942	6,973
General Supplies	13,009		13,009	11,085	1,924
Textbooks	322		322	310	12
Total Resource Room/Resource Center	<u>1,726,095</u>	<u>(115,243)</u>	<u>1,610,852</u>	<u>1,595,971</u>	<u>14,881</u>
Preschool Handicapped - Part Time:					
Salaries of Teachers	83,258	(3,615)	79,643	79,643	
Other Salaries for Instruction	81,554		81,554	80,698	856
General Supplies	1,105	23	1,128	767	361
Total Preschool Handicapped - Part Time	<u>165,917</u>	<u>(3,592)</u>	<u>162,325</u>	<u>161,108</u>	<u>1,217</u>
Total Special Education Instruction	<u>1,892,012</u>	<u>(118,835)</u>	<u>1,773,177</u>	<u>1,757,079</u>	<u>16,098</u>

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 296,599	\$ 3,721	\$ 300,320	\$ 288,565	\$ 11,755
General Supplies	5,506		5,506	5,266	240
Total Basic Skills/Remedial - Instruction	<u>302,105</u>	<u>3,721</u>	<u>305,826</u>	<u>293,831</u>	<u>11,995</u>
Bilingual Education - Instruction:					
Salaries of Teachers	138,063		138,063	123,431	14,632
General Supplies	8,191	(2,764)	5,427	5,271	156
Total Bilingual Education - Instruction	<u>146,254</u>	<u>(2,764)</u>	<u>143,490</u>	<u>128,702</u>	<u>14,788</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries of Teachers	70,592	4,127	74,719	74,719	
General Supplies	15,655	(2,600)	13,055	12,984	71
Total School-Sponsored Cocurricular Activities - Instruction	<u>86,247</u>	<u>1,527</u>	<u>87,774</u>	<u>87,703</u>	<u>71</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	73,339	(1,461)	71,878	71,430	448
Purchased Services (300-500 Series)	8,800	(2,666)	6,134	5,855	279
Supplies and Materials	12,738	(2,619)	10,119	10,119	
Other Objects	2,265	328	2,593	2,573	20
Total School-Sponsored Cocurricular Athletics - Instruction	<u>97,142</u>	<u>(6,418)</u>	<u>90,724</u>	<u>89,977</u>	<u>747</u>
Total Instruction	<u>9,112,906</u>	<u>165,012</u>	<u>9,277,918</u>	<u>9,093,884</u>	<u>184,034</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		12,973	12,973	12,973	
Tuition to Private Schools for the Handicapped - Within State	508,485	(63,238)	445,247	331,886	113,361
Total Undistributed Expenditures - Instruction:	<u>508,485</u>	<u>(50,265)</u>	<u>458,220</u>	<u>344,859</u>	<u>113,361</u>
Health Services:					
Salaries	204,906	9,517	214,423	214,423	
Purchased Professional and Technical Services	27,850	(8,386)	19,464	18,628	836
Supplies and Materials	9,083	(879)	8,204	8,204	
Total Health Services	<u>241,839</u>	<u>252</u>	<u>242,091</u>	<u>241,255</u>	<u>836</u>
Attendance and Social Work:					
Purchased Professional and Technical Services		91	91	91	
Total Attendance and Social Work		<u>91</u>	<u>91</u>	<u>91</u>	

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Speech, OT, PT and Related Services:					
Salaries	\$ 297,583	\$ 43,149	\$ 340,732	\$ 339,311	\$ 1,421
Purchased Professional - Educational Services	293,960	(235,000)	58,960	58,960	
Supplies and Materials	5,572		5,572	5,221	351
Total Speech, OT, PT and Related Services	<u>597,115</u>	<u>(191,851)</u>	<u>405,264</u>	<u>403,492</u>	<u>1,772</u>
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	81,000	84,351	165,351	114,188	51,163
Total Other Support Services - Students - Extraordinary Services	<u>81,000</u>	<u>84,351</u>	<u>165,351</u>	<u>114,188</u>	<u>51,163</u>
Other Support Services - Guidance:					
Salaries of Other Professional Staff	189,341	(344)	188,997	188,523	474
Salaries of Secretarial and Clerical Assistants	67,574		67,574	67,574	
Supplies and Materials	5,497	(3,451)	2,046	1,922	124
Total Other Support Services - Guidance	<u>262,412</u>	<u>(3,795)</u>	<u>258,617</u>	<u>258,019</u>	<u>598</u>
Other Support Services - Child Study Team:					
Salaries of Other Professional Staff	411,270		411,270	402,882	8,388
Salaries of Secretarial and Clerical Assistants	55,417		55,417	45,675	9,742
Purchased Professional - Educational Services	35,350	(27,028)	8,322	8,322	
Supplies and Materials	8,887	(1,182)	7,705	7,705	
Other Objects	12,193	(2,880)	9,313	9,313	
Total Other Support Services - Child Study Team	<u>523,117</u>	<u>(31,090)</u>	<u>492,027</u>	<u>473,897</u>	<u>18,130</u>
Educational Media Services/School Library:					
Salaries	135,481	(298)	135,183	134,328	855
Salaries of Technology Coordinators	32,191	200	32,391	32,391	
Other Purchased Services (400-500 Series)	118,916		118,916	118,916	
Supplies and Materials	19,760	98	19,858	18,893	965
Total Educational Media Services/School Library	<u>306,348</u>	<u>900</u>	<u>306,348</u>	<u>304,528</u>	<u>1,820</u>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	44,833		44,833	44,833	
Salaries of Other Professional Staff	16,000	6,032	22,032	22,032	
Salaries of Secretarial and Clerical Assistants	35,192		35,192	35,192	
Other Salaries	18,720		18,720	16,640	2,080
Salaries of Facilitators, Math Coaches and Literacy Coaches	119,535	19,685	139,220	139,220	
Supplies and Materials	2,000	976	2,976	2,976	
Total Improvement of Instructional Services	<u>236,280</u>	<u>26,693</u>	<u>262,973</u>	<u>260,893</u>	<u>2,080</u>

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 19,500	\$ (3,938)	\$ 15,562	\$ 1,312	\$ 14,250
Other Purchased Services (400-500 Series)	22,600	3,938	26,538	25,429	1,109
Total Instructional Staff Training Services	42,100		42,100	26,741	15,359
Support Services - General Administration:					
Salaries	188,547		188,547	188,547	
Legal Services	45,000	(19,187)	25,813	25,813	
Audit Fees	18,000	200	18,200	18,200	
Other Purchased Professional Services	4,000	(200)	3,800	2,158	1,642
Communications/Telephone	100,615	(2,256)	98,359	77,650	20,709
Other Purchased Services (400-500 Series)	84,670	5,500	90,170	88,363	1,807
Total Support Services - General Administration	440,832	(15,943)	424,889	400,731	24,158
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	621,273		621,273	621,273	
Salaries of Other Professional Staff	195,751		195,751	195,689	62
Supplies and Materials	12,866		12,866	9,099	3,767
Other Objects	6,100		6,100	5,982	118
Total Support Services - School Administration	835,990		835,990	832,043	3,947
Central Services:					
Salaries	251,786	(1,880)	249,906	239,571	10,335
Miscellaneous Purchased Services (400-500 Series Other Than 594)	30,090	1,507	31,597	31,597	
Total Central Services	281,876	(373)	281,503	271,168	10,335
Administrative Information Technology:					
Other Purchased Services	81,977	1,452	83,429	82,057	1,372
Supplies and Materials	77,100	3,579	80,679	80,679	
Total Administrative Information Technology	159,077	5,031	164,108	162,736	1,372
Required Maintenance of School Facilities:					
Salaries		101,566	101,566	92,984	8,582
Cleaning, Repair and Maintenance Services	291,591	42,887	334,478	326,674	7,804
General Supplies	16,900		16,900	12,251	4,649
Total Required Maintenance of School Facilities	308,491	144,453	452,944	431,909	21,035



CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Custodial Services:					
Salaries	\$ 686,237	\$ (98,401)	\$ 587,836	\$ 587,836	
Cleaning, Repair and Maintenance Services	28,358	(7,128)	21,230	21,230	
Salaries of Non-Instructional Aides	26,148	(1,143)	25,005	24,031	\$ 974
Insurance	98,200		98,200	96,793	1,407
Rental of Land & Building Other Than Lease Purchase Agreement	75,523		75,523	75,523	
General Supplies	100,057	49,319	149,376	148,418	958
Energy (Electricity)	258,000	(40,709)	217,291	205,512	11,779
Energy (Natural Gas)	118,000	(19,879)	98,121	75,133	22,988
Other Objects	43,425	(1,900)	41,525	41,464	61
<b>Total Custodial Services</b>	<u>1,433,948</u>	<u>(119,841)</u>	<u>1,314,107</u>	<u>1,275,940</u>	<u>38,167</u>
Care and Upkeep of Grounds:					
Salaries	71,128	(8,554)	62,574	61,094	1,480
Cleaning, Repair and Maintenance Services	140,000	(67,173)	72,827	63,514	9,313
<b>Total Care and Upkeep of Grounds</b>	<u>211,128</u>	<u>(75,727)</u>	<u>135,401</u>	<u>124,608</u>	<u>10,793</u>
Student Transportation Services:					
Salaries of Non-Instructional Aides	114,074	13,159	127,233	127,233	
Salaries for Pupil Transportation (Between Home & School) - Regular	91,361	15,810	107,171	107,171	
Salaries for Pupil Transportation (Between Home & School) - Special Education	44,111		44,111	44,111	
Management Fee - ESC & CTSA Transportation Program	8,000	(263)	7,737	6,967	770
Cleaning, Repair and Maintenance Services	13,900	(314)	13,586	13,586	
Rental Payments - School Buses	1,500		1,500	713	787
Contracted Services:					
Between Home and School - Vendors	808,556		808,556	808,555	1
Other Between Home and School - Vendors	13,600	(115)	13,485	13,484	1
Regular Students - Joint Agreements					
Special Education Students - Vendors	160,000	(79,246)	80,754	77,325	3,429
Special Education Students - Joint Agreements	100,000	(100,000)			
Special Education Students- ESC & CTSA		195,897	195,897	195,317	580
Aid in Lieu Payments - Nonpublic School	50,000	(14,208)	35,792	35,792	
Transportation Supplies	29,362	5,241	34,603	29,954	4,649
<b>Total Student Transportation Services</b>	<u>1,434,464</u>	<u>35,961</u>	<u>1,470,425</u>	<u>1,460,208</u>	<u>10,217</u>

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 248,231	\$ 10,272	\$ 258,503	\$ 258,503	
Other Retirement Contribution - PERS	261,606	(24,583)	237,023	236,629	\$ 394
Workmen's Compensation	100,000	(2,821)	97,179	97,179	
Health Benefits	3,007,502	(210,311)	2,797,191	2,545,898	251,293
Tuition Reimbursement	40,000	(24,995)	15,005	15,005	
Other Employee Benefits	230,167	24,162	254,329	254,329	
Total Unallocated Benefits	<u>3,887,506</u>	<u>(228,276)</u>	<u>3,659,230</u>	<u>3,407,543</u>	<u>251,687</u>
On-Behalf and Reimbursed Benefits:					
On-behalf TPAF Pension Contributions (non-budgeted)				705,946	(705,946)
On-behalf TPAF Post Retirement Medical Contributions (non-budgeted)				840,587	(840,587)
Reimbursed TPAF Social Security Contributions (non-budgeted)				659,167	(659,167)
Total On-Behalf and Reimbursed Benefits				<u>2,205,700</u>	<u>(2,205,700)</u>
Total Undistributed Expenses	<u>11,792,008</u>	<u>(420,329)</u>	<u>11,371,679</u>	<u>13,000,549</u>	<u>(1,628,870)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>20,904,914</u>	<u>(255,317)</u>	<u>20,649,597</u>	<u>22,094,433</u>	<u>(1,444,836)</u>
CAPITAL OUTLAY:					
Equipment:					
Instruction-Undistributed					
Child Study Team		5,265	5,265	5,265	
Administrative Information Technology		12,668	12,668		12,668
Custodial Services	6,000	105,152	111,152	98,152	13,000
Administrative Information Technology		71,244	71,244	5,265	65,979
Required Maintenance for School Facilities	55,450	(55,450)			
Total Equipment	<u>61,450</u>	<u>138,879</u>	<u>200,329</u>	<u>108,682</u>	<u>91,647</u>

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Construction Services	\$ 585,000	\$ 150,588	\$ 735,588	\$ 506,514	\$ 229,074
Architectural/Engineering Services	29,200	(29,200)			
Assessment for Debt Service on SDA Funding	58,458		58,458	58,458	
Total Facilities Acquisition and Construction Services	<u>672,658</u>	<u>121,388</u>	<u>794,046</u>	<u>564,972</u>	<u>229,074</u>
TOTAL CAPITAL OUTLAY	<u>734,108</u>	<u>260,267</u>	<u>994,375</u>	<u>673,654</u>	<u>320,721</u>
Special Schools:					
Summer School - Instruction					
Salaries of Teachers	131,939	200	132,139	132,056	83
Purchased Professional/Technical Services	28,125	(418)	27,707	12,412	15,295
General Supplies	3,000	218	3,218	3,035	183
Total Summer School-Instruction	<u>163,064</u>	<u>          </u>	<u>163,064</u>	<u>147,503</u>	<u>15,561</u>
TOTAL EXPENDITURES	<u>21,802,086</u>	<u>4,950</u>	<u>21,807,036</u>	<u>22,915,590</u>	<u>(1,108,554)</u>

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ (622,829)	\$ (4,950)	\$ (627,779)	\$ 610,474	\$ 1,238,253
Fund Balance, July 1	<u>5,282,510</u>		<u>5,282,510</u>	<u>5,282,510</u>	
Fund Balance, June 30	<u>\$ 4,659,681</u>	<u>\$ (4,950)</u>	<u>\$ 4,654,731</u>	<u>\$ 5,892,984</u>	<u>\$ 1,238,253</u>
<u>Recapitulation:</u>					
Restricted:					
Excess Surplus - Current Year				\$ 400,000	
Excess Surplus - Designated for Subsequent Years' Expenditures				199,291	
Capital Reserve				3,139,522	
Maintenance Reserve				1,084,012	
Assigned:					
Year-End Encumbrances				459,505	
Designated for Subsequent Year's Expenditures				159,044	
Unassigned				<u>451,610</u>	
				5,892,984	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				<u>(97,236)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 5,795,748</u>	

Source: P/Y Encumbrances, C/P Board Secretary's Report and 2015-2016 Adopted Budget  
 Ⓐ Charged off Special Revenue Adj in this line item

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ 75,000	\$ 15,573	\$ 90,573	\$ 77,157	\$ (13,416)
State Sources	76,653	19,842	96,495	95,057	(1,438)
Federal Sources	323,593	154,525	478,118	406,560	(71,558)
Total Revenues	<u>475,246</u>	<u>189,940</u>	<u>665,186</u>	<u>578,774</u>	<u>(86,412)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	80,446	2,427	82,873	81,667	1,206
Purchased Professional - Educational Services	4,894	16,108	21,002	20,770	232
Purchased Professional and Technical Services	14,186	(14,186)			
Tuition	85,000	23,172	108,172	108,172	
Other Purchased Services		249	249		249
General Supplies	68,734	67,293	136,027	72,230	63,797
Textbooks	16,966	2,334	19,300	19,300	
Other Objects		16,750	16,750	16,750	
Total Instruction	<u>270,226</u>	<u>114,147</u>	<u>384,373</u>	<u>318,889</u>	<u>65,484</u>
Support Services:					
Personal Services - Employee Benefits	5,094	(605)	4,489	4,489	
Purchased Professional Educational Services		5,450	5,450	5,450	
Purchased Professional and Technical Services	115,814	55,699	171,513	164,001	7,512
Other Objects	84,112	15,249	99,361	85,945	13,416
Total Support Services	<u>205,020</u>	<u>75,793</u>	<u>280,813</u>	<u>259,885</u>	<u>20,928</u>
Total Expenditures	<u>\$ 475,246</u>	<u>\$ 189,940</u>	<u>\$ 665,186</u>	<u>\$ 578,774</u>	<u>\$ 86,412</u>

CHESTER SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 23,526,064	\$ 578,774
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not:		
Current Year Encumbrances		(15,808)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	98,184	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(97,236)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 23,527,012	\$ 562,966
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 22,915,590	\$ 578,774
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment 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:		
Current Year Encumbrances		(15,808)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 22,915,590	\$ 562,966

CHESTER SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budget for the fiscal year ending June 30, 2016, was submitted to the County office and was approved by a vote of the Board of Education. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)



SPECIAL REVENUE FUND

CHESTER SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>No Child Left Behind</u>			<u>IDEA Part B</u>		<u>Nonpublic Textbook Aid</u>
	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Preschool</u>	<u>Basic</u>	
REVENUE:						
Local Sources						
State Sources						\$ 19,300
Federal Sources	\$ 37,002	\$ 19,898	\$ 11,779	\$ 39,476	\$ 298,405	
Total Revenue	<u>37,002</u>	<u>19,898</u>	<u>11,779</u>	<u>39,476</u>	<u>298,405</u>	<u>19,300</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	30,645		3,996			
Purchased Professional/Educational Services		16,935	642			
Tuition					108,172	
General Supplies	1,868	2,963	7,141	18,958	41,300	
Textbooks						19,300
Other Objects						
Total Instruction	<u>32,513</u>	<u>19,898</u>	<u>11,779</u>	<u>18,958</u>	<u>149,472</u>	<u>19,300</u>
Support Services:						
Personal Services - Employee Benefits	4,489					
Purchased Professional/Educational Services					5,450	
Purchased Professional and Technical Services				20,518	143,483	
Other Objects						
Total Support Services	<u>4,489</u>			<u>20,518</u>	<u>148,933</u>	
Total Expenditures	<u>\$ 37,002</u>	<u>\$ 19,898</u>	<u>\$ 11,779</u>	<u>\$ 39,476</u>	<u>\$ 298,405</u>	<u>\$ 19,300</u>

CHESTER SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Nonpublic Nursing Aid	Nonpublic Technology Aid	Nonpublic Security Aid	Chapter 193 Nonpublic Handicapped Aid		
				Examination and Classification	Supplementary Instruction	Corrective Speech
REVENUE:						
Local Sources						
State Sources	\$ 30,420	\$ 8,788	\$ 16,750	\$ 6,740	\$ 3,193	\$ 9,866
Federal Sources						
Total Revenue	<u>30,420</u>	<u>8,788</u>	<u>16,750</u>	<u>6,740</u>	<u>3,193</u>	<u>9,866</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	30,420			6,740		9,866
Purchased Professional/Educational Services					3,193	
Tuition						
General Supplies						
Textbooks						
Other Objects			16,750			
Total Instruction	<u>30,420</u>		<u>16,750</u>	<u>6,740</u>	<u>3,193</u>	<u>9,866</u>
Support Services:						
Personal Services - Employee Benefits						
Purchased Professional and Technical Services						
Other Objects		8,788				
Total Support Services		<u>8,788</u>				
Total Expenditures	<u>\$ 30,420</u>	<u>\$ 8,788</u>	<u>\$ 16,750</u>	<u>\$ 6,740</u>	<u>\$ 3,193</u>	<u>\$ 9,866</u>

CHESTER SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Local Grants	Totals
REVENUE:		
Local Sources	\$ 77,157	\$ 77,157
State Sources		95,057
Federal Sources		406,560
	77,157	578,774
Total Revenue		
EXPENDITURES:		
Instruction:		
Salaries of Teachers		81,667
Purchased Professional/Educational Services		20,770
Tuition		108,172
General Supplies		72,230
Textbooks		19,300
Other Objects		16,750
		318,889
Total Instruction		
Support Services:		
Personal Services - Employee Benefits		4,489
Purchased Professional and Educational Services		5,450
Purchased Professional and Technical Services		164,001
Other Objects	77,157	85,945
	77,157	259,885
Total Support Services		
Total Expenditures	\$ 77,157	\$ 578,774

CAPITAL PROJECTS FUND

Exhibit F-1

CHESTER SCHOOL DISTRICT  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Fund Balance - Beginning	<u>\$ 217,980</u>
Fund Balance - Ending	<u><u>\$ 217,980</u></u>
 <u>Recapitulation:</u>	
Committed Fund Balance	\$ 128,363
Restricted Fund Balance	<u>89,617</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 217,980</u></u>

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
VARIOUS ADDITIONS AND RENOVATIONS TO BRAGG ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 1,664,887		\$ 1,664,887	\$ 1,664,887
Bond Proceeds	5,345,000		5,345,000	5,345,113
Total Revenues and Other Financing Sources	7,009,887	\$ -0-	7,009,887	7,010,000
Expenditures:				
Other Purchased Professional and Technical Services	722,231		722,231	736,050
Construction Services	5,931,425		5,931,425	5,923,450
Other Objects	330,262		330,262	350,500
Total Expenditures	6,983,918	-0-	6,983,918	7,010,000
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 25,969	\$ -0-	\$ 25,969	\$ -0-

**Additional Project Information:**

Project Numbers	0820-030-04-OABA
Grant Date	06/15/05
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	\$ -0-
Revised Authorized Cost	\$ 7,010,000
Percentage Increase over Original Authorized Cost	0%
Original Target Completion Date	September 1, 2007
Revised Target Completion Date	September 1, 2012
Percentage Completion	100%

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
VARIOUS ADDITIONS AND RENOVATIONS TO DICKERSON ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 2,522,133		\$ 2,522,133	\$ 2,522,133
Bond Proceeds	8,127,000		8,127,000	8,127,867
Total Revenues and Other Financing Sources	<u>10,649,133</u>	<u>\$ -0-</u>	<u>10,649,133</u>	<u>10,650,000</u>
Expenditures:				
Other Purchased Professional and Technical Services	1,107,379		1,107,379	1,118,250
Construction Services	8,998,863		8,998,863	8,999,250
Other Objects	501,266		501,266	532,500
Total Expenditures	<u>10,607,508</u>		<u>10,607,508</u>	<u>10,650,000</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 41,625</u>	<u>\$ -0-</u>	<u>\$ 41,625</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Number:	0820-040-04-OACI
Grant Date:	06/15/05
Bond Authorization Date:	12/14/2004
Bonds Authorized:	\$ 8,127,867
Bonds Issued:	\$ 8,127,000
Original Authorized Cost:	\$ 10,650,000
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	<u>\$ 10,650,000</u>
Percentage Increase over Original Authorized Cost:	0.00%
Original Target Completion Date:	September 1, 2007
Revised Target Completion Date:	September 1, 2012
Percentage Completion	100%



CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
VARIOUS ADDITIONS AND RENOVATIONS TO BLACK RIVER MIDDLE SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 1,331,992		\$ 1,331,992	\$ 1,331,992
Bond Proceeds	3,758,000		3,758,000	3,758,008
Total Revenues and Other Financing Sources	5,089,992	\$ -0-	5,089,992	5,090,000
Expenditures:				
Other Purchased Professional and Technical Services	526,778		526,778	534,450
Construction Services	4,301,430		4,301,430	4,301,050
Other Objects	239,761		239,761	254,500
Total Expenditures	5,067,969	-0-	5,067,969	5,090,000
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 22,023	\$ -0-	\$ 22,023	\$ -0-
<b>Additional Project Information:</b>				
Project Number:		0820-020-04-OACH		
Grant Date:		06/15/05		
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:	\$ -0-			
Revised Authorized Cost:	\$ 5,090,000			
Percentage Increase over Original Authorized Cost:		0.00%		
Original Target Completion Date:		September 1, 2007		
Revised Target Completion Date:		September 1, 2012		
Percentage Completion		100%		

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
ENERGY PERFORMANCE CONTRACT - BRAGG ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 652,536		\$ 652,536	\$ 652,536
Transfer from Capital Reserve	205,650		205,650	205,650
Total Revenue and Other Financing Sources	<u>858,186</u>	<u>\$ -0-</u>	<u>858,186</u>	<u>858,186</u>
Expenditures:				
Purchased Professional and Technical Services	10,598		10,598	12,000
Construction Services	825,745		825,745	830,000
Other Objects	10,548		10,548	16,186
Total Expenditures	<u>846,891</u>	<u>-0-</u>	<u>846,891</u>	<u>858,186</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 11,295</u>	<u>\$ -0-</u>	<u>\$ 11,295</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Number:	0820-030-05-OAZM
Grant Date:	05/08/06
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 858,186
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	<u>\$ 858,186</u>
Percentage Increase over Original Authorized Cost:	0.00%
Original Target Completion Date:	September 1, 2007
Revised Target Completion Date:	September 1, 2012
Percentage Completion:	100%

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
ENERGY PERFORMANCE CONTRACT - DICKERSON ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 106,786		\$ 106,786	\$ 106,786
Transfer from Capital Reserve	33,150		33,150	33,150
Total Revenue and Other Financing Sources	139,936	\$ -0-	139,936	139,936
Expenditures:				
Other Purchased Professional and Technical Services	1,708		1,708	3,494
Construction Services	134,336		134,336	134,446
Other Objects	1,701		1,701	1,996
Total Expenditures	137,745	-0-	137,745	139,936
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 2,191	\$ -0-	\$ 2,191	\$ -0-

**Additional Project Information:**

Project Number:	0820-040-05-OAZN
Grant Date:	05/08/06
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 139,936
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	\$ 139,936
Percentage Increase over Original Authorized Cost:	0.00%
Original Target Completion Date:	September 1, 2007
Revised Target Completion Date:	September 1, 2012
Percentage Completion:	100%

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
ENERGY PERFORMANCE CONTRACT - BLACK RIVER MIDDLE SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 841,386		\$ 841,386	\$ 841,386
Transfer from Capital Reserve	261,200		261,200	261,200
Total Revenue and Other Financing Sources	<u>1,102,586</u>	<u>\$ -0-</u>	<u>1,102,586</u>	<u>1,102,586</u>
Expenditures:				
Other Purchased Professional and Technical Services	13,462		13,462	20,259
Construction Services	1,061,558		1,061,558	1,067,198
Other Objects	13,396		13,396	15,129
Total Expenditures	<u>1,088,416</u>	<u>-0-</u>	<u>1,088,416</u>	<u>1,102,586</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 14,170</u>	<u>\$ -0-</u>	<u>\$ 14,170</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Number:	0820-020-05-OAZL
Grant Date:	05/08/06
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 1,102,586
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	<u>\$ 1,102,586</u>
Percentage Increase over Original Authorized Cost:	0.00%
Percentage Completion:	98.71%
Original Target Completion Date:	September 1, 2007
Revised Target Completion Date:	September 1, 2012

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
DOOR REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 68,040		\$ 68,040	\$ 68,040
Transfer from Capital Reserve	102,060		102,060	102,060
Total Revenue and Other Financing Sources	170,100	\$ -0-	170,100	170,100
Expenditures:				
Construction Services	84,458		84,458	170,100
Total Expenditures	84,458	-0-	84,458	170,100
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 85,642	\$ -0-	\$ 85,642	\$ -0-
<b>Additional Project Information:</b>				
Project Number:	N/A			
Grant Date:	01/26/09			
Bond Authorization Date:	N/A			
Bonds Authorized:	N/A			
Bonds Issued:	N/A			
Original Authorized Cost:	\$ 170,100			
Additional Authorized Cost:	\$ -0-			
Revised Authorized Cost:	\$ 170,100			
Percentage Increase over Original Authorized Cost:	N/A			
Original Target Completion Date:	September 1, 2007			
Revised Target Completion Date:	September 1, 2012			
Percentage Completion:	49.65%			

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
PAVING PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 85,000		\$ 85,000	\$ 85,000
Total Revenue and Other Financing Sources	85,000	\$ -0-	85,000	85,000
Expenditures:				
Construction Services	84,182		84,182	85,000
Total Expenditures	84,182	-0-	84,182	85,000
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 818	\$ -0-	\$ 818	\$ -0-
<b>Additional Project Information:</b>				
Project Number:		N/A		
Grant Date:		N/A		
Bond Authorization Date:		N/A		
Bonds Authorized:		N/A		
Bonds Issued:		N/A		
Original Authorized Cost:	\$ 85,000			
Additional Authorized Cost:	\$ -0-			
Revised Authorized Cost:	\$ 85,000			
Percentage Increase over Original Authorized Cost:		N/A		
Original Target Completion Date:		September 1, 2010		
Revised Target Completion Date:		September 1, 2012		
Percentage Completion:		100%		

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
FIBER OPTIC PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 100,000		\$ 100,000	\$ 100,000
Total Revenue and Other Financing Sources	100,000	\$ -0-	100,000	100,000
Expenditures:				
Other Purchased Professional and Technical Services	500		500	2,220
Construction Services	97,780		97,780	97,780
Total Expenditures	98,280	-0-	98,280	100,000
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 1,720	\$ -0-	\$ 1,720	\$ -0-
<b>Additional Project Information:</b>				
Project Number:	N/A			
Grant Date:	N/A			
Bond Authorization Date:	N/A			
Bonds Authorized:	N/A			
Bonds Issued:	N/A			
Original Authorized Cost:	\$ 100,000			
Additional Authorized Cost:	\$ -0-			
Revised Authorized Cost:	\$ 100,000			
Percentage Increase over Original Authorized Cost:	N/A			
Original Target Completion Date:	September 1, 2011			
Revised Target Completion Date:	September 1, 2012			
Percentage Completion:	100%			

CHESTER SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
ROOF REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 179,748		\$ 179,748	\$ 179,748
Total Revenue and Other Financing Sources	179,748	\$ -0-	179,748	179,748
Expenditures:				
Other Purchased Professional and Technical Services				10,000
Construction Services	167,221		167,221	169,748
Total Expenditures	167,221	-0-	167,221	179,748
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 12,527	\$ -0-	\$ 12,527	\$ -0-
<b>Additional Project Information:</b>				
Project Number:		N/A		
Grant Date:		N/A		
Bond Authorization Date:		N/A		
Bonds Authorized:		N/A		
Bonds Issued:		N/A		
Original Authorized Cost:	\$ 179,748			
Additional Authorized Cost:	\$ -0-			
Revised Authorized Cost:	\$ 179,748			
Percentage Increase over Original Authorized Cost:		N/A		
Original Target Completion Date:		September 1, 2011		
Revised Target Completion Date:		September 1, 2012		
Percentage Completion:		100%		



PROPRIETARY FUNDS

Exhibit G-1

CHESTER SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2016

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 28,483
Intergovernmental Accounts Receivable:	
State	225
Federal	4,170
Other Accounts Receivable	22,747
Inventories	4,009
	<hr/>
Total Current Assets	59,634

## Non-Current Assets:

Capital Assets	175,905
Less: Accumulated depreciation	(93,632)
	<hr/>
Total Non-Current Assets	82,273

Total Assets	<hr/> 141,907
--------------	---------------

## LIABILITIES:

## Current Liabilities:

Accounts Payable - Vendors	25,309
Unearned Revenue	3,983
	<hr/>
Total Current Liabilities	29,292

## NET POSITION:

Investment in Capital Assets	82,273
Unrestricted	30,342
	<hr/>
Total Net Position	\$ 112,615

Exhibit G-2

CHESTER SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 131,207
Daily Sales - Non Reimbursable Programs	91,274
Special Events	17,481
	<hr/>
Total Operating Revenue	239,962
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	99,476
Cost of Sales - Non-Reimbursable Programs	69,134
Salaries, Benefits & Payroll Taxes	147,939
Management Fee	22,747
Supplies and Materials	15,503
Depreciation	7,926
	<hr/>
Total Operating Expenses	362,725
	<hr/>
Operating (Loss)	(122,763)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	2,403
Federal Sources:	
National School Lunch Program	43,445
Food Distribution Program	25,935
Local Sources:	
Interest Revenue	147
	<hr/>
Total Non-Operating Revenue	71,930
	<hr/>
Change in Net Position Before Other Adjustments	(50,833)
Special Item - Food Service Management Contractor Contribution	22,747
	<hr/>
Change in Net Position	(28,086)
Net Position - Beginning of Year (Restated)	140,701
	<hr/>
Net Position - End of Year	\$ 112,615
	<hr/> <hr/>

Exhibit G-3

CHESTER SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows for Operating Activities:	
Receipts from Customers	\$ 240,199
Payments for Salaries, Payroll Taxes and Benefits	(147,939)
Payments to Suppliers	(183,684)
	<hr/>
Net Cash Used for Operating Activities	(91,424)
Cash Flows for Noncapital Financing Activities:	
Federal and State Sources Received in Food Service Fund	45,211
Transfer In - FSMC Contribution	22,522
	<hr/>
Net Cash Provided by Noncapital Financing Activities	67,733
Cash Flows from Investing Activities:	
Interest on Investments	147
	<hr/>
Net Cash Provided by Investing Activities	147
Net Decrease in Cash and Cash Equivalents	(23,544)
Cash and Cash Equivalents, July 1	52,027
	<hr/>
Cash and Cash Equivalents, June 30	\$ 28,483
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (122,763)
Adjustment to Reconcile Operating Loss to Net Cash	
Used for Operating Activities	
Depreciation	7,926
Food Distribution Program	25,935
Changes in Assets and Liabilities:	
Decrease in Inventory	99
Decrease in Other Accounts Receivable	237
(Decrease) in Accounts Payable	(2,853)
(Decrease) in Unearned Revenue	(5)
	<hr/>
Net Cash Used for Operating Activities	\$ (91,424)
	<hr/> <hr/>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$25,935 and utilized commodities valued at \$26,000 for the fiscal year ended June 30, 2016.

FIDUCIARY FUNDS

CHESTER SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Agency</u>		<u>Total Agency Funds</u>	<u>Unemployment Compensation Trust</u>
	<u>Payroll</u>	<u>Student Activity</u>		
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 9,857	\$ 49,113	\$ 58,970	\$ 96,001
Total Assets	<u>9,857</u>	<u>49,113</u>	<u>58,970</u>	<u>96,001</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	9,857		9,857	
Due to Student Groups		49,113	49,113	
Total Liabilities	<u>9,857</u>	<u>49,113</u>	<u>58,970</u>	
<u>NET POSITION:</u>				
Held in Trust for Unemployment Claims				<u>96,001</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 96,001</u>

Exhibit H-2

CHESTER SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust
ADDITIONS:	
Contributions:	
Employee Contributions	\$ 21,025
Investment Earnings:	
Interest	252
Total Additions	21,277
DEDUCTIONS:	
Quarterly Contribution Reports/Unemployment Claims	33,980
Change in Net Position	(12,703)
Net Position - Beginning of the Year	108,704
Net Position - End of the Year	\$ 96,001

Exhibit H-3

CHESTER SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 47,746	\$ 140,293	\$ 138,926	\$ 49,113
Total Assets	<u>\$ 47,746</u>	<u>\$ 140,293</u>	<u>\$ 138,926</u>	<u>\$ 49,113</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 47,746	\$ 140,293	\$ 138,926	\$ 49,113
Total Liabilities	<u>\$ 47,746</u>	<u>\$ 140,293</u>	<u>\$ 138,926</u>	<u>\$ 49,113</u>



Exhibit H-4

CHESTER SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Bragg Elementary School	\$ 13,808	\$ 18,905	\$ 18,160	\$ 14,553
Dickerson Elementary School	9,411	11,688	11,282	9,817
Black River Middle School	24,527	102,689	102,473	24,743
Student Athletic Account	<u>                    </u>	<u>7,011</u>	<u>7,011</u>	<u>                    </u>
Total All Schools	<u>\$ 47,746</u>	<u>\$ 140,293</u>	<u>\$ 138,926</u>	<u>\$ 49,113</u>

Exhibit H-5

CHESTER SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 8,231	\$ 13,820,672	\$ 13,819,046	\$ 9,857
Total Assets	<u>\$ 8,231</u>	<u>\$ 13,820,672</u>	<u>\$ 13,819,046</u>	<u>\$ 9,857</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 8,231	\$ 13,820,672	\$ 13,819,046	\$ 9,857
Total Liabilities	<u>\$ 8,231</u>	<u>\$ 13,820,672</u>	<u>\$ 13,819,046</u>	<u>\$ 9,857</u>

LONG-TERM DEBT

CHESTER SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2015	Matured	Balance June 30, 2016
			Date	Amount				
Refunding Bonds Series 2004	8/1/2004	\$ 5,195,000	09/01/16	\$ 545,000	4.00%	\$ 1,635,000	\$ 540,000	\$ 1,095,000
			09/01/17	550,000	4.00%			
Refunding Bonds Series 2012	12/12/2012	8,505,000	03/01/17	285,000	3.00%	8,320,000	275,000	8,045,000
			03/01/18	310,000	3.00%			
			03/01/19	635,000	3.00%			
			03/01/20	660,000	3.00%			
			03/01/21	25,000	4.00%			
			03/01/22	25,000	4.00%			
			03/01/23	35,000	2.50%			
			03/01/24	35,000	2.50%			
			03/01/25	35,000	2.50%			
			03/01/26	35,000	2.50%			
			03/01/27	40,000	2.50%			
			03/01/28	40,000	2.50%			
			03/01/29	40,000	2.50%			
			03/01/30	40,000	2.50%			
			03/01/31	1,070,000	3.00%			
			03/01/32	1,115,000	3.00%			
			03/01/33	1,160,000	3.00%			
			03/01/34	1,205,000	3.00%			
03/01/35	1,255,000	3.00%						

CHESTER SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	June 30, 2015	Matured	June 30, 2016
			Date	Amount				
Refunding Bonds Series 2013	1/15/2013	\$ 8,250,000	03/01/17	\$ 40,000	3.00%			
			03/01/18	40,000	3.00%			
			03/01/19	40,000	3.00%			
			03/01/20	45,000	3.00%			
			03/01/21	695,000	3.00%			
			03/01/22	720,000	3.00%			
			03/01/23	700,000	3.00%			
			03/01/24	735,000	2.20%			
			03/01/25	750,000	2.25%			
			03/01/26	785,000	2.30%			
			03/01/27	805,000	4.00%			
			03/01/28	845,000	4.00%			
			03/01/29	895,000	4.00%			
			03/01/30	940,000	4.00%			
						<u>\$ 18,030,000</u>	<u>\$ 855,000</u>	<u>\$ 17,175,000</u>

Exhibit I-2

CHESTER SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Purpose</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Matured or Retired</u>	<u>Balance June 30, 2016</u>
Technology Equipment	\$ 274,460	1.23%	\$ 204,743	\$ 67,415	\$ 137,328
Technology Equipment	140,000	2.75%	70,000	70,000	
			<u>\$ 274,743</u>	<u>\$ 137,415</u>	<u>\$ 137,328</u>

Exhibit I-3

CHESTER SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,417,963		\$ 1,417,963	\$ 1,417,963	
Total Revenues	<u>1,417,963</u>		<u>1,417,963</u>	<u>1,417,963</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	562,963		562,963	562,963	
Redemption of Principal	855,000		855,000	855,000	
Total Regular Debt Service	<u>1,417,963</u>		<u>1,417,963</u>	<u>1,417,963</u>	
Total Expenditures	<u>1,417,963</u>		<u>1,417,963</u>	<u>1,417,963</u>	
Fund Balance, July 1	<u>21</u>		<u>21</u>	<u>21</u>	
Fund Balance, June 30	<u>\$ 21</u>	<u>\$ -0-</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ -0-</u>
<u>Recapitulation of Fund Balance at June, 2016</u>					
Restricted		Unreserved/Undesignated		<u>\$ 21</u>	

STATISTICAL SECTION



**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CHESTER SCHOOL DISTRICT  
NET POSITION BY COMPONENT,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	2007	2008	June 30, 2009	2010	2011
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 7,656,616	\$ 16,006,657	\$ 17,345,927	\$ 18,495,876	\$ 19,343,840
Restricted	9,971,472	2,834,965	2,573,150	1,933,652	2,438,890
Unrestricted/(Deficit)	35,910	(266,425)	(493,946)	(500,078)	(204,891)
<b>Total Governmental Activities Net Position</b>	<u>\$ 17,663,998</u>	<u>\$ 18,575,197</u>	<u>\$ 19,425,131</u>	<u>\$ 19,929,450</u>	<u>\$ 21,577,839</u>
<b>Business-type Activities</b>					
Investment in Capital Assets				\$ 38,031	\$ 33,893
Unrestricted/(Deficit)	\$ (5,051)	\$ 5,671	\$ 49,818	70,927	109,443
<b>Total Business-type Activities Net Position</b>	<u>\$ (5,051)</u>	<u>\$ 5,671</u>	<u>\$ 49,818</u>	<u>\$ 108,958</u>	<u>\$ 143,336</u>
<b>District-wide</b>					
Net Investment in Capital Assets	\$ 7,656,616	\$ 16,006,657	\$ 17,345,927	\$ 18,533,907	\$ 19,377,733
Restricted	9,971,472	2,834,965	2,573,150	1,933,652	2,438,890
Unrestricted/(Deficit)	30,859	(260,754)	(444,128)	(429,151)	(95,448)
<b>Total District Net Position</b>	<u>\$ 17,658,947</u>	<u>\$ 18,580,868</u>	<u>\$ 19,474,949</u>	<u>\$ 20,038,408</u>	<u>\$ 21,721,175</u>

CHESTER SCHOOL DISTRICT  
NET POSITION BY COMPONENT,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	June 30,				
	2012	2013	2014	2015*	2016
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 20,344,483	\$ 21,364,128	\$ 7,982,014	\$ 7,783,923	\$ 7,999,576
Restricted	3,863,164	4,466,429	4,377,042	4,756,466	4,912,463
Unrestricted/(Deficit)	(328,970)	(264,363)	(4,834,671)	(5,166,004)	(5,309,416)
<b>Total Governmental Activities Net Position</b>	<u>\$ 23,878,677</u>	<u>\$ 25,566,194</u>	<u>\$ 7,524,385</u>	<u>\$ 7,374,385</u>	<u>\$ 7,602,623</u>
<b>Business-type Activities</b>					
Investment in Capital Assets	\$ 33,289	\$ 29,567	\$ 45,741	\$ 90,199	\$ 82,273
Unrestricted	116,798	119,674	94,772	50,502	30,342
<b>Total Business-type Activities Net Position</b>	<u>\$ 150,087</u>	<u>\$ 149,241</u>	<u>\$ 140,513</u>	<u>\$ 140,701</u>	<u>\$ 112,615</u>
<b>District-wide</b>					
Net Investment in Capital Assets	\$ 20,377,772	\$ 21,393,695	\$ 8,027,755	\$ 7,874,122	\$ 8,081,849
Restricted	3,863,164	4,466,429	4,377,042	4,756,466	4,912,463
Unrestricted/(Deficit)	(212,172)	(144,689)	(4,739,899)	(5,115,502)	(5,279,074)
<b>Total District Net Position</b>	<u>\$ 24,028,764</u>	<u>\$ 25,715,435</u>	<u>\$ 7,664,898</u>	<u>\$ 7,515,086</u>	<u>\$ 7,715,238</u>

\* Restated

Source: School District Financial Reports

CHESTER SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
Expenses					
Governmental activities					
Instruction:					
Regular	\$ 9,015,933	\$ 9,160,518	\$ 8,933,928	\$ 9,199,264	\$ 8,491,652
Special Education	2,034,703	2,031,051	2,159,785	2,494,809	2,580,749
Other Special Instruction					
School Sponsored/Other Instruction	413,669	676,171	782,303	729,034	641,399
Support Services:					
Tuition	564,190	591,267	802,237	532,410	589,971
Student & Instruction Related Services	2,066,429	2,455,519	2,220,146	2,554,221	2,441,415
General Administrative Services	1,204,802	1,191,434	1,249,974	1,292,089	1,294,430
School Administrative Services	1,066,236	1,098,588	1,096,525	1,112,200	1,154,537
Central Services					
Administrative Information Technology					
Plant Operations and Maintenance	2,099,439	2,339,405	2,492,807	2,521,827	2,035,433
Pupil Transportation	1,531,072	1,373,043	1,441,215	1,487,340	1,404,699
Special Schools	153,024	153,935	169,245	211,100	171,127
Charter Schools	31,801				
Interest on Long-term Debt	990,954	963,788	1,084,746	917,284	891,533
Capital Outlay - Debt Service Assessment					73,244
Total Governmental Activities Expenses	<u>21,172,252</u>	<u>22,034,718</u>	<u>22,432,911</u>	<u>23,051,578</u>	<u>21,770,189</u>

CHESTER SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)  
(Continued)

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
Business-type Activities:					
Food Service	\$ 365,694	\$ 352,911	\$ 363,743	\$ 375,012	\$ 368,426
Total Business-type Activities Expense	<u>365,694</u>	<u>352,911</u>	<u>363,743</u>	<u>375,012</u>	<u>368,426</u>
Total District Expenses	<u>\$ 21,537,946</u>	<u>\$ 22,387,629</u>	<u>\$ 22,796,654</u>	<u>\$ 23,426,590</u>	<u>\$ 22,138,615</u>
Program Revenues:					
Governmental Activities:					
Charges for Services:					
Instruction (Tuition)					\$ 129,450
Operating Grants and Contributions	\$ 4,334,019	\$ 4,454,772	\$ 4,570,388	\$ 4,205,571	3,759,445
Total Governmental Activities Program Revenues	<u>4,334,019</u>	<u>4,454,772</u>	<u>4,570,388</u>	<u>4,205,571</u>	<u>3,888,895</u>
Business-type Activities:					
Charges for Services:					
Food Service	310,284	315,423	351,006	343,211	332,641
Operating Grants and Contributions	41,962	48,210	56,885	65,533	70,163
Total Business-type Activities Program Revenues	<u>352,246</u>	<u>363,633</u>	<u>407,891</u>	<u>408,744</u>	<u>402,804</u>
Total District Program Revenues	<u>\$ 4,686,265</u>	<u>\$ 4,818,405</u>	<u>\$ 4,978,279</u>	<u>\$ 4,614,315</u>	<u>\$ 4,291,699</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (16,838,233)	\$ (17,579,946)	\$ (17,862,523)	\$ (18,846,007)	\$ (17,881,294)
Business-Type Activities	(13,448)	10,722	44,148	33,732	34,378
Total District-Wide Net Expense	<u>\$ (16,851,681)</u>	<u>\$ (17,569,224)</u>	<u>\$ (17,818,375)</u>	<u>\$ (18,812,275)</u>	<u>\$ (17,846,916)</u>

CHESTER SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)  
(Continued)

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, net	\$ 17,079,322	\$ 17,774,480	\$ 18,264,165	\$ 18,956,872	\$ 19,316,311
Unrestricted Grants and Contributions	174,426	213,316	108,586	73,820	11,861
Rents and Royalties					
Tuition (Other Than Special Schools)	67,084	86,172	132,147	105,546	
Investment Earnings	903,288	339,279	51,397	61,874	33,893
Cancellation of Prior Year Accounts Payable				31,759	
Miscellaneous Income	38,824	77,898	156,162	120,455	106,224
Total Governmental Activities	<u>18,262,944</u>	<u>18,491,145</u>	<u>18,712,457</u>	<u>19,350,326</u>	<u>19,468,289</u>
Business-type Activities:					
Interest Income					
Prior Year Adjustments				25,408	
Special Item - FSMC Contribution					
Total Business-Type Activities				<u>25,408</u>	
Total District-Wide	<u>\$ 18,262,944</u>	<u>\$ 18,491,145</u>	<u>\$ 18,712,457</u>	<u>\$ 19,375,734</u>	<u>\$ 19,468,289</u>
Change in Net Position					
Governmental Activities	\$ 1,424,711	\$ 911,199	\$ 849,934	\$ 504,319	\$ 1,586,995
Business-type Activities	(13,448)	10,722	44,148	59,140	34,378
Total District	<u>\$ 1,411,263</u>	<u>\$ 921,921</u>	<u>\$ 894,082</u>	<u>\$ 563,459</u>	<u>\$ 1,621,373</u>

CHESTER SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Continued)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Expenses					
Governmental activities					
Instruction:					
Regular	\$ 8,352,131	\$ 8,680,122	\$ 8,537,297	\$ 8,989,618	\$ 11,316,725
Special Education	2,640,462	2,651,607	2,716,955	2,976,810	3,393,470
Other Special Instruction					730,605
School Sponsored/Other Instruction	625,453	806,297	834,520	770,279	286,964
Support Services:					
Tuition	618,490	754,466	693,460	637,553	344,859
Student & Instruction Related Services	2,614,079	3,214,270	2,920,482	3,010,285	3,115,027
General Administrative Services	1,312,986	1,242,245	1,192,768	2,759,321	2,154,010
School Administrative Services	1,126,031	1,164,829	1,189,595	1,248,910	1,415,790
Central Services					395,896
Administrative Information Technology					25,321
Plant Operations and Maintenance	1,991,461	2,107,079	2,170,778	2,188,130	2,294,703
Pupil Transportation	1,466,222	1,498,652	1,627,122	1,610,197	1,633,905
Special Schools	150,368	166,906	165,877	176,348	216,346
Charter School		81,699	98,108		
Interest on Long-term Debt	864,475	529,706	657,041	625,852	599,025
Capital Outlay - Debt Service Assessment	42,595	58,458	58,458	58,458	
Total Governmental Activities Expenses	<u>21,804,753</u>	<u>22,956,336</u>	<u>22,862,461</u>	<u>25,051,761</u>	<u>27,922,647</u>

CHESTER SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)  
(Continued)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Business-type Activities:					
Food Service	\$ 391,800	\$ 347,864	\$ 367,622	\$ 338,190	\$ 362,725
Total Business-type Activities Expense	<u>391,800</u>	<u>347,864</u>	<u>367,622</u>	<u>338,190</u>	<u>362,725</u>
Total District Expenses	<u>\$ 22,196,553</u>	<u>\$ 23,304,200</u>	<u>\$ 23,230,083</u>	<u>\$ 25,389,951</u>	<u>\$ 28,285,372</u>
Program Revenues:					
Governmental Activities:					
Charges for Services:					
Instruction (Tuition)	\$ 213,034	\$ 182,109	\$ 182,115	\$ 249,521	\$ 252,149
Operating Grants and Contributions	3,997,063	4,165,038	3,973,197	4,468,720	6,475,375
Total Governmental Activities Program Revenues	<u>4,210,097</u>	<u>4,347,147</u>	<u>4,155,312</u>	<u>4,718,241</u>	<u>6,727,524</u>
Business-type Activities:					
Charges for Services:					
Food Service	330,545	284,703	297,817	283,534	239,962
Operating Grants and Contributions	66,302	60,611	59,373	62,557	71,783
Total Business-type Activities Program Revenues	<u>396,847</u>	<u>345,314</u>	<u>357,190</u>	<u>346,091</u>	<u>311,745</u>
Total District Program Revenues	<u>\$ 4,606,944</u>	<u>\$ 4,692,461</u>	<u>\$ 4,512,502</u>	<u>\$ 5,064,332</u>	<u>\$ 7,039,269</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (17,594,656)	\$ (18,609,189)	\$ (18,707,149)	\$ (20,333,520)	\$ (21,195,123)
Business-Type Activities	5,047	(2,550)	(10,432)	7,901	(50,980)
Total District-Wide Net Expense	<u>\$ (17,589,609)</u>	<u>\$ (18,611,739)</u>	<u>\$ (18,717,581)</u>	<u>\$ (20,325,619)</u>	<u>\$ (21,246,103)</u>



CHESTER SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)  
(Continued)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, net	\$ 19,631,047	\$ 20,005,077	\$ 19,966,388	\$ 20,426,941	\$ 21,199,168
Unrestricted Grants and Contributions	100,018	61,202	71,424	31,250	94,947
Rents and Royalties			38,953	39,795	
Tuition (Other Than Special Schools)					
Investment Earnings	55,281	23,522	15,447		17,148
Board Contribution - Capital Assets				15,969	
Miscellaneous Income	109,148	206,905	91,350	66,383	112,098
Total Governmental Activities	<u>19,895,494</u>	<u>20,296,706</u>	<u>20,183,562</u>	<u>20,580,338</u>	<u>21,423,361</u>
Business-type Activities:					
Interest Income	1,704	1,704	1,704	263	147
Prior Year Adjustments					
Special Item - FSMC Contribution					22,747
Total Business-Type Activities	<u>1,704</u>	<u>1,704</u>	<u>1,704</u>	<u>263</u>	<u>22,894</u>
Total District-Wide	<u>\$ 19,897,198</u>	<u>\$ 20,298,410</u>	<u>\$ 20,185,266</u>	<u>\$ 20,580,601</u>	<u>\$ 21,446,255</u>
Change in Net Position					
Governmental Activities	\$ 2,300,838	\$ 1,687,517	\$ 1,476,413	\$ 246,818	\$ 228,238
Business-type Activities	6,751	(846)	(8,728)	8,164	(28,086)
Total District	<u>\$ 2,307,589</u>	<u>\$ 1,686,671</u>	<u>\$ 1,467,685</u>	<u>\$ 254,982</u>	<u>\$ 200,152</u>

Source: School District Financial Reports

CHESTER SCHOOL DISTRICT  
FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Modified Accrual Basis of Accounting)

	June 30,				
	2007	2008	2009	2010	2011
General Fund					
Reserved	\$ 2,159,794	\$ 2,675,550	\$ 2,333,863	\$ 1,663,964	
Unreserved	691,353	403,631	477,912	422,623	
Restricted					\$ 1,845,574
Assigned					
Unassigned					666,480
Total General Fund	<u>\$ 2,851,147</u>	<u>\$ 3,079,181</u>	<u>\$ 2,811,775</u>	<u>\$ 2,086,587</u>	<u>\$ 2,512,054</u>
All Other Governmental Funds					
Restricted					\$ 593,316
Committed					
Unreserved	<u>\$ 8,139,428</u>	<u>\$ 477,979</u>	<u>\$ 239,287</u>	<u>\$ 469,688</u>	
Total All Other Governmental Funds	<u>\$ 8,139,428</u>	<u>\$ 477,979</u>	<u>\$ 239,287</u>	<u>\$ 469,688</u>	<u>\$ 593,316</u>
Total Governmental Funds	<u>\$ 10,990,575</u>	<u>\$ 3,557,160</u>	<u>\$ 3,051,062</u>	<u>\$ 2,556,275</u>	<u>\$ 3,105,370</u>

CHESTER SCHOOL DISTRICT  
FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Modified Accrual Basis of Accounting)

	June 30,				
	2012	2013	2014	2015	2016
General Fund					
Reserved					
Unreserved					
Restricted	\$ 3,422,555	\$ 3,691,614	\$ 3,949,533	\$ 4,538,465	\$ 4,822,825
Assigned		239,017	191,346	151,823	618,549
Unassigned	514,596	512,767	543,680	494,038	354,374
Total General Fund	<u>\$ 3,937,151</u>	<u>\$ 4,443,398</u>	<u>\$ 4,684,559</u>	<u>\$ 5,184,326</u>	<u>\$ 5,795,748</u>
All Other Governmental Funds					
Restricted	\$ 440,609	\$ 535,798	\$ 236,163	\$ 218,001	\$ 89,638
Committed					128,363
Unreserved					
Total All Other Governmental Funds	<u>\$ 440,609</u>	<u>\$ 535,798</u>	<u>\$ 236,163</u>	<u>\$ 218,001</u>	<u>\$ 218,001</u>
Total Governmental Funds	<u>\$ 4,377,760</u>	<u>\$ 4,979,196</u>	<u>\$ 4,920,722</u>	<u>\$ 5,402,327</u>	<u>\$ 6,013,749</u>

Source: School District Financial Reports

CHESTER SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
Revenues					
Tax Levy	\$ 18,070,246	\$ 18,738,267	\$ 19,348,911	\$ 19,874,156	\$ 20,207,844
Tuition Charges	67,084	86,172	132,147	105,546	129,450
Interest Earnings	903,288	339,279	51,397	61,874	33,893
Rents and Royalties					
State Sources	3,190,923	3,356,368	3,126,933	2,566,594	2,363,774
Federal Sources	326,568	347,933	365,191	724,309	433,251
Miscellaneous	38,824	77,898	258,266	191,659	188,972
Total Revenue	<u>22,596,933</u>	<u>22,945,917</u>	<u>23,282,845</u>	<u>23,524,138</u>	<u>23,357,184</u>
Expenditures					
Instruction					
Regular Instruction	6,526,090	6,580,415	6,920,871	6,965,397	6,233,263
Special Education Instruction	1,433,182	1,505,247	1,669,625	1,951,489	1,959,198
Other Special Instruction					
School-Sponsored/Other Instruction	386,097	493,824	616,093	548,288	487,631
Support Services:					
Tuition	564,190	591,267	802,237	532,410	589,971
Student & Other Instruction Related Services	1,591,167	1,904,041	1,857,478	2,023,601	1,920,413
General Administrative Services	928,898	915,099	903,297	933,686	912,222
School Administrative Services	761,233	765,284	797,038	795,130	797,275
Central Services					
Administrative Information Technology					
Plant Operations and Maintenance	1,827,342	2,058,688	2,212,760	2,201,579	1,753,749
Student Transportation	1,462,458	1,313,042	1,385,334	1,407,374	1,319,740

CHESTER SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Modified Accrual Basis of Accounting)  
(Continued)

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
Expenditures					
Employee Benefits	\$ 4,489,185	\$ 4,695,463	\$ 4,282,656	\$ 4,797,724	\$ 4,489,815
Capital Outlay	15,301,427	7,865,801	734,830	356,699	447,639
Special Schools	127,875	128,188	147,147	182,248	149,292
Charter Schools	31,801				
Debt Service					
Principal	570,000	590,000	610,000	630,000	645,000
Interest and Other Charges	999,775	972,975	1,092,275	925,059	900,275
Total Expenditures	<u>37,000,720</u>	<u>30,379,333</u>	<u>24,031,639</u>	<u>24,250,684</u>	<u>22,605,483</u>
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	<u>(14,403,787)</u>	<u>(7,433,415)</u>	<u>(748,794)</u>	<u>(726,546)</u>	<u>751,701</u>
Other Financing Sources/(Uses)					
Payment to Refunded Bond Escrow Account					
Refunded Bonds Issued					
Premium Issued					
Excess Escrow					
Cancellation of Prior Year Accounts Payable				31,759	
Capital Leases (Non-Budgeted)	275,000		226,664		
Total Other Financing Sources/(Uses)	<u>275,000</u>		<u>226,664</u>	<u>31,759</u>	
Net Change in Fund Balances	<u>\$ (14,128,787)</u>	<u>\$ (7,433,415)</u>	<u>\$ (522,130)</u>	<u>\$ (694,787)</u>	<u>\$ 751,701</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>7.23%</u>	<u>6.94%</u>	<u>7.31%</u>	<u>6.51%</u>	<u>6.97%</u>

CHESTER SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Modified Accrual Basis of Accounting)  
(Continued)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
<b>Revenues</b>					
Tax Levy	\$ 20,495,522	\$ 20,492,897	\$ 20,581,542	\$ 21,010,908	\$ 21,199,168
Tuition Charges	213,034	182,109	182,115	249,521	252,149
Interest Earnings	55,281	23,522	15,447	15,969	10,796
Rents and Royalties			38,953	39,795	46,404
State Sources	2,705,323	3,265,796	3,021,827	3,249,882	3,459,469
Federal Sources	478,912	350,515	332,698	391,307	400,297
Miscellaneous	157,519	329,014	166,292	104,463	139,658
<b>Total Revenue</b>	<b>24,105,591</b>	<b>24,643,853</b>	<b>24,338,874</b>	<b>25,061,845</b>	<b>25,507,941</b>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular Instruction	5,945,038	6,173,561	6,156,808	6,359,300	6,872,883
Special Education Instruction	1,957,584	1,855,185	1,951,554	2,123,169	2,088,697
Other Special Instruction					422,533
School-Sponsored/Other Instruction	617,897	558,291	611,446	536,572	177,680
<b>Support Services:</b>					
Tuition	618,490	754,466	693,460	637,553	344,859
Student & Other Instruction Related Services	1,997,889	2,488,897	2,258,631	2,269,972	2,178,161
General Administrative Services	897,544	837,211	813,754	868,403	400,731
School Administrative Services	767,802	767,100	799,853	829,036	832,043
Central Services					271,168
Administrative Information Technology					162,736
Plant Operations and Maintenance	1,690,179	1,761,785	1,870,389	1,829,747	1,832,457
Student Transportation	1,364,453	1,369,596	1,493,827	1,488,563	1,460,208

CHESTER SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Modified Accrual Basis of Accounting)  
(Continued)

	Fiscal Year Ending June 30,				
	2012	2013	2014	2015	2016
Expenditures					
Employee Benefits	\$ 4,821,402	\$ 5,393,778	\$ 5,040,703	\$ 5,362,900	\$ 5,613,243
Capital Outlay	744,430	699,698	1,042,372	986,425	673,654
Special Schools	126,943	139,860	141,030	143,543	147,503
Charter Schools		81,699	98,108		
Debt Service					
Principal	670,000	880,000	800,000	825,000	855,000
Interest and Other Charges	873,550	2,444,665	625,413	594,537	562,963
Total Expenditures	<u>23,093,201</u>	<u>26,205,792</u>	<u>24,397,348</u>	<u>24,854,720</u>	<u>24,896,519</u>
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	<u>1,012,390</u>	<u>(1,561,939)</u>	<u>(58,474)</u>	<u>207,125</u>	<u>611,422</u>
Other Financing Sources/(Uses)					
Payment to Refunded Bond Escrow Account		(15,665,000)			
Refunded Bonds Issued		16,755,000			
Premium Issued		793,375			
Excess Escrow				20	
Cancellation of Prior Year Accounts Payable					
Capital Leases (Non-Budgeted)	260,000	280,000		274,460	
Total Other Financing Sources/(Uses)	<u>260,000</u>	<u>2,163,375</u>		<u>274,480</u>	
Net Change in Fund Balances	<u>\$ 1,272,390</u>	<u>\$ 601,436</u>	<u>\$ (58,474)</u>	<u>\$ 481,605</u>	<u>\$ 611,422</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>6.91%</u>	<u>13.00%</u>	<u>6.09%</u>	<u>5.93%</u>	<u>5.85%</u>

Source: School District Financial Reports

## Exhibit J-5

CHESTER SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
 (Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Revenue</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2012	55,281	213,034		109,148	377,463
2013	23,522	182,109	\$ 21,359	166,763	393,753
2014	15,447	182,115		130,303	327,865
2015	15,969	249,521		106,158	371,648
2016	17,148	252,149		112,098	381,395



CHESTER SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY.  
LAST TEN YEARS  
UNAUDITED

Year Ended Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
<u>Chester Borough</u>												
2006	\$ 7,949,000	\$ 239,618,900	\$ 3,972,800		\$ 165,277,300	\$ - 0 -	\$ 2,214,500	\$ 419,032,500	\$ 2,010,392	\$ 421,042,892 *	0.98	\$ 387,402,977
2007	7,114,300	241,279,800	3,972,800		192,169,300	- 0 -	2,214,500	446,750,700	2,100,655	448,851,355	0.98	445,186,305
2008	5,466,500	245,143,100	1,354,500		198,742,100	- 0 -	2,214,500	452,920,700	2,432,737	455,353,437	0.99	467,628,951
2009	5,466,500	244,889,900	1,354,500		197,828,600	- 0 -	2,214,500	451,754,000	2,050,374	453,804,374	1.07	471,258,932
2010	4,875,000	213,961,800	1,224,600		165,600,100	- 0 -	1,914,100	387,575,600	1,705,656	389,281,256 *	1.28	468,704,509
2011	4,445,100	213,716,600	1,220,800		158,600,100	- 0 -	1,840,800	379,823,400	8,165	379,831,565	1.30	440,171,759
2012	3,863,100	215,325,700	1,229,400		155,431,300	- 0 -	1,837,700	377,687,200		377,687,200	1.32	415,040,879
2013	3,369,700	207,567,300	1,215,900		155,137,100	- 0 -	1,795,300	369,085,300		369,085,300	1.36	400,613,589
2014	3,114,800	214,814,100	1,235,900		156,563,800	- 0 -	1,849,100	377,577,700		377,577,700	1.34	463,171,860
2015	3,114,800	219,171,300	1,050,100	\$ 56,000	153,604,100	- 0 -	1,886,300	378,882,600		378,882,600	1.48	420,032,831
<u>Chester Township</u>												
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	1.00	1,905,993,213
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	1.05	2,131,841,434
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	1.08	2,230,761,264
2009	28,337,400	2,059,943,433	106,972,300		51,086,800	5,163,700	910,000	2,252,413,633	1,868,749	2,254,282,382	1.12	2,195,682,116
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 *	1.39	2,159,919,381
2011	18,576,400	1,670,362,000	92,916,400		49,731,900	3,908,600	835,200	1,836,330,500	2,179,636	1,838,510,136	1.43	2,063,339,316
2012	16,979,400	1,668,358,200	90,299,700		49,761,800	3,908,600	835,200	1,830,142,900	2,310,658	1,832,453,558	1.45	1,998,190,741
2013	14,619,500	1,664,309,100	89,611,100		48,990,700	2,469,700	835,200	1,820,835,300	442,529	1,821,277,829	1.48	1,914,451,003
2014	13,704,800	1,663,455,100	89,890,700		48,804,500	2,469,700	835,200	1,819,160,000	372,270	1,819,532,270	1.51	1,872,128,624
2015	13,628,900	1,664,376,400	87,702,100	1,241,000	47,568,100	2,543,100	835,200	1,817,894,800	373,557	1,818,268,357	1.51	1,873,066,565

\* Reassessment effective in this year

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

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

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

Source: Municipal Tax Assessor

Exhibit J-7

CHESTER SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct Tax Rate	Municipality	Morris County	
<u>Chester Borough</u>						
2006	\$ 0.920	\$ 0.058	\$ 0.978	\$ 0.601	\$ 0.231	\$ 1.810
2007	0.920	0.058	0.978	0.642	0.240	1.860
2008	0.930	0.062	0.992	0.661	0.239	1.892
2009	1.007	0.058	1.065	0.686	0.239	1.990
2010*	1.210	0.069	1.279	0.841	0.241	2.361
2011	1.225	0.070	1.295	0.837	0.274	2.406
2012	1.168	0.150	1.318	0.862	0.271	2.451
2013	1.294	0.065	1.359	0.903	0.276	2.538
2014	1.274	0.065	1.339	0.898	0.264	2.501
2015	1.408	0.067	1.475	0.906	0.278	2.659
<u>Chester Township</u>						
2006	0.943	0.058	1.001	0.289	0.210	1.500
2007	0.992	0.058	1.050	0.359	0.181	1.590
2008	1.016	0.062	1.078	0.395	0.187	1.660
2009	1.057	0.058	1.115	0.367	0.222	1.704
2010 *	1.322	0.069	1.391	0.468	0.264	2.123
2011	1.356	0.070	1.426	0.489	0.266	2.181
2012	1.296	0.150	1.446	0.508	0.269	2.223
2013	1.414	0.065	1.479	0.521	0.266	2.266
2014	1.443	0.065	1.508	0.520	0.267	2.295
2015	1.443	0.067	1.510	0.522	0.259	2.290

\* Reassessment effective in this year

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

CHESTER SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2015			Taxpayer	2006		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value		Taxable Assessed Value	Rank	% of Total District Net Assessed Value
<u>Chester Borough</u>							
Chester Springs, LLC	\$ 32,270,000	1	1.77%	Chester Springs, LLC	\$ 25,824,400	1	6.13%
CPP Streets of Chester, LLC	18,000,000	2	0.99%	NS-MPG, Inc.	8,981,300	2	2.13%
Savro/Chester Shopping Mall	6,925,000	3	0.38%	Savro/Chester Shopping Mall	6,161,500	3	1.46%
ARC RBCR NJ 001	5,920,000	4	0.32%	Williamson Associates	3,708,000	4	0.88%
Williamson Associates	3,900,000	5	0.21%	Sprint	2,143,491	5	0.51%
95 West Main Associates	3,070,000	6	0.17%	95 West Main Associates	2,011,400	6	0.48%
De Sapio Real Estate Develop.	2,525,000	7	0.14%	Chester Franklin Associates	1,920,100	7	0.46%
MGHC Group, LLC	2,240,000	8	0.12%	Turkey Farm Acquisition	1,764,800	8	0.42%
Chester Franklin Associates	2,240,000	9	0.12%	Group 206 North Associates	1,653,800	9	0.39%
Publick House Holdings, LLC.	2,225,000	10	0.12%	Peapack-Gladstone Bank	1,583,000	10	0.38%
Total	<u>\$ 79,315,000</u>		<u>4.35%</u>		<u>\$ 55,751,791</u>		<u>13.24%</u>
<u>Chester Township</u>							
Welkind Rehabilitation Hospital, Inc.	\$ 6,476,600	1	1.63%	Welkind Rehabilitation Hospital, Inc.	\$ 6,170,200	1	0.27%
Individual Taxpayer #1	4,339,700	2	1.10%	Individual Taxpayer #1	5,040,000	2	0.22%
Individual Taxpayer #2	3,733,600	3	0.94%	Individual Taxpayer #2	4,324,000	3	0.19%
Individual Taxpayer #3	3,140,800	4	0.79%	Individual Taxpayer #3	4,000,600	4	0.18%
Individual Taxpayer #4	3,095,800	5	0.78%	Individual Taxpayer #4	3,383,800	5	0.15%
Individual Taxpayer #5	3,008,300	6	0.76%	Individual Taxpayer #5	3,300,000	6	0.15%
Individual Taxpayer #6	2,999,000	7	0.76%	Individual Taxpayer #6	3,125,000	7	0.14%
Individual Taxpayer #7	2,784,600	8	0.70%	Individual Taxpayer #7	3,124,400	8	0.14%
Individual Taxpayer #8	2,661,000	9	0.67%	Individual Taxpayer #8	3,111,300	9	0.14%
Individual Taxpayer #9	2,621,700	10	0.66%	Individual Taxpayer #9	2,793,000	10	0.12%
Total	<u>\$ 34,861,100</u>		<u>8.80%</u>		<u>\$ 38,372,300</u>		<u>1.70%</u>

Note: Individual taxpayers may be different in 2006 and 2015

Source: Municipal Tax Assessors

Exhibit J-9

CHESTER SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the</u> <u>Fiscal Year of the Levy<sup>a</sup></u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2007	\$ 18,070,246	\$ 18,070,246	100.00%	- 0 -
2008	18,738,267	18,738,267	100.00%	- 0 -
2009	19,348,911	19,348,911	100.00%	- 0 -
2010	19,874,156	19,874,156	100.00%	- 0 -
2011	20,207,844	20,207,844	100.00%	- 0 -
2012	20,495,522	20,495,522	100.00%	- 0 -
2013	20,492,897	20,492,897	100.00%	- 0 -
2014	20,581,542	20,581,542	100.00%	- 0 -
2015	21,010,908	21,010,908	100.00%	- 0 -
2016	21,199,168	21,199,168	100.00%	- 0 -

a. School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: School District records including the Certificate and Report of School Taxes (A4F form)

CHESTER SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Bond Anticipation Notes (BANs)	Business-Type Activities Capital Leases	Total District	Percentage of Personal Income <sup>a</sup>	Debt Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases						
2007	\$ 22,590,000	-0-	\$ 1,183,553	-0-	-0-	\$ 23,773,553	4.03%	\$ 2,564	
2008	22,000,000	-0-	771,152	-0-	-0-	22,771,152	3.40%	2,442	
2009	21,390,000	-0-	559,180	-0-	-0-	21,949,180	3.15%	2,349	
2010	20,760,000	-0-	177,247	-0-	-0-	20,937,247	3.18%	2,198	
2011	20,115,000	-0-	59,830	-0-	-0-	20,174,830	2.91%	2,104	
2012	19,445,000	-0-	130,000	-0-	-0-	19,575,000	2.68%	2,038	
2013	19,655,000	-0-	275,000	-0-	-0-	19,930,000	2.64%	2,069	
2014	18,855,000	-0-	140,000	-0-	-0-	18,995,000	2.49%	1,972	
2015	18,030,000	-0-	274,743	-0-	-0-	18,304,743	2.29%	1,899	
2016	17,175,000	-0-	137,327	-0-	-0-	17,312,327	2.17%	1,796	

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

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

Exhibit J-11

CHESTER SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation <sup>a</sup> Taxable	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 22,590,000	-0-	\$ 22,590,000	0.84%	\$ 2,428
2008	22,000,000	-0-	22,000,000	0.81%	2,373
2009	21,390,000	-0-	21,390,000	0.79%	2,294
2010	20,760,000	-0-	20,760,000	0.77%	2,222
2011	20,115,000	-0-	20,115,000	0.90%	2,112
2012	19,445,000	-0-	19,445,000	0.88%	2,028
2013	19,655,000	-0-	19,655,000	0.89%	2,046
2014	18,855,000	-0-	18,855,000	0.86%	1,957
2015	18,030,000	-0-	18,030,000	0.82%	1,871
2016	17,175,000	-0-	17,175,000	0.78%	1,782

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

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Exhibit J-12

CHESTER SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2015  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable <sup>a</sup></u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes			
Borough of Chester	\$ 4,035,000	100.00%	\$ 4,035,000
Township of Chester	8,284,460	100.00%	8,284,460
Morris County General Obligation Debt (Borough Share)	226,745,317	0.46%	1,049,931
Morris County General Obligation Debt (Township Share)	226,745,317	2.06%	4,681,994
			<u>18,051,385</u>
Subtotal, Overlapping Debt			18,051,385
Chester Board of Education Direct Debt			<u>17,175,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 35,226,385</u></u>

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

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

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

Exhibit J-13

CHESTER SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION,  
LAST TEN FISCAL YEARS  
UNAUDITED

Equalized Valuation Basis:

	Legal Debt Margin Calculation for Fiscal Year 2016		
	Chester Borough	Chester Township	Total
2015	\$ 416,491,810	\$ 1,893,837,691	\$ 2,310,329,501
2014	463,171,860	1,871,756,354	2,334,928,214
2013	384,063,788	1,893,153,774	2,277,217,562
	<u>\$ 1,263,727,458</u>	<u>\$ 5,658,747,819</u>	<u>\$ 6,922,475,277</u>

Average Equalized Valuation of Taxable Property	<u>\$ 2,307,491,759</u>
Debt Limit (3% of average equalization value <sup>a</sup> )	\$ 69,224,753
Net Bonded Debt as of June 30, 2016	17,175,000
Legal Debt Margin	<u>\$ 52,049,753</u>

	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	<u>22,590,000</u>	<u>22,000,000</u>	<u>21,390,000</u>	<u>20,760,000</u>	<u>20,115,000</u>
Legal Debt Margin	<u>\$ 36,561,330</u>	<u>\$ 69,114,027</u>	<u>\$ 65,028,324</u>	<u>\$ 68,865,350</u>	<u>\$ 67,788,629</u>
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				
	2012	2013	2014	2015	2016
Debt Limit	\$ 75,362,179	\$ 72,484,088	\$ 70,233,799	\$ 69,384,354	\$ 69,224,753
Total Net Debt Applicable to Limit	<u>19,455,000</u>	<u>19,655,000</u>	<u>18,855,000</u>	<u>18,030,000</u>	<u>17,175,000</u>
Legal Debt Margin	<u>\$ 55,907,179</u>	<u>\$ 52,829,088</u>	<u>\$ 51,378,799</u>	<u>\$ 51,354,354</u>	<u>\$ 52,049,753</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	25.82%	27.12%	26.85%	25.99%	24.81%

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable other districts.

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



Exhibit J-14

CHESTER SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Chester Borough</u>				
<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup></u>	<u>Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
2007	\$ 1,615	\$ 116,620,765	\$ 72,211	3.70%
2008	1,650	123,149,400	74,636	4.90%
2009	1,657	116,845,012	70,516	5.00%
2010	1,650	120,087,000	72,780	8.80%
2011	1,663	126,710,622	76,194	8.50%
2012	1,666	131,102,538	78,693	8.80%
2013	1,672	132,245,168	79,094	6.50%
2014	1,675	138,706,750	82,810	3.80%
2015	1,675	138,706,750 ***	82,810 *	3.70%
2016	1,675 **	138,706,750 ***	82,810 *	N/A

<u>Chester Township</u>				
<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup></u>	<u>Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
2007	\$ 7,657	\$ 552,919,627	\$ 72,211	4.60%
2008	7,675	572,831,300	74,636	5.90%
2009	7,686	541,985,976	70,516	9.80%
2010	7,875	573,142,500	72,780	10.50%
2011	7,925	603,837,450	76,194	10.20%
2012	7,941	624,901,113	78,693	10.10%
2013	7,962	629,746,428	79,094	8.80%
2014	7,959	659,084,790	82,810	6.70%
2015	7,963	659,416,030 ***	82,810 *	3.70%
2016	7,963 **	659,416,030 ***	82,810 *	N/A

\* - Latest Morris County per capita personal income available (2014) was used for calculation purposes.

\*\* - Latest population data available (2015) was used for calculation purposes.

\*\*\* - Latest Morris County personal income available (2014) and latest population data available (2015) was used for calculation purposes.

N/A - Information Not Available

Source:

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

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

<sup>c</sup> Per capita personal income for Morris County is estimated based upon the 2000 Census published

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

Exhibit J-15

CHESTER SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS,  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Employer	2015	
	Employees	Percentage of Total Employment
Picatinny Arsenal	6,000	2.37%
Atlantic Health System	5,171	2.04%
Novartis	4,622	1.82%
Bayer	2,800	1.10%
County of Morris	1,757	0.69%
Wyndam Worldwide	1,626	0.64%
Accenture	1,561	0.62%
St. Clare's Health System	1,504	0.59%
BASF	1,500	0.59%
Pricewaterhouse Coppers	1,360	0.54%
	<u>27,901</u>	<u>11.01%</u>

Employer	2006	
	Employees	Percentage of Total Employment
Atlantic Health Systems	5,900	2.23%
Novartis Corporation	5,000	1.89%
Picatinny Arsenal	3,412	1.29%
Lucent Technologies	2,300	0.87%
St. Clare's Health System	2,250	0.85%
Morris County	2,228	0.84%
United Parcel Service	2,131	0.80%
Automated Data Processing	1,986	0.75%
AT&T	1,500	0.57%
Greystone Psychiatric Hospital	1,300	0.49%
Accenture	1,200	0.45%
Honeywell	1,200	0.45%
Realogy Corporation	1,200	0.45%
Tiffany & Company	1,200	0.45%
Verizon	1,200	0.45%
	<u>34,007</u>	<u>12.83%</u>

Source: Morris County Chamber of Commerce

CHESTER SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	93.8	100.2	104.0	101.9	95.5	80.4	95.5	93.9	83.9	84.1
Special Education	41.5	17.2	19.2	20.2	18.5	36.5	21.5	22.0	20.8	19.1
Other Instruction	56.0	8.6	9.3	9.9	9.3	7.0	9.0	8.2	9.8	10.9
Support Services:										
Student & Instruction Related Services	30.5	25.0	24.9	25.5	19.2	21.1	20.9	21.1	29.0	41.9
General and Business Administrative Services	7.0	9.0	9.0	9.5	7.2	5.1	5.6	5.6	5.4	5.5
School Administrative Services	4.0	10.0	10.6	10.6	10.6	9.2	11.6	11.6	12.0	11.3
Transportation	14.5	7.6	7.2	6.0	5.7	7.2	8.2	6.8	7.8	9.2
Plant Operations and Maintenance	26.8	13.4	16.0	15.5	14.5	16.3	13.5	13.5	14.3	15.3
Total	<u>274.1</u>	<u>191.0</u>	<u>200.2</u>	<u>199.1</u>	<u>180.5</u>	<u>182.8</u>	<u>185.8</u>	<u>182.7</u>	<u>183.0</u>	<u>197.3</u>

Source: School District Personnel Records

CHESTER SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year End June 30,	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio <sup>e</sup>		Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	1,408	\$ 21,029,518	\$ 14,936	10.99%	126	23:1	24:1	1,392	1,329	1.19%	95.48%
2008	1,431	20,950,557	14,641	-1.98%	129	23:1	24:1	1,430	1,393	2.71%	97.41%
2009	1,442	21,594,534	14,975	2.29%	133	21:1	21:1	1,425	1,363	-0.35%	95.64%
2010	1,378	22,341,532	16,213	8.26%	132	19.5:1	20.75:1	1,379	1,327	-3.24%	96.26%
2011	1,353	20,612,569	15,235	-6.03%	132	22:1	23:1	1,352	1,304	-1.97%	96.44%
2012	1,304	20,805,221	15,955	4.73%	132	18.2:1	21.7:1	1,302	1,261	-3.68%	96.83%
2013	1,241	21,846,174	17,604	10.33%	129	19.6:1	19.04:1	1,236	1,197	-5.06%	96.82%
2014	1,188	21,929,563	18,459	4.86%	130	20:1	18.04:1	1,190	1,148	-3.75%	96.52%
2015	1,166	22,448,758	19,253	4.30%	132	19:1	18:1	1,159	1,126	-2.60%	97.20%
2016	1,140	22,804,902	20,004	3.90%	135	8:1	9:1	1,133	1,100	-2.22%	97.09%

## Note:

- a Operating expenditures equal total expenditures less debt service and capital outlay
- b Cost per pupil represents operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.
- c Teaching staff includes only full-time equivalents of certificated staff.
- d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- e Pupil / Teacher Ratio beginning in 2015 obtained from Taxpayer's Guide to Education Spending (TGES)

Source: School District records.

CHESTER SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b><u>District Building</u></b>									
<u>Elementary</u>									
Bragg									
Square Feet	58,082	58,082	58,082	58,082	58,082	58,082	58,082	58,082	58,082
Capacity (students)	396	396	396	396	396	396	396	396	396
Enrollment	497	507	467	456	449	436	407	352	345
Dickerson									
Square Feet	59,105	59,105	59,105	59,105	59,105	59,105	59,105	59,105	59,105
Capacity (students)	415	415	415	415	415	415	415	415	415
Enrollment	438	414	413	371	327	330	326	326	333
<u>Middle School</u>									
Black River Middle School									
Square Feet	73,191	73,191	73,191	73,191	73,191	73,191	73,191	73,191	73,191
Capacity (students)	497	497	497	497	497	497	497	497	497
Enrollment	496	504	498	520	528	473	454	454	455

Number of Schools  
 Elementary = 2  
 Middle School = 1

N/A - Not Applicable

This schedule does not contain ten years of information as information prior to 2007 is not available.

Source: School District records.

CHESTER SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS  
UNAUDITED

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Bragg</u>	<u>Dickerson</u>	<u>Black River</u>	<u>Total</u>
2007	\$ 39,607	\$ 29,694	\$ 45,849	\$ 115,150
2008	45,762	37,182	60,063	143,007
2009	76,940	78,296	96,955	252,191
2010	71,561	72,821	90,176	234,558
2011	73,874	75,175	93,091	242,140
2012	84,559	86,048	106,556	277,163
2013	93,255	94,897	117,513	305,665
2014	87,404	88,943	110,141	286,488
2015	92,031	93,652	115,970	301,653
2016	129,223	146,128	156,558	431,909

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

Source: School District records.

CHESTER SCHOOL DISTRICT  
INSURANCE SCHEDULE  
AS OF JUNE 30, 2016  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
<u>PROPERTY SECTION:</u>		
School Package Policy:		
Blanket Building and Contents (Ratable Limit)	\$ 400,000,000	\$ 5,000
Accounts Receivable	250,000	5,000
Automobile Physical Damage	In Blanket Limit	5,000
Electronic Data Processing Equipment	1,025,000	1,000
<u>LIABILITY SECTION:</u>		
Comprehensive General Liability	16,000,000	
Automobile Liability	16,000,000	
Employee Benefit Liability	16,000,000	1,000
<u>CRIME:</u>		
Blanket Employee Dishonesty	10,000	500
Forgery	25,000	500
Theft/Disappearance/Destruction:		
Inside	25,000	500
Outside	25,000	500
Computer Fraud	100,000	500
<u>SCHOOL BOARD LEGAL LIABILITY - NJSIG:</u>	16,000,000	5,000
<u>ENVIRONMENTAL IMPAIRMENT LIABILITY:</u>		
Limit of Liability:		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	
<u>WORKERS' COMPENSATION:</u>		
Statutory Benefits	Included	
Employer's Liability	2,000,000	
Supplemental Coverage (optional)	Included	
<u>SELECTIVE BONDS:</u>		
Business Administrator	90,000	
Treasurer	225,000	

SINGLE AUDIT SECTION





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

Independent Auditors' Report

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

We have audited, in accordance with the 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Chester School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2016.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable President and Members  
of the Board of Education  
Chester School District  
County of Morris, New Jersey  
Page 2

### **Compliance and Other Matters**

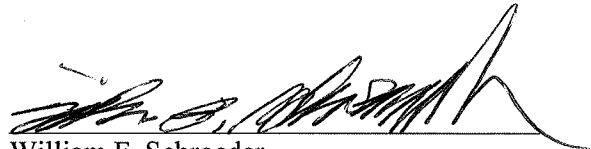
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 23, 2016  
Mount Arlington, New Jersey

NISIVOCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant



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Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

We have audited the Board of Education of the Chester School District's (the "District's"), compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2016. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016.

The Honorable President and Members  
of the Board of Education  
Chester School District  
County of Morris, New Jersey  
Page 2

### Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

September 23, 2016  
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant

**CHESTER SCHOOL DISTRICT**  
**SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015				Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2016			Amounts Provided to Subrecipients
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Adjustments				Budgetary Unearned Revenue	Budgetary Accounts Receivable	Due to Grantor	
<b>U.S. Department of Agriculture:</b>															
Passed-through State Department of Education:															
<b>Enterprise Fund</b>															
Child Nutrition Cluster:															
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	\$ 25,930				\$ 25,930	\$ (21,947)		\$ 3,983				
Food Distribution Program	10.555	N/A	7/1/14-6/30/15	16,915		\$ 3,988			(3,988)						
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	43,445				39,275	(43,445)				\$ (4,170)		
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	42,919	\$ (3,541)			3,541							
Total Child Nutrition Cluster					(3,541)	3,988		68,746	(69,380)		3,983	(4,170)			
Total Enterprise Fund					(3,541)	3,988		68,746	(69,380)		3,983	(4,170)			
<b>Special Revenue Fund</b>															
No Child Left Behind:															
Title I	84.010A	NCLB510016	7/1/15-6/30/16	37,002					(37,002)			(37,002)			
Title I	84.010A	NCLB510015	7/1/14-6/30/15	26,609	(8,039)			8,039				(37,002)			
Total Title I					(8,039)			8,039	(37,002)			(37,002)			
Title IIA	84.367A	NCLB510015	7/1/15-6/30/16	19,898					(19,898)			(19,898)			
Title IIA	84.367A	NCLB510014	7/1/14-6/30/15	20,297	(6,134)			6,134				(19,898)			
Total Title IIA					(6,134)			6,134	(19,898)			(19,898)			
Title III - Immigrant C/O	84.365A	NCLB510015	7/1/14-6/30/15	4,930	(4,930)							(4,930)			
Title III	84.365A	NCLB510016	7/1/15-6/30/16	11,779					(11,779)			(11,779)			
Title III	84.365A	NCLB510015	7/1/14-6/30/15	16,689	(2,835)			2,835				(16,709)			
Total Title III					(7,765)			2,835	(11,779)			(16,709)			
<b>U.S. Department of Education:</b>															
Passed-through State Department of Education:															
<b>Special Education Cluster:</b>															
I.D.E.A. Part B, Basic	84.027A	IDEA510016	7/1/15-6/30/16	\$ 305,881				\$ 250,042	\$ (298,405)			(48,363)			
I.D.E.A. Part B, Basic	84.027A	IDEA510015	7/1/14-6/30/15	371,870		\$ 44,593	\$ (53,305)					(8,712)			
I.D.E.A. Part B, Basic	84.027A	IDEA510014	7/1/13-6/30/14	332,645	(128,260)		53,305					(74,955)			
I.D.E.A. Preschool	84.173A	IDEA510016	7/1/15-6/30/16	20,518					(39,476)			(39,476)			
I.D.E.A. Preschool	84.173A	IDEA510015	7/1/14-6/30/15	38,796		3,979	(5,221)					(1,242)			
I.D.E.A. Preschool	84.173A	IDEA510014	7/1/13-6/30/14	20,308	(5,221)		5,221					(1,242)			
Total Special Education Cluster					(133,481)	48,572		250,042	(337,881)			(172,748)			
Total Special Revenue					(155,419)	48,572		267,050	(406,560)			(246,357)			
Total U.S. Department of Education					(155,419)	48,572		267,050	(406,560)			(246,357)			
Total Federal Awards					\$ (158,960)	\$ 52,560	\$ -0-	\$ -0-	\$ 335,796	\$ (475,940)	\$ -0-	\$ 3,983	\$ (267,236)	\$ -0-	

N/A - Not Applicable

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

CHESTER SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015			Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO	
				Budgetary Accounts Receivable	Due to Grantor	Cash Received			GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education:</b>												
<b>General Fund State Aid:</b>												
Special Education Categorical Aid Security Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 839,955	\$ (79,271)		\$ 79,271						\$ 839,955
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	61,450	(5,799)		5,799						61,450
Transportation Aid	15-495-034-5120-085	7/1/14-6/30/15	10,550	(996)		996						10,550
PARCC Readiness Aid	15-495-034-5120-014	7/1/14-6/30/15	105,537	(9,960)		9,960						105,537
Per Pupil Growth Aid	15-495-034-5120-098	7/1/14-6/30/15	11,430	(1,079)		1,079						11,430
Nonpublic Transportation Costs	15-495-034-5120-097	7/1/14-6/30/15	11,430	(1,079)		1,079						11,430
Extraordinary Special Education Costs Aid	15-495-034-5120-014	7/1/14-6/30/15	19,355	(19,355)		19,355						19,355
Reimbursed TPAF Social Security Contributions	15-100-034-5120-473	7/1/14-6/30/15	237,343	(237,343)		237,343						237,343
Contributions	15-495-034-5095-002	7/1/14-6/30/15	665,298	(33,232)		33,232						665,298
Special Education Categorical Aid Security Aid	16-495-034-5120-089	7/1/15-6/30/16	839,955			761,449	\$ (839,955)				\$ (78,506)	839,955
Adjustment Aid	16-495-034-5120-084	7/1/15-6/30/16	61,450			55,706	(61,450)				(5,744)	61,450
Transportation Aid	16-495-034-5120-085	7/1/15-6/30/16	10,550			9,564	(10,550)				(986)	10,550
PARCC Readiness Aid	16-495-034-5120-014	7/1/15-6/30/16	105,537			95,673	(105,537)				(9,864)	105,537
Per Pupil Growth Aid	16-495-034-5120-098	7/1/15-6/30/16	11,430			10,362	(11,430)				(1,068)	11,430
Nonpublic Transportation Costs	16-495-034-5120-097	7/1/15-6/30/16	11,430			10,362	(11,430)				(1,068)	11,430
Extraordinary Special Education Costs Aid	16-495-034-5120-014	7/1/15-6/30/16	17,858				(17,858)		\$ (17,858)		(17,858)	17,858
Reimbursed TPAF Social Security Contributions	16-495-034-5120-044	7/1/15-6/30/16	99,554				(99,554)		(99,554)		(99,554)	99,554
Contributions	16-495-034-5095-003	7/1/15-6/30/16	659,167			625,921	(659,167)		(33,246)		(33,246)	659,167
<b>Subtotal - General Fund</b>				<b>(388,114)</b>		<b>1,957,151</b>	<b>(1,816,931)</b>		<b>(150,658)</b>		<b>(247,894)</b>	<b>3,779,279</b>
<b>Special Revenue Fund Aid:</b>												
<b>Nonpublic Auxiliary Services:</b>												
N.J. Nonpublic Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	19,300			19,300	(19,300)					19,300
N.J. Nonpublic Nursing Aid	16-100-034-5120-070	7/1/15-6/30/16	30,420			30,420	(30,420)					30,420
N.J. Nonpublic Technology Initiative	16-100-034-5120-373	7/1/15-6/30/16	8,788			8,788	(8,788)					8,788
N.J. Nonpublic Security Aid	16-100-034-5120-509	7/1/15-6/30/16	16,750			16,750	(16,750)					16,750
<b>Nonpublic Handicapped Services:</b>												
Supplementary Instruction	16-100-034-5120-066	7/1/15-6/30/16	9,866			9,866	(9,866)					9,866
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	3,193			3,193	(3,193)					3,193
Examination and Classification	15-100-034-5120-066	7/1/14-6/30/15	19,766		\$ 7,791			\$ (7,791)				19,766
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	8,178			8,178	(6,740)			\$ 1,438		6,740
<b>Subtotal - Special Revenue Fund - Department of Education</b>					<b>7,791</b>	<b>96,495</b>	<b>(95,057)</b>		<b>(7,791)</b>		<b>1,438</b>	<b>114,823</b>

CHESTER SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<u>State Department of Education:</u>												
Enterprise Fund:												
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	\$ 2,403			\$ 2,178	\$ (2,403)		\$ (225)		\$ (225)	\$ 2,403
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	2,556	\$ (217)		217						2,556
Subtotal - Enterprise Fund				(217)		2,395	(2,403)		(225)		(225)	4,959
Total State Department of Education				(388,331)	\$ 7,791	2,056,041	(1,914,391)	\$ (7,791)	(150,883)	\$ 1,438	(248,119)	3,899,061
<u>Schools Development Authority:</u>												
Capital Projects Fund:												
Educational Facilities Construction & Financing Act:												
Schools Development Authority Grant	0820-020-05-0AZL	05/08/2006	841,386	(161,598)					(161,598)		(161,598)	
Schools Development Authority Grant	0820-030-05-0AZM	05/08/2006	662,536	(127,312)					(127,312)		(127,312)	
Schools Development Authority Grant	0820-040-05-0AZN	05/08/2006	106,786	(20,510)					(20,510)		(20,510)	
Total Capital Projects Fund				(309,420)					(309,420)		(309,420)	
Total State Awards				\$ (697,751)	\$ 7,791	\$ 2,056,041	\$ (1,914,391)	\$ (7,791)	\$ (460,303)	\$ 1,438	\$ (557,539)	\$ 3,899,061

N/A - Not Applicable/Available

CHESTER SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Chester School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the 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 last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$948 for the general fund and (\$15,808) for the special revenue fund (which includes \$9,545 of local grant encumbrances which are not included in the reconciliation). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post Retirement Contributions revenue of \$705,946 and \$840,587, respectively.



CHESTER SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,364,412	\$ 3,364,412
Special Revenue Fund	\$ 400,297	95,057	495,354
Food Service Fund	69,380	2,403	71,783
Total Awards	<u>\$ 469,677</u>	<u>\$ 3,461,872</u>	<u>\$ 3,931,549</u>

NOTE 5. 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 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016.

NOTE 7. NEW JERSEY SCHOOL DEVELOPMENT AUTHORITY GRANT

The District has an active grant awarded in the amount of \$1,610,708 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended and submitted for reimbursement.

CHESTER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 839,955.00	\$ 839,955.00
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	61,450	61,450
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	10,550	10,550
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	11,430	11,430
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	11,430	11,430

- The threshold for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

CHESTER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.

CHESTER SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.