

CHESTER SCHOOL DISTRICT

**Chester School District
Chester, New Jersey**

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

Comprehensive Annual Financial Report

of the

**Chester School District
Board of Education**

Chester, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Chester School District
Board Office**

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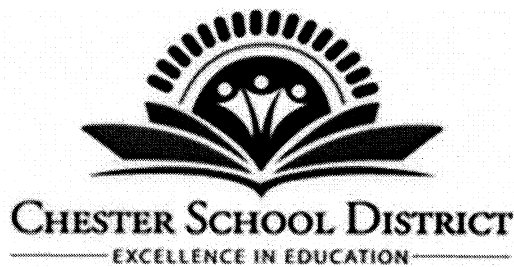
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INTRODUCTORY SECTION



Dr. Christina Van Woert
Superintendent of Schools

Tanya Dawson
School Business Administrator

January 18, 2019

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, 2018 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 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. 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 2017-2018 fiscal year with an enrollment of 1,080 students, which is 63 less students 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 1,020 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.

(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 2018. 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 fifth 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

Our math programs and curriculum are in complete alignment with the New Jersey Student Learning Standards. We offer a hybrid model of reform and traditional mathematics through the Pearson Envision Program. This culminates in our middle school math program, Pathways to Algebra. Students are offered standard grade level math, Algebra and/or Geometry. A math coach helps coordinate this program and assures that instruction and assessments are in alignment with our curriculum and the standards.

SCIENCE

This year we fully implemented the K – 5 New Jersey Student Learning Standards in conjunction with the Next Generation Science Standards. Adopting a program called STEMScopes in grades K – 8, we will continue to provide training and professional development to our teachers to help them grow and strengthen their skills in this hands-on, constructivist approach to teaching science.

LANGUAGE ARTS LITERACY

The district has a literacy coach that is charged with implementing our balanced reading program in grades K-8. Using a guided reading approach and the Scholastic Reading Inventory assessment program, teachers tailor lessons specifically to each student's needs. This year we are also exploring training our teachers in the Wilson approach to teaching reading and look to broaden the number of teachers who are applying this individualistic approach to teaching reading.

SOCIAL STUDIES

Our social studies programs and curricula are also in alignment with the New Jersey Student Learning Standards. In addition, this year in particular, we are researching additional approaches to teaching civics. This is currently a goal of our Board of Education and therefore is a priority in our curriculum and instruction work this year. Our hope is to strengthen and broaden our approach to teaching civics across all subject areas, but especially in our social studies classes.

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 system 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.

(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 vote 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, 2018.

(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
Page 5
January 18, 2019

(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,

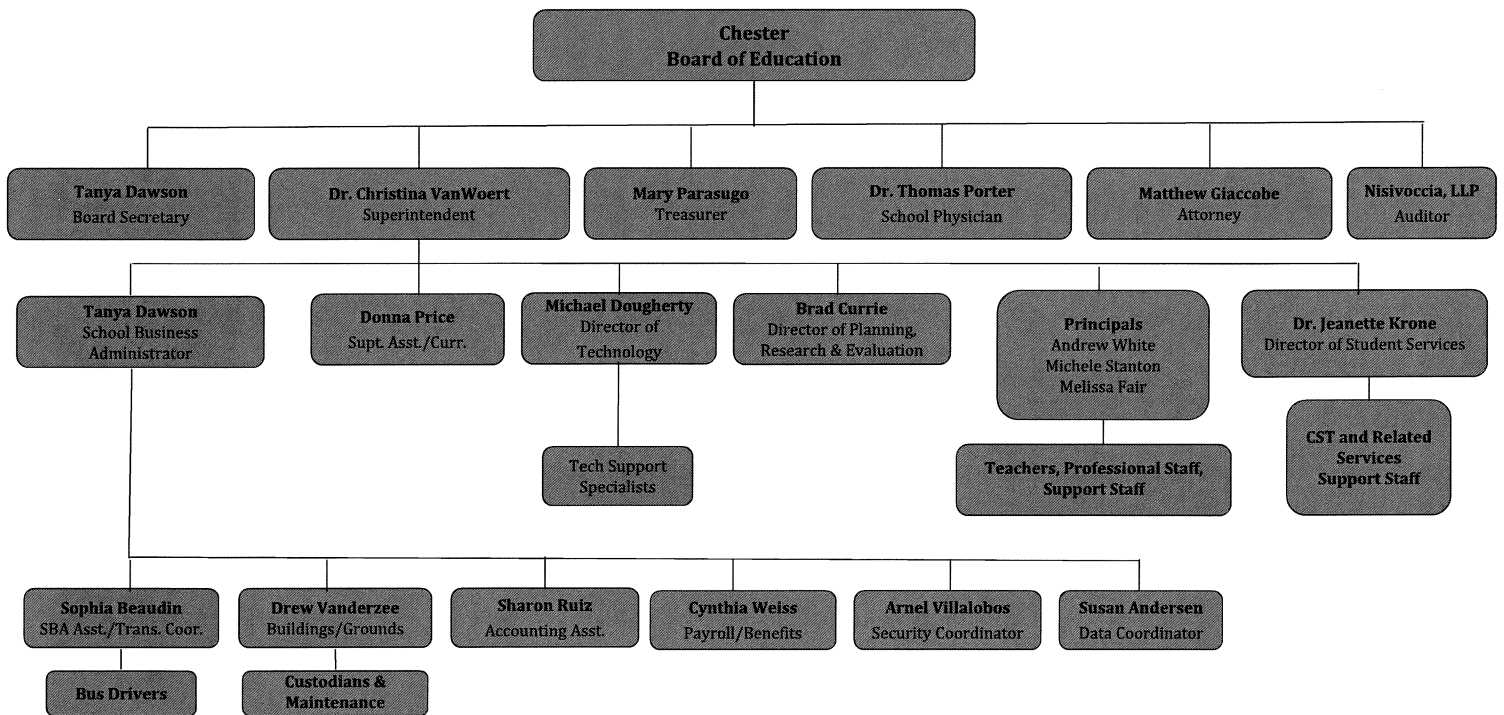
Christina Van Woert

Christina Van Woert, Ed. D.
Superintendent of Schools

Tanya Dawson

Tanya Dawson
School Business Administrator/Board Secretary

**Chester Public Schools
Organization Chart
2017-2018**



**CHESTER SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Michael Tomasco - President	2018
Raj Sha - Vice President	2018
Heather Ronco - Trustee	2019
Amy Collins - Trustee	2019
Caroline Kleppe-Collins - Trustee	2018
Christopher Lowry - Trustee	2020
Liz Madinabeitia - Trustee	2020
Forlenza Rebekah - Trustee	2020
Kerri Wright - Trustee	2019

<u>Other Officers</u>	<u>Title</u>
Dr. Christina Van Woert	Superintendent
Melissa Simmons	Business Administrator/Board Secretary (To January 18, 2018)
Rhonda Curry	Interim Business Administrator/Board Secretary (From January 2, 2018)
Tanya Dawson	Business Administrator/Board Secretary (From May 1, 2018)
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
5 Ravine Drive
Matawan, NJ 07747

Official Depository

Valley National Bank
2 Main Street
Chester, NJ 07930

FINANCIAL SECTION

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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.

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, 2018, 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.

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

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 and post-employment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-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 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.

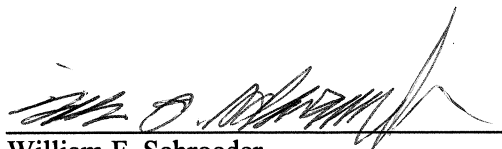
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

January 18, 2019
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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status increased on a district-wide basis over the course of the year.
- Overall revenue was approximately \$32.11 million and overall expenses were approximately \$31.95 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**

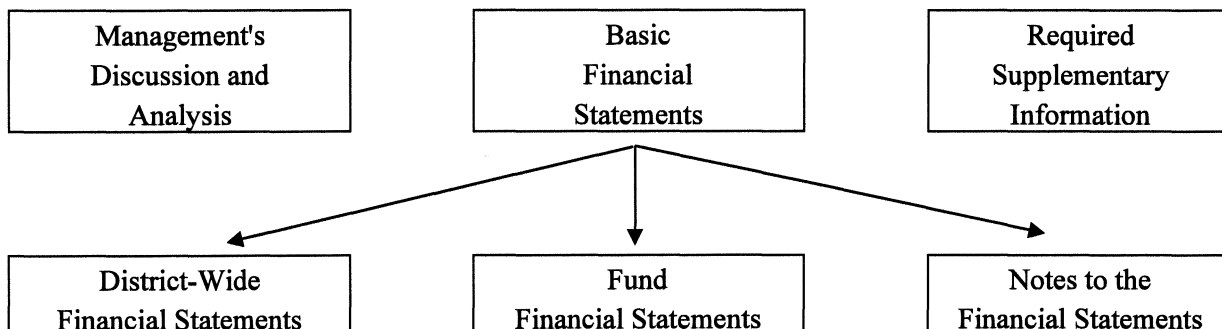


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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 services	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 \$71,806. Net position from governmental activities increased by \$70,822 and net position from business-type activities increased by \$984. Net investment in capital assets decreased by \$19,466, restricted net position increased by \$595,733, and unrestricted net position decreased by \$504,461.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018
Assets:							
Current and							
Other Assets	\$ 7,077,318	\$ 6,875,226	\$ 77,869	\$ 60,606	\$ 7,155,187	\$ 6,935,832	3.16%
Capital Assets, Net	22,127,468	23,018,617	64,496	74,348	22,191,964	23,092,965	-3.90%
Total Assets	29,204,786	29,893,843	142,365	134,954	29,347,151	30,028,797	-2.27%
Deferred Outflow of Resources	2,964,935	3,590,578			2,964,935	3,590,578	-17.42%
Liabilities:							
Other Liabilities	516,095	405,352	9,936	3,509	526,031	408,861	28.66%
Long-Term Liabilities	22,558,797	25,339,408			22,558,797	25,339,408	-10.97%
Total Liabilities	23,074,892	25,744,760	9,936	3,509	23,084,828	25,748,269	-10.34%
Deferred Inflow of Resources	1,286,321	1,975			1,286,321	1,975	65030.18%
Net Position:							
Net Investment in							
Capital Assets	7,895,446	7,905,060	64,496	74,348	7,959,942	7,979,408	-0.24%
Restricted	5,970,078	5,374,345			5,970,078	5,374,345	11.08%
Unrestricted/(Deficit)	(6,057,016)	(5,541,719)	67,933	57,097	(5,989,083)	(5,484,622)	-9.20%
Total Net Position	\$ 7,808,508	\$ 7,737,686	\$ 132,429	\$ 131,445	\$ 7,940,937	\$ 7,869,131	0.91%

Changes in Net Position. The District's combined net position was \$7,940,937 on June 30, 2018, an increase of \$71,806 or 0.91% more than it was the year before (See Figure A-3). Net Investment in Capital Assets decreased by \$19,466 primarily due to the decrease in deferred amount on refunding of \$87,549, the \$900,000 reduction in bonded debt from current year maturities and the \$1,370,460 of current year capital assets additions offset by the \$1,864,259 of depreciation expense and net related adjustments. Restricted net position increased by \$595,733 due to the increase in capital reserve of \$986,427, the increase in Debt Service reserve of \$84,306 due to the closing out of Capital Projects offset by a decrease in excess surplus of \$400,000 and a decrease in maintenance reserve of \$75,000. The unrestricted net position decreased by \$504,461 due primarily to the \$812,424 decrease in year-end encumbrances, offset by the net increase in compensated absences payable of \$1,549 and 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	Business- Type Activities	Governmental Activities	Business- Type Activities	Total School District	Total School District	Percentage Change
	2017/2018	2017/2018	2016/2017	2016/2017	2017/2018	2016/2017	2017/2018
Revenue:							
Program Revenue:							
Charges for Services	\$ 297,046	\$ 276,241	\$ 252,555	\$ 253,765	\$ 573,287	\$ 506,320	13.23%
Operating Grants and Contributions	9,477,047	67,777	8,442,050	53,271	9,544,824	8,495,321	12.35%
General Revenue:							
Property Taxes	21,684,589		21,485,385		21,684,589	21,485,385	0.93%
Unrestricted State and Federal Aid	117,079		105,452		117,079	105,452	11.03%
Other	186,600	1,022	41,536	232	187,622	41,768	349.20%
Total Revenue	31,762,361	345,040	30,326,978	307,268	32,107,401	30,634,246	4.81%
Expenses:							
Instruction	17,109,801		16,840,825		17,109,801	16,840,825	1.60%
Pupil and Instruction Services	4,368,580		3,872,585		4,368,580	3,872,585	12.81%
Administrative and Business	4,699,456		4,594,104		4,699,456	4,594,104	2.29%
Maintenance and Operations	3,104,036		2,449,131		3,104,036	2,449,131	26.74%
Transportation	1,493,733		1,615,429		1,493,733	1,615,429	-7.53%
Other	827,336	342,016	819,841	288,438	1,169,352	1,108,279	5.51%
Total Expenses	31,602,942	342,016	30,191,915	288,438	31,944,958	30,480,353	4.81%
Other Items:							
Cancellation of Prior Year Federal							
Grants Receivable	(88,597)				(88,597)		-100.00%
Prior Year Appraisal Adjustment		(2,040)			(2,040)		-100.00%
	(88,597)	(2,040)	-0-	-0-	(90,637)	-0-	-100.00%
Increase/(Decrease) in Net Position	\$ 70,822	\$ 984	\$ 135,063	\$ 18,830	\$ 71,806	\$ 153,893	-53.34%

Revenue Sources. The District's total revenue for the 2017/2018 school year was \$32,107,401. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$21,684,589 of the total, or 67.54 percent. (See Figure A-5). Another 30.09 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 2018**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 9,544,824	29.73%
Property Taxes	21,684,589	67.54%
Federal and State Categorical Grants	117,079	0.36%
Charges for Services	573,287	1.79%
Other	187,622	0.58%
	\$ 32,107,401	100.00%

The total cost of all programs and services was \$31,944,958. The District's expenses are predominantly related to instruction, pupil and instruction services and transportation (71.92 percent). (See Figure A-6). Administrative and business activities accounted for 14.71 percent of expenses. The District's maintenance and operations activities accounted for 9.72 percent of total costs.

Figure A-6

Expenses for Fiscal Year 2018

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 17,109,801	53.56%
Pupil and Instruction Services	4,368,580	13.68%
Administrative and Business	4,699,456	14.71%
Maintenance and Operations	3,104,036	9.72%
Transportation	1,493,733	4.68%
Other	1,169,352	3.66%
	<u>\$ 31,944,958</u>	<u>100.01%</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

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2017/2018</u>	<u>2017/2018</u>	<u>2016/2017</u>	<u>2016/2017</u>
Instruction	\$ 17,109,801	\$ 10,002,764	\$ 16,840,825	\$10,246,809
Pupil and Instruction Services	4,368,580	3,089,763	3,872,585	2,956,289
Administrative and Business	4,699,456	3,941,655	4,594,104	3,949,890
Maintenance and Operations	3,104,036	2,787,813	2,449,131	2,192,204
Transportation	1,493,733	1,232,617	1,615,429	1,380,469
Other	827,336	774,237	819,841	833,950
	<u>\$ 31,602,942</u>	<u>\$ 21,828,849</u>	<u>\$ 30,191,915</u>	<u>\$21,559,611</u>

- The cost of all governmental activities this year was \$31.6 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$9.5 million.
- Approximately \$21.7 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from charges for services, miscellaneous revenue and investment earnings.

Business-Type Activities

The District's business-type activities increased by \$984. The increase is due primarily to a increase in operating expenses in the Food Service Fund of approximately \$53,578 offset by a increase in non-operating revenue by \$15,296 and a increase in Food Service Management Contractor Contribution by \$22,746.

Financial Analysis of the District's Funds

The District's financial position increased primarily due to an increase in long-term liabilities in the General Fund. 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 Long – Term Liabilities Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage
	Government Activities		Business-Type Activities		Total School District		Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018
Construction in Progress	\$ 29,700	\$ 257,167			\$ 29,700	\$ 257,167	-88.45%
Buildings and Building Improvements	20,448,845	20,760,383			20,448,845	20,760,383	-1.50%
Site Improvements	560,510	1,288,858			560,510	1,288,858	-56.51%
Machinery and Equipment	1,088,413	712,209	\$ 64,496	\$ 74,348	1,152,909	786,557	46.58%
Total Capital Assets (Net of Depreciation)	\$ 22,127,468	\$ 23,018,617	\$ 64,496	\$ 74,348	\$ 22,191,964	\$ 23,092,965	-3.90%

During the current fiscal year, the District had capital additions of \$1,370,460 and depreciated \$1,864,259 of its capital assets. There were also valuation adjustments made to agree to the current year fixed asset report.

Long-term Liabilities

At year-end, the District had \$22,558,797 in long term liabilities – an decrease of \$2,780,611 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

Outstanding Long-Term Liabilities

	Total School District		Percentage Change
	2017/2018	2016/2017	
Serial Bonds Payable	\$ 15,405,000	\$ 16,305,000	-5.52%
Net Pension Liability	5,985,387	7,753,952	-22.81%
Other Long-Term Liabilities	1,168,410	1,280,456	-8.75%
Other Long-Term Liabilities	<u>\$ 22,558,797</u>	<u>\$ 25,339,408</u>	-10.97%

The District continued to pay down its debt, which included retiring \$69,084 capital lease obligations and \$900,000 in serial bonds payable. There was also a net increase of \$1,549 in compensated absences payable, a \$44,511 decrease in unrestricted bond premium and a 22.81% decrease in net pension liability of \$1,768,565.

Factors Bearing on the District's Future

The Chester School District remains financially stable. On January 6, 2018, S&P Global issued a report that noted an upgrade to AA++ for school long-term debt. Additionally, although state funding remains unsure year to year, the District continues to maintain healthy reserves and strong educational programs despite this uncertainty.

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 Tanya Dawson, School Business Administrator, Chester Board of Education, 50 North Road, Chester, New Jersey.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

CHESTER SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 553,209	\$ 70,085	\$ 623,294
Internal Balances	(585)	585	
Receivables from State Government	207,887	234	208,121
Receivables from Federal Government	407,252	3,309	410,561
Receivables from Other Governments	13,381		13,381
Other Accounts Receivable	10,402		10,402
Inventories		3,656	3,656
Restricted Cash and Cash Equivalents	5,885,772		5,885,772
Capital Assets, Net:			
Construction in Progress	29,700		29,700
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	22,097,768	64,496	22,162,264
Total Assets	29,204,786	142,365	29,347,151
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Amount on Refunding	1,172,978		1,172,978
Deferred Outflows Related to Pensions	1,791,957		1,791,957
Total Deferred Outflows of Resources	2,964,935		2,964,935
LIABILITIES			
Current Liabilities:			
Accounts Payable	320,641		320,641
Payable to Other Government	1,927		1,927
Accrued Interest Payable	163,168		163,168
Unearned Revenue	30,359	9,936	40,295
Noncurrent Liabilities:			
Due Within One Year	750,766		750,766
Due Beyond One Year	21,808,031		21,808,031
Total Liabilities	23,074,892	9,936	23,084,828
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Related to Pensions	1,286,321		1,286,321
Total Deferred Inflows of Resources	1,286,321		1,286,321
NET POSITION			
Net Investment in Capital Assets	7,895,446	64,496	7,959,942
Restricted for:			
Capital Projects	4,871,810		4,871,810
Debt Service	84,306		84,306
Maintenance Reserve	1,013,962		1,013,962
Unrestricted/(Deficit)	(6,057,016)	67,933	(5,989,083)
Total Net Position	\$ 7,808,508	\$ 132,429	\$ 7,940,937

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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 12,538,545		\$ 4,206,560		\$ (8,331,985)		\$ (8,331,985)
Special Education	3,296,471	\$ 297,046	2,174,079		(825,346)		(825,346)
Other Special Instruction	896,097		307,537		(588,560)		(588,560)
School Sponsored	378,686		121,813		(256,873)		(256,873)
Support Services:							
Tuition	337,773		182,480		(155,293)		(155,293)
Student and Instruction Related Services	4,030,807		1,096,337		(2,934,470)		(2,934,470)
General Administrative Services	2,324,396		98,116		(2,226,280)		(2,226,280)
School Administrative Services	1,562,318		489,109		(1,073,209)		(1,073,209)
Central Services	544,061		104,601		(439,460)		(439,460)
Administrative Information Technology	268,681		65,974		(202,707)		(202,707)
Plant Operations and Maintenance	3,104,037		316,224		(2,787,813)		(2,787,813)
Pupil Transportation	1,493,733		261,117		(1,232,617)		(1,232,617)
Special Schools	235,923		53,099		(182,824)		(182,824)
Interest on Long-Term Debt	532,955				(532,955)		(532,955)
Capital Outlay	58,458				(58,458)		(58,458)
Total Governmental Activities	31,602,942	297,046	9,477,047		(21,828,849)		(21,828,849)
Business-Type Activities:							
Food Service	342,016	276,241	67,777			\$ 2,002	2,002
Total Business-Type Activities	342,016	276,241	67,777			2,002	2,002
Total Primary Government	\$ 31,944,958	\$ 573,287	\$ 9,544,824	\$ -0-	(21,828,849)	2,002	(21,826,847)

CHESTER SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenue and Other Items:			
Property Taxes, Levied for General Purposes	\$ 21,684,589	\$	\$ 21,684,589
Federal, State and Local Aid not Restricted	117,079		117,079
Interest Earnings	97,337	\$ 1,022	98,359
Miscellaneous Income	89,263		89,263
Other Item - Cancellation of Prior Year			
Federal Grants Receivables	(88,597)		(88,597)
Other Items		(2,040)	(2,040)
Total General Revenues and Other Items	21,899,671	(1,018)	21,898,653
Change in Net Position	70,822	984	71,806
Net Position - Beginning	7,737,686	131,445	7,869,131
Net Position - Ending	\$ 7,808,508	\$ 132,429	\$ 7,940,937

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 397,530			\$ 155,679	\$ 553,209
Interfund Receivable	440,170				440,170
Receivables From State Government	207,887				207,887
Receivables From Federal Government		\$ 407,252			407,252
Receivables From Other Governments	13,381				13,381
Other Accounts Receivable	6,567	3,835			10,402
Restricted Cash and Cash Equivalents	5,885,772				5,885,772
Total Assets	\$ 6,951,307	\$ 411,087	\$ -0-	\$ 155,679	\$ 7,518,073
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 16,347	\$ 13,181			\$ 29,528
Interfund Payable	585	368,797		\$ 71,373	440,755
Other Liabilities	1,927				1,927
Unearned Revenue	1,250	29,109			30,359
Total Liabilities	20,109	411,087		71,373	502,569
Fund Balances:					
Restricted:					
Capital Reserve Account	4,871,810				4,871,810
Maintenance Reserve Account	1,013,962				1,013,962
Debt Service				\$ 84,306	84,306
Assigned:					
Encumbrances	79,443				79,443
Designated for Subsequent Year's Expenditures	459,460				459,460
Unassigned	506,523				506,523
Total Fund Balances	6,931,198	-0-		84,306	7,015,504
Total Liabilities and Fund Balances	\$ 6,951,307	\$ 411,087	\$ -0-	\$ 155,679	\$ 7,518,073

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

Fund Balances at June 30, 2018	\$ 7,015,504
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$41,670,243 and the Accumulated Depreciation is \$19,542,775.	22,127,468
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 \$267,066.	(526,309)

CHESTER SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Total
Governmental
Funds

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.	\$ 1,172,978
Interest on Long-Term Debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.	(163,168)
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.	(22,032,488)
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	1,205,849
Changes in Proportions - Pensions	113,304
Difference Between Expected and Actual Experience - Pensions	140,935
Net Difference between Projected and Actual Investment Earnings - Pension	40,756
Changes in Assumptions - Pensions	(1,201,428)
Changes in Proportions - Pensions	(84,893)
Net Position of Governmental Activities	<u>\$ 7,808,508</u>

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

CHESTER SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 20,284,089			\$ 1,400,500	\$ 21,684,589
Tuition Charges	297,046				297,046
Rentals and Royalties	34,759				34,759
Interest Earned on Investments	52,311				52,311
Interest Earned on Capital Reserve Funds	45,026				45,026
Miscellaneous	54,504	\$ 33,731			88,235
Total - Local Sources	20,767,735	33,731		1,400,500	22,201,966
State Sources	4,153,552	123,348			4,276,900
Federal Sources		411,514			411,514
Total Revenues	24,921,287	568,593		1,400,500	26,890,380
EXPENDITURES:					
Current:					
Regular Instruction	6,585,967	188,603			6,774,570
Special Education Instruction	1,652,046	52,006			1,704,052
Other Special Instruction	459,506				459,506
School-Sponsored	205,757				205,757
Support Services and Undistributed Costs:					
Tuition	155,293	182,480			337,773
Student and Other Instruction Related Services	2,437,966	134,958			2,572,924
General Administrative Services	448,817				448,817
School Administrative Services	806,015				806,015
Central Services	357,567				357,567
Administrative Information Technology	222,828				222,828
Plant Operations and Maintenance	2,133,275				2,133,275
Student Transportation	1,259,228				1,259,228
Unallocated Benefits	6,294,634				6,294,634
Debt Service:					
Principal				900,000	900,000
Interest and Other Charges				500,500	500,500
Capital Outlay	1,428,918	10,546			1,439,464
Special Schools	143,416				143,416
Total Expenditures	24,591,233	568,593		1,400,500	26,560,326
Excess/(Deficit) of Revenue Over/(Under) Expenditures	330,054				330,054
Other Financing Sources/(Uses):					
Prior Year Federal Receivables Cancelled	(88,597)				(88,597)
Transfer From/(To) Debt Service			\$ (84,306)	84,306	
Transfer From/(To) Capital Reserve	71,373		(71,373)		
Total Other Financing Sources	(17,224)		(155,679)	84,306	(88,597)
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	312,830		(155,679)	84,306	241,457
Fund Balance - July 1	6,618,368		155,679		6,774,047
Fund Balance - June 30	\$ 6,931,198	\$ -0-	\$ -0-	\$ 84,306	\$ 7,015,504

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

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, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 241,457

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	\$ (1,864,259)	
Capital Outlays	1,400,160	
Deletions/ Adjustments	<u>(427,050)</u>	(891,149)

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. 69,084

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 (+). 10,583

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. 900,000

The governmental funds report the effect of bond 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	1,768,565
Change in Deferred Outflows:	
Changes in Assumptions - Pensions	(400,356)
Changes in Proportion - Pensions	(40,255)
Difference Between Expected and Actual Experience - Pensions	(3,265)
Change in Deferred Inflows:	
Net Difference Between Projected and Actual Investment Earnings on Pension	(1,201,428)
Plan Investments	(254,909)
Change in Proportions - Pensions	(82,918)

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 (+). (1,549)

Change in net position of governmental activities (A-2) \$ 70,822

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

CHESTER SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 70,085
Intergovernmental Accounts Receivable:	
State	234
Federal	3,309
Interfund Receivable	585
Inventories	<u>3,656</u>
Total Current Assets	<u>77,869</u>
Non-Current Assets:	
Capital Assets	172,506
Less: Accumulated Depreciation	<u>(108,010)</u>
Total Non-Current Assets	<u>64,496</u>
Total Assets	<u>142,365</u>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	<u>9,936</u>
Total Current Liabilities	<u>9,936</u>
NET POSITION:	
Investment in Capital Assets	64,496
Unrestricted	<u>67,933</u>
Total Net Position	<u>\$ 132,429</u>

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

CHESTER SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 180,508
Daily Sales - Non Reimbursable Programs	81,098
Special Events	14,635
	<hr/>
Total Operating Revenue	276,241
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	121,612
Cost of Sales - Non-Reimbursable Programs	54,637
Salaries, Benefits and Payroll Taxes	132,869
Management Fee	16,300
Supplies and Materials	8,786
Depreciation	7,812
	<hr/>
Total Operating Expenses	342,016
	<hr/>
Operating (Loss)	(65,775)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	2,878
Federal Sources:	
National School Lunch Program	42,017
Food Distribution Program	22,882
Local Sources:	
Interest Revenue	1,022
	<hr/>
Total Non-Operating Revenue	68,799
	<hr/>
Change in Net Position Before Other Item	3,024
Other Item - Disposal of Capital Assets, Net	(2,040)
	<hr/>
Change in Net Position After Other Item	984
Net Position - Beginning of Year	131,445
	<hr/>
Net Position - End of Year	\$ 132,429
	<hr/> <hr/>

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

CHESTER SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows for Operating Activities:	
Receipts from Customers	\$ 275,656
Payments for Salaries, Payroll Taxes and Benefits	(132,869)
Payments to Suppliers	(170,029)
	<hr/>
Net Cash Used for Operating Activities	(27,242)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Federal and State Sources Received in Food Service Fund	49,752
Transfer In - FSMC Contribution	22,860
	<hr/>
Net Cash Provided by Noncapital Financing Activities	72,612
	<hr/>
Cash Flows from Investing Activities:	
Interest on Investments	1,022
	<hr/>
Net Cash Provided by Investing Activities	1,022
	<hr/>
Net Increase in Cash and Cash Equivalents	46,392
Cash and Cash Equivalents, July 1	23,693
	<hr/>
Cash and Cash Equivalents, June 30	\$ 70,085
	<hr/>
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating (Loss)	\$ (65,775)
Adjustment to Reconcile Operating Loss to Net Cash	
Used for Operating Activities	
Depreciation	7,812
Food Distribution Program	22,882
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	1,998
(Increase)/Decrease in Interfund Receivable	(585)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	9,935
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(3,509)
	<hr/>
Net Cash Used for Operating Activities	\$ (27,242)
	<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 \$19,373 and utilized commodities valued at \$22,882 for the fiscal year ended June 30, 2018.

CHESTER SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 64,953	\$ 7,769	\$ 102,852
Total Assets	<u>64,953</u>	<u>7,769</u>	<u>102,852</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	14,403		
Due to Student Groups	47,323		
Technology Store	<u>3,227</u>		
Total Liabilities	<u>64,953</u>		
<u>NET POSITION:</u>			
Held in Trust for Flexible Spending Claims		7,769	
Held in Trust for Unemployment Claims			<u>102,852</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 7,769</u>	<u>\$ 102,852</u>

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

CHESTER SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS:		
Contributions:		
Employee Contributions	\$ 33,605	\$ 37,397
Total Contributions	<u>33,605</u>	<u>37,397</u>
Investment Earnings:		
Interest	<u>67</u>	<u>1,309</u>
Total Additions	<u>33,672</u>	<u>38,706</u>
DEDUCTIONS:		
Flexible Spending Claims	25,903	
Quarterly Contribution Reports/Unemployment Claims		47,389
Total Deductions	<u>25,903</u>	<u>47,389</u>
Change in Net Position	7,769	(8,683)
Net Position - Beginning of the Year		<u>111,535</u>
Net Position - End of the Year	<u>\$ 7,769</u>	<u>\$ 102,852</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, 2018

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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements: (Cont'd)

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.

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, 2018
(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, 2018
(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, 2018 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, 2018
(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>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 24,924,572	\$ 568,593
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis Does Not:		
Prior Year Encumbrances		
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	98,796	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(102,081)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 24,921,287</u>	<u>\$ 568,593</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 24,591,233	\$ 568,593
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:		
Prior Year Encumbrances		
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 24,591,233</u>	<u>\$ 568,593</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.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 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, 2018
(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, 2018.

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 acquisition value. 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

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, 2018
(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, 2018.

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 \$6,931,198 General Fund fund balance at June 30, 2018, \$4,871,810 is restricted in a capital reserve; \$1,013,962 is restricted in a maintenance reserve;; \$79,443 is assigned for year-end encumbrances and \$459,460 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year end June 30, 2019. The unassigned fund balance of \$506,523 is \$102,081 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, 2019.

Capital Projects Fund: The Capital Projects Fund has \$-0- restricted at June 30, 2018.

Debt Service Fund: The Debt Service Fund has \$84,306 restricted at June 30, 2018.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018 as reported in the fund statements (modified accrual basis): unassigned fund balance - \$102,081. 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, 2018 for the deferred amount on the refundings, the changes in assumptions in pensions, changes in proportion in pensions, the difference between expected and actual experience – pensions, district contribution subsequent to the measurement date for pensions and the net different between projected and actual investment earnings on pension plan investments.

The District had deferred inflows of resources at June 30, 2018 for the changes in proportion in Pension and for the changes in assumptions in Pensions.

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, 2018
(Continued)

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

R. Deficit Net Position

The District has a deficit in unrestricted net position of \$6,057,016 in governmental activities, which is primarily due to \$642,101 of compensated absences payable, and net pension liability \$5,985,387 and the related deferred inflows and outflows. 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 note 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 and the debt service fund.

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 of \$-0- at June 30, 2018 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, 2018 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, 2018
(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, 2018
(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.

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 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.

Custodial Credit Risk – the District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

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:

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: (Cont'd)

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L.; 1977,c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L.1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: (Cont'd)

(9) Deposit of funds in accordance with the following conditions:

- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
- (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
- (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents			Total
	Unrestricted	Restricted		
		Capital Reserve	Maintenance Reserve	
Checking Accounts	\$ 798,868	\$ 4,871,810	\$ 1,013,962	\$ 6,684,640

The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$6,684,640 and the bank balance was \$7,442,921. The District did not hold any investments during the fiscal year ended June 30, 2018.

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.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$3,819,321
Deposit - Board Resolution June 27, 2018	936,090
Unexpended Money Returned from Capital Projects Fund	71,373
Interest Earnings	<u>45,026</u>
Ending Balance, June 30, 2018	<u><u>\$4,871,810</u></u>

The balance in the capital reserve at June 30, 2018 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. 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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$1,088,962
Withdrawn by Board Resolution	<u>(75,000)</u>
Ending Balance, June 30, 2018	<u><u>\$1,013,962</u></u>

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 257,167	\$ 29,700	\$(257,167)	\$ 29,700
Total Capital Assets Not Being Depreciated	<u>257,167</u>	<u>29,700</u>	<u>(257,167)</u>	<u>29,700</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	36,259,784	819,066	568,279	37,647,129
Site Improvements	2,060,538	51,539	(719,390)	1,392,687
Machinery and Equipment	2,172,934	499,855	(72,062)	2,600,727
Total Capital Assets Being Depreciated	<u>40,493,256</u>	<u>1,370,460</u>	<u>(223,173)</u>	<u>41,640,543</u>
Governmental Activities Capital Assets	<u>40,750,423</u>	<u>1,400,160</u>	<u>(480,340)</u>	<u>41,670,243</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(15,499,401)	(1,645,971)	(52,912)	(17,198,284)
Site Improvements	(771,680)	(45,941)	(14,556)	(832,177)
Machinery and Equipment	(1,460,725)	(172,347)	120,758	(1,512,314)
	<u>(17,731,806)</u>	<u>(1,864,259)</u>	<u>53,290</u>	<u>(19,542,775)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 23,018,617</u>	<u>\$ (464,099)</u>	<u>\$(427,050)</u>	<u>\$ 22,127,468</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 175,905		\$ (3,399)	\$ 172,506
Less Accumulated Depreciation	<u>(101,557)</u>	<u>\$ (7,812)</u>	<u>1,359</u>	<u>(108,010)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 74,348</u>	<u>\$ (7,812)</u>	<u>\$ (2,040)</u>	<u>\$ 64,496</u>

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 62,937
General Administrative Services	1,699,401
School Administrative Services	51,307
Plant Operations and Maintenance	7,633
Pupil Transportation	42,981
	<u>\$ 1,864,259</u>

NOTE 7: TRANSFERS FROM CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred a net amount of \$28,450 from the capital outlay accounts other than for equipment which required county superintendent approval. The District also transferred \$75,990 from the capital outlay accounts for equipment which did not require county superintendent approval.

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2017	Accrued	Retired	Balance 6/30/2018
Serial Bonds Payable	\$ 16,305,000		\$ 900,000	\$ 15,405,000
Unamortized Bond Premium	570,820		44,511	526,309
Obligations Under Capital Leases	69,084		69,084	
Compensated Absences Payable	640,552	\$ 67,984	66,435	642,101
Net Pension Liability	7,753,952		1,768,565	5,985,387
	<u>\$ 25,339,408</u>	<u>\$ 67,984</u>	<u>\$ 2,848,595</u>	<u>\$ 22,558,797</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.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

A. Serial Bonds Payable: (Cont'd)

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Bond Refunding 2012	12/12/2012	3/1/2035	2.50%-4.00%	\$ 7,450,000
Bond Refunding 2013	1/15/2013	3/1/2030	2.20%-4.00%	7,955,000
				<u>\$ 15,405,000</u>

The current portion of bonds payable at June 30, 2018 is \$675,000 and the long-term portion is \$14,730,000.

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>
2019	\$ 675,000	\$ 479,000	\$ 1,154,000
2020	705,000	458,750	1,163,750
2021	720,000	437,600	1,157,600
2022	745,000	415,750	1,160,750
2023	735,000	393,150	1,128,150
Thereafter:			
2024-2028	4,105,000	1,663,885	5,768,885
2029-2033	5,260,000	887,100	6,147,100
2034-2035	2,460,000	111,450	2,571,450
	<u>\$ 15,405,000</u>	<u>\$ 4,846,685</u>	<u>\$ 20,251,685</u>

B. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$44,511 and the long-term portion is \$481,798.

C. Bonds Authorized But Not Issued:

As of June 30, 2018 the District has no bonds authorized but not issued or bonded debt outstanding.

D. Obligations Under Capital Leases:

The District has \$274,460 of commitments to lease laptop computers under a capital lease which expired in 2018.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

E. 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, 2018 is \$642,101, of which \$31,255 is a 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, 2018, no liability existed for compensated absences in the Food Service Fund.

F. 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, 2018 is \$-0- and the long-term portion is \$5,985,387. 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 or, 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.nj.gov/treasury/pensions/financial-reports.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
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th 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 1/60th 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 with 25 or more years of service credit before age 62 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 member 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 55 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. 43:15A 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 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 \$259,190 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st 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, 2018, the District reported a liability of \$5,985,387 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0257%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$454,387. At June 30, 2018, 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, 2018
(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)

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 67,898	
	2015	5.72	286,004	
	2016	5.57	851,947	
	2017	5.48		\$ 1,201,428
			<u>1,205,849</u>	<u>1,201,428</u>
Changes in Proportion	2014	6.44		1,401
	2015	5.72	97,305	
	2016	5.57	15,999	
	2017	5.48		83,492
			<u>113,304</u>	<u>84,893</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(71,722)	
	2015	5	61,183	
	2016	5	256,534	
	2017	5	(205,239)	
			<u>40,756</u>	
Difference Between Expected and Actual Experience	2015	5.72	79,351	
	2016	5.57	25,854	
	2017	5.45	35,730	
			<u>140,935</u>	
District Contribution Subsequent to the Measurement Date	2017	1	291,113	
			<u>\$ 1,791,957</u>	<u>\$ 1,286,321</u>

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

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2018	\$ 140,902
2019	212,623
2020	128,839
2021	(171,357)
2022	(124,895)
	<u>\$ 186,112</u>

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine 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 contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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, 2017 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:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 7,425,279	\$ 5,985,387	\$ 4,785,779

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.nj.gov/treasury/pensions/financial-reports.shtml.

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:

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

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

<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

Service retirement benefits of 1/55th 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 1/60th 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 with 25 or more years of service credit before age 62 and to 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 member 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 2018, the State's pension contribution was less than the actuarial 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 2018, the State of New Jersey contributed \$1,318,248 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,251,695.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$61,374,222. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The 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, 2017, the District's proportion was 0.0910%, which was an increase of 0.0028% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>61,374,222</u>
Total	<u>\$ 61,374,222</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$4,251,695 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3	<u>13,378,255,364</u>	\$ 11,684,858,458
				<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	<u>207,898,332</u>	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	<u>(904,033,050)</u>	
			<u>341,507,504</u>	
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(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>
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. 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 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2017 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:

	June 30, 2017		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(3.25%)	(4.25%)	(5.25%)
State's Proportionate Share of the Net Pension			
Liability Associated with the District	\$ 72,914,501	\$ 61,374,222	\$ 51,867,290
<u>Pension Plan Fiduciary Net Position - TPAF</u>			

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, 2018
(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 \$11,954 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$19,264 for the fiscal year ended June 30, 2018.

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	<u>45,748,749</u>
Net Changes	<u>(4,191,942,326)</u>
Balance at June 30, 2017	<u>\$ 53,639,841,858</u>

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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:

June 30, 2017			
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 53,580,065	\$ 45,136,317	\$ 38,438,656
June 30, 2016			
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 58,203,166	\$ 48,582,750	\$ 41,010,250

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30, 2017			
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 37,120,257	\$ 45,136,317	\$ 55,781,550
June 30, 2016			
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 39,863,499	\$ 48,582,750	\$ 60,239,558

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$2,842,616 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	<u>\$ 1,190,373,242</u>	
	<u>\$ 1,190,373,242</u>	<u>\$ (6,343,769,032)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	<u>(2,629,618,547)</u>
	<u>\$ (6,343,769,032)</u>

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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>
2017-2018	\$ 1,309	\$ 37,397	\$ 47,389	\$ 102,852
2016-2017	380	33,072	17,918	111,535
2015-2016	252	21,025	33,980	96,001

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	\$ 440,170	\$ 585
Special Revenue Fund		368,797
Debt Service Fund		71,373
Food Service	585	
	<u>\$ 440,755</u>	<u>\$ 440,755</u>

The interfund receivable in the General Fund is due to the closing out of Capital Projects deposited into the Debt Service fund, and a cash deficit in the Special Revenue Fund due to the delay between the request and receipt of reimbursement on federal grants. The interfund receivable in Food Service is due to monies received in general fund for the Food Service.

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, 2018
(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, 2018, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Total Governmental Funds
<u>\$ 79,443</u>	<u>\$ -0-</u>	<u>\$ 79,443</u>

CHESTER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. ACCOUNTS PAYABLE

	<u>Governmental Funds</u>		<u>District</u>	
	<u>General</u>	<u>Special</u>	<u>Contribution</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Subsequent to the</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Measurement Date</u>	<u>Activities</u>
Vendors	\$ 16,347			\$ 16,347
Due to State of New Jersey		\$ 13,181	\$ 291,113	304,294
	<u>\$ 16,347</u>	<u>\$ 13,181</u>	<u>\$ 291,113</u>	<u>\$ 320,641</u>

NOTE 18. TAX ABATEMENTS

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

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

The Borough of Chester recognized revenue in the amount of \$27,440 from one payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid on this property for 2017 without the abatements would have been \$69,693 of which \$25,027 would have been for the local school tax.

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0249919462%	0.0260549859%	0.0261806325%	0.0257121922%
District's proportionate share of the net pension liability	\$ 4,679,176	\$ 5,848,822	\$ 7,753,952	\$ 5,985,387
District's covered employee payroll	\$ 1,720,864	\$ 1,750,864	\$ 1,780,522	\$ 1,856,307
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	271.91%	334.05%	435.49%	322.44%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution				
	\$ 188,455	\$ 236,629	\$ 247,847	\$ 259,190
Contributions in relation to the contractually required contribution	(188,455)	(236,629)	(247,847)	(259,190)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 1,685,364	\$ 1,720,864	\$ 1,750,864	\$ 1,780,522
Contributions as a percentage of covered employee payroll	11.18%	13.75%	14.16%	14.56%

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'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability attributable to the District	0.0869373492%	0.0868820200%	0.0881727943%	0.0910277955%
State's proportionate share of the net pension liability attributable to the District	\$ 46,465,184	\$ 54,913,147	\$ 69,362,334	\$ 61,374,222
District's covered employee payroll	\$ 8,760,972	\$ 8,960,972	\$ 9,167,632	\$ 9,281,180
State's proportionate share of the net pension liability associated with the District as a percentage of its covered employee payroll	530.37%	612.80%	756.60%	661.28%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution			2018
	\$ 2,500,263	\$ 3,352,942	\$ 5,211,614
Contributions in relation to the contractually required contribution			\$ 4,251,695
	(745,674)	(705,946)	(988,083)
Contribution deficiency/(excess)			(1,318,248)
	\$ 1,754,589	\$ 2,646,996	\$ 4,223,531
District's covered employee payroll			\$ 2,933,447
Contributions as a percentage of covered employee payroll			
	8.72%	8.06%	11.03%
			14.38%

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 CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	(1,223,298,019)	(1,242,412,566)
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	46,849,651,824	57,831,784,184
Total OPEB Liability - Ending	\$ 57,831,784,184	\$ 53,639,841,858
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

CHESTER SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B.TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

BUDGETARY COMPARISON SCHEDULES

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 20,284,089		\$ 20,284,089	\$ 20,284,089	\$ 10,792
Tuition from Individuals	133,000		133,000	143,792	58,254
Tuition from Other LEAs	95,000		95,000	153,254	41,326
Interest Earned on Capital Reserve	3,700		3,700	45,026	(2,000)
Interest Earned on Maintenance Reserve	2,000		2,000	52,311	52,311
Interest on Investments				34,759	(241)
Rents and Royalties	35,000		35,000	54,504	3,804
Unrestricted Miscellaneous Revenues	50,700		50,700		
Total - Local Sources	20,603,489		20,603,489	20,767,735	164,246
State Sources:					
Extraordinary Aid				141,366	141,366
Categorical Special Education Aid	862,238		862,238	862,238	
Categorical Security Aid	62,405		62,405	62,405	
Adjustment Aid	10,550		10,550	10,550	
Categorical Transportation Aid	119,934		119,934	119,934	
PARCC Readiness Aid	11,430		11,430	11,430	
Per Pupil Growth Aid	11,430		11,430	11,430	
Professional Learning Community Aid	10,740		10,740	10,740	
Non Public Transportation Aid				33,283	33,283
On-Behalf TPAF Pension Contribution (Non-Budgeted)				1,318,248	1,318,248
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				31,991	31,991
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				872,091	872,091
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				1,733	1,733
Reimbursed TPAF Social Security Contributions (non-budgeted)				669,398	669,398
Total State Sources	1,088,727		1,088,727	4,156,837	3,068,110
TOTAL REVENUES	21,692,216		21,692,216	24,924,572	3,232,356

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 415,582	\$ 15,191	\$ 430,773	\$ 430,773	
Grades 1-5 - Salaries of Teachers	2,835,608	24,824	2,860,432	2,860,431	\$ 1
Grades 6-8 - Salaries of Teachers	2,514,773	1,810	2,516,583	2,516,582	1
Regular Programs - Home Instruction:					
Salaries of Teachers	6,000		6,000	4,652	1,348
Purchased Professional - Educational Services	7,500	(6,500)	1,000	220	780
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	58,676	(8,967)	49,709	49,709	
Other Purchased Services (400-500 Series)	326,336	(104,360)	221,976	203,529	18,447
General Supplies	505,581	(13,362)	492,219	452,498	39,721
Textbooks	42,490	(2,680)	39,810	38,559	1,251
Other Objects	27,608	8,911	36,519	29,014	7,505
Total Regular Programs - Instruction	6,740,154	(85,133)	6,655,021	6,585,967	69,054
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	1,083,903	67,998	1,151,901	1,107,661	44,240
Other Salaries for Instruction	342,590	42,619	385,209	381,536	3,673
General Supplies	14,931	55	14,986	14,475	511
Other Objects	159		159	149	10
Total Resource Room/Resource Center	1,441,583	110,672	1,552,255	1,503,821	48,434
Preschool Handicapped - Part Time:					
Salaries of Teachers	107,120	4,975	112,095	104,505	7,590
Other Salaries for Instruction	88,060	(21,771)	66,289	42,857	23,432
General Supplies	1,372	(1)	1,371	863	508
Total Preschool Handicapped - Part Time	196,552	(16,797)	179,755	148,225	31,530
Total Special Education Instruction	1,638,135	93,875	1,732,010	1,652,046	79,964

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 312,778	\$ 13,982	\$ 326,760	\$ 295,656	\$ 31,104
General Supplies	7,748	124	7,872	7,637	235
Total Basic Skills/Remedial - Instruction	320,526	14,106	334,632	303,293	31,339
Bilingual Education - Instruction:					
Salaries of Teachers	142,458	10,579	153,037	153,037	
General Supplies	8,006	(784)	7,222	3,176	4,046
Total Bilingual Education - Instruction	150,464	9,795	160,259	156,213	4,046
School-Sponsored Cocurricular Activities - Instruction:					
Salaries of Teachers	95,000	6,471	101,471	101,471	
General Supplies	22,599	(6,471)	16,128	11,967	4,161
Total School-Sponsored Cocurricular Activities - Instruction	117,599		117,599	113,438	4,161
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	86,900		86,900	76,252	10,648
Purchased Services (300-500 Series)	8,800		8,800	6,350	2,450
Supplies and Materials	16,807	1	16,808	8,907	7,901
Other Objects	1,600		1,600	810	790
Total School-Sponsored Cocurricular Athletics - Instruction	114,107	1	114,108	92,319	21,789
Total Instruction	9,080,985	32,644	9,113,629	8,903,276	210,353
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Handicapped - Within State	394,462	(20,231)	374,231	155,293	218,938
Total Undistributed Expenditures - Instruction:	394,462	(20,231)	374,231	155,293	218,938
Health Services:					
Salaries	236,654	6,859	243,513	243,513	
Purchased Professional and Technical Services	30,750	2,771	33,521	23,459	10,062
Supplies and Materials	12,541	(588)	11,953	11,951	2
Other Objects	239	(238)	1		1
Total Health Services	280,184	8,804	288,988	278,923	10,065
Attendance and Social Work:					
Salaries	43,345	2,526	45,871	45,871	
Purchased Professional and Technical Services	5,000	(180)	4,820	4,800	20
Other Purchased Services (400-500 Series)	7,700	10,417	18,117	18,117	
Total Attendance and Social Work	56,045	12,763	68,808	68,788	20

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Speech, OT, PT and Related Services:					
Salaries	\$ 351,812		\$ 351,812	\$ 350,827	\$ 985
Purchased Professional - Educational Services	148,440	\$ 38,985	187,425	171,040	16,385
Supplies and Materials	15,187	(10,515)	4,672	3,100	1,572
Total Speech, OT, PT and Related Services	515,439	28,470	543,909	524,967	18,942
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	50,000	(44,244)	5,756		5,756
Total Other Support Services - Students - Extraordinary Services	50,000	(44,244)	5,756		5,756
Other Support Services - Guidance:					
Salaries of Other Professional Staff	207,080	7,370	214,450	214,450	
Salaries of Secretarial and Clerical Assistants	69,968	722	70,690	70,168	522
Supplies and Materials	6,250	1,200	7,450	6,920	530
Total Other Support Services - Guidance	283,298	9,292	292,590	291,538	1,052
Other Support Services - Child Study Team:					
Salaries of Other Professional Staff	415,178	1,137	416,315	416,315	
Salaries of Secretarial and Clerical Assistants	57,811	(2,877)	54,934	48,732	6,202
Other Salaries	1,000	2,741	3,741	3,741	
Purchased Professional - Educational Services	34,750	(20,311)	14,439	5,284	9,155
Supplies and Materials	6,095		6,095	4,903	1,192
Other Objects	20,500		20,500	20,300	200
Total Other Support Services - Child Study Team	535,334	(19,310)	516,024	499,275	16,749
Educational Media Services/School Library:					
Salaries	146,306	54	146,360	145,404	956
Salaries of Technology Coordinators	196,888	6,577	203,465	203,465	
Other Purchased Services (400-500 Series)	19,169	(19,169)			
Supplies and Materials		19,428	19,428	18,655	773
Total Educational Media Services/School Library	362,363	6,890	369,253	367,524	1,729
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	52,217	8,566	60,783	59,860	923
Salaries of Other Professional Staff	30,000	(3,207)	26,793	26,158	635
Salaries of Secretarial and Clerical Assistants	34,692	12,575	47,267	46,878	389
Other Salaries	20,000	(5,883)	14,117	13,141	976
Salaries of Facilitators, Math Coaches and Literacy Coaches	151,751	1,600	151,751	151,751	
Purchased Professional - Educational Services		1,600	1,600	1,600	
Other Purchased Technology Services	16,000	(16,000)			
Other Purchased Services (400-500 Series)	4,000	4,504	8,504	8,504	
Supplies and Materials	4,500	(4,201)	299	299	
Total Improvement of Instructional Services	313,160	(2,046)	311,114	308,191	2,923

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Salaries of Other Professional Staff		\$ 51,925	\$ 51,925	\$ 51,002	\$ 923
Salaries of Secretarial and Clerical Assistants		4,536	4,536	4,536	
Purchased Professional - Educational Services	\$ 14,000	(2,670)	11,330	10,910	420
Other Purchased Services (400-500 Series)	28,400	2,443	30,843	28,384	2,459
Supplies and Materials		3,929	3,929	3,928	1
Total Instructional Staff Training Services	42,400	60,163	102,563	98,760	3,803
Support Services - General Administration:					
Salaries	239,992	13,546	253,538	253,168	370
Legal Services	35,000	(10,699)	24,301	14,878	9,423
Audit Fees	25,000		25,000	23,970	1,030
Other Purchased Professional Services	4,000	(1,060)	2,940		2,940
Communications/Telephone	76,800	(16,119)	60,681	51,686	8,995
Other Purchased Services (400-500 Series)	88,942	(1,000)	87,942	84,618	3,324
BOE In-house Training/Meeting Supplies	4,000		4,000	266	3,734
Judgements Against The School District		20,231	20,231	20,231	
Total Support Services - General Administration	473,734	4,899	478,633	448,817	29,816
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	650,710	(43,088)	607,622	607,621	1
Salaries of Other Professional Staff	184,673	2,763	187,436	187,435	1
Other Purchased Services (400-500 Series)	3,500	(2,928)	572	572	
Supplies and Materials	8,069	(3,298)	4,771	4,581	190
Other Objects	5,700	500	6,200	5,806	394
Total Support Services - School Administration	852,652	(46,051)	806,601	806,015	586
Central Services:					
Salaries	279,397	(9,495)	269,902	269,902	
Miscellaneous Purchased Services (400-500 Series Other Than 594)	24,700	61,140	85,840	84,380	1,460
Supplies and Materials	2,900	720	3,620	3,285	335
Total Central Services	306,997	52,365	359,362	357,567	1,795
Administrative Information Technology:					
Salaries	114,248	55,985	170,233	170,233	
Purchased Technical Services	31,000	(30,799)	201	200	1
Other Purchased Services	53,755	(1,554)	52,201	52,198	3
Supplies and Materials	16,000	(15,702)	298	197	101
Total Administrative Information Technology	215,003	7,930	222,933	222,828	105
Required Maintenance of School Facilities:					
Salaries	92,475	17,626	110,101	109,977	124
Cleaning, Repair and Maintenance Services	299,143	161,338	460,481	396,787	63,694
General Supplies	17,209	10,256	27,465	27,465	
Total Required Maintenance of School Facilities	408,827	189,220	598,047	534,229	63,818

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 607,696	\$ 22,547	\$ 630,243	\$ 630,243	
Cleaning, Repair and Maintenance Services	108,208	(20,474)	87,734	84,740	\$ 2,994
Salaries of Non-Instructional Aides	24,551	16,014	40,565	40,338	227
Insurance	103,161	(13,447)	89,714	89,714	
Rental of Land & Building Other Than Lease Purchase Agreement	77,672		77,672	77,672	
General Supplies	101,972	19,357	121,329	120,651	678
Energy (Electricity)	218,250	(23,436)	194,814	194,814	
Energy (Natural Gas)	106,200	(9,670)	96,530	93,691	2,839
Other Objects	39,200	1,140	40,340	31,862	8,478
Total Custodial Services	1,386,910	(7,969)	1,378,941	1,363,725	15,216
Care and Upkeep of Grounds:					
Salaries	46,037	1	46,038	46,037	1
Cleaning, Repair and Maintenance Services	120,000	(4,494)	115,506	115,471	35
Total Care and Upkeep of Grounds	166,037	(4,493)	161,544	161,508	36
Student Transportation Services:					
Salaries of Non-Instructional Aides	115,193	(2,449)	112,744	110,901	1,843
Salaries for Pupil Transportation (Between Home & School) - Regular	98,116	28,052	126,168	126,167	1
Salaries for Pupil Transportation (Between Home & School) - Special Education	36,375	5,030	41,405	41,404	1
Management Fee - ESC & CTSA Transportation Program	8,000	(3,420)	4,580	3,991	589
Cleaning, Repair and Maintenance Services	13,900	(3,488)	10,412	6,474	3,938
Rental Payments - School Buses	1,500		1,500	555	945
Other Purchased Services		2,062	2,062	2,062	
Contracted Services:					
Between Home and School - Vendors	815,604	(95,895)	719,709	719,248	461
Other Between Home and School - Vendors	12,100	535	12,635	8,808	3,827
Special Education Students - Vendors		260	260	104	156
Special Education Students - Joint Agreements	107,900	(31,809)	76,091	75,916	175
Special Education Students- ESC & CTSA	165,000	(11,500)	153,500	84,503	68,997
Aid in Lieu Payments - Nonpublic School	45,700	3,410	49,110	49,109	1
Miscellaneous Purchased Services - Transportation	18,700		18,700		18,700
Transportation Supplies	29,600	17,749	47,349	29,986	17,363
Total Student Transportation Services	1,467,688	(91,463)	1,376,225	1,259,228	116,997

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Security:					
Salaries	\$ 30,000	\$ 2,441	\$ 32,441	\$ 29,694	\$ 2,747
Purchased Professional and Technical Services	10,000	(180)	9,820	9,820	
Cleaning, Repair and Maintenance Services		1,129	1,129	720	409
General Supplies		35,268	35,268	33,579	1,689
Total Security	40,000	38,658	78,658	73,813	4,845
Unallocated Benefits:					
Social Security Contributions	259,987	41,235	301,222	301,222	
Other Retirement Contribution - PERS	277,795		277,795	259,190	18,605
Workmen's Compensation	103,162	5,272	108,434	108,434	
Health Benefits	2,942,902	(124,883)	2,818,019	2,391,667	426,352
Tuition Reimbursement	50,000		50,000	36,695	13,305
Other Employee Benefits	225,589	78,376	303,965	303,965	
Total Unallocated Benefits	3,859,435		3,859,435	3,401,173	458,262
On-Behalf and Reimbursed Benefits:					
On-Behalf TPAF Pension Contribution (Non-Budgeted)				1,318,248	(1,318,248)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				31,991	(31,991)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				872,091	(872,091)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				1,733	(1,733)
Reimbursed TPAF Social Security Contributions (non-budgeted)				669,398	(669,398)
Total On-Behalf and Reimbursed Benefits				2,893,461	(2,893,461)
Total Undistributed Expenses	12,009,968	183,647	12,193,615	14,115,623	(1,922,008)
TOTAL GENERAL CURRENT EXPENSE	21,090,953	216,291	21,307,244	23,018,899	(1,711,655)
CAPITAL OUTLAY:					
Equipment:					
Grades 1-5	168,483	(168,483)			
Grades 6-8	117,736	(117,736)			
Grades 9-12		235,219	235,219	143,169	92,050
Custodial Services	42,000	(16,922)	25,078	24,455	623
Required Maintenance for School Facilities	190,357	(56,716)	133,641	131,545	2,096
Non-Instructional Equipment		37,673	37,673	37,673	
Student Transportation- Non-Instructional Equipment		10,975	10,975	10,975	
Total Equipment	518,576	(75,990)	442,586	347,817	94,769

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Construction Services	\$ 867,445	\$ 85,750	\$ 953,195	\$ 863,960	\$ 89,235
Architectural/Engineering Services	167,883	(9,200)	158,683	158,683	
Supplies and Materials	105,000	(105,000)			
Assessment for Debt Service on SDA Funding	58,458		58,458	58,458	
Total Facilities Acquisition and Construction Services	1,198,786	(28,450)	1,170,336	1,081,101	89,235
TOTAL CAPITAL OUTLAY	1,717,362	(104,440)	1,612,922	1,428,918	184,004
Special Schools:					
Before/After School Programs - Instruction					
Salaries of Teachers		109,362	109,362	108,532	830
Purchased Professional/Technical Services		6,258	6,258	3,314	2,944
Supplies and Materials		3,000	3,000	2,681	319
Total Before/After School Programs - Instruction		118,620	118,620	114,527	4,093
Summer School - Instruction					
Salaries of Teachers	160,221	(131,741)	28,480	28,480	
Purchased Professional/Technical Services	20,250	(20,250)			
General Supplies	5,000	(3,480)	1,520	409	1,111
Total Summer School-Instruction	185,471	(155,471)	30,000	28,889	1,111
TOTAL EXPENDITURES	22,993,786	75,000	23,068,786	24,591,233	(1,522,447)
Other Financing Sources/(Uses):					
Prior Year Federal Receivables Cancelled				(88,597)	(88,597)
Transfers In/(Out)					
Transfers From Capital Projects Fund				71,373	71,373
Total Other Financing Sources/(Uses)				(17,224)	(17,224)
Excess (Deficiency) of Revenues and Other Financing Sources			(1,376,570)	316,115	1,692,685
Over (Under) Expenditures and Other Financing Uses	(1,301,570)	(75,000)			

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance, July 1	\$ 6,717,164		\$ 6,717,164	\$ 6,717,164	
Fund Balance, June 30	\$ 5,415,594	\$ (75,000)	\$ 5,340,594	\$ 7,033,279	\$ 1,692,685
<u>Recapitulation:</u>					
<u>Restricted:</u>					
Capital Reserve				\$ 4,871,810	
Maintenance Reserve				1,013,962	
<u>Assigned:</u>					
Year-End Encumbrances				79,443	
Designated for Subsequent Year's Expenditures				459,460	
Unassigned				608,604	
				<u>7,033,279</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(102,081)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 6,931,198</u>	

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 67,437	\$ 67,437	\$ 33,731	\$ (33,706)
State Sources		141,161	141,161	123,348	(17,813)
Federal Sources	\$ 335,344	141,619	476,963	411,514	(65,449)
Total Revenues	335,344	350,217	685,561	568,593	(116,968)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	60,386	15,936	76,322	67,966	8,356
Purchased Professional - Educational Services		21,914	21,914	19,912	2,002
Tuition	248,832	(66,352)	182,480	182,480	
General Supplies		109,888	109,888	61,357	48,531
Textbooks		17,858	17,858	17,858	
Other Objects		89,327	89,327	73,516	15,811
Total Instruction	309,218	188,571	497,789	423,089	74,700
Support Services:					
Salaries of Other Professional Staff	11,281	(2,929)	8,352	5,800	2,552
Personal Services - Employee Benefits		18,200	18,200	13,186	5,014
Purchased Professional Educational Services	14,845	2,280	17,125	12,204	4,921
Purchased Professional and Technical Services		57,735	57,735	53,326	4,409
Other Purchased Services		6,862	6,862	4,649	2,213
Other Objects		79,498	79,498	45,793	33,705
Total Support Services	26,126	161,646	187,772	134,958	52,814
Total Expenditures	\$ 335,344	\$ 350,217	\$ 685,561	\$ 568,593	\$ 116,968

CHESTER SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 24,924,572	\$ 568,593
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:		
Prior Year Encumbrances		
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	98,796	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(102,081)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 24,921,287</u>	<u>\$ 568,593</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 24,591,233	\$ 568,593
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:		
Prior Year Encumbrances		
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 24,591,233</u>	<u>\$ 568,593</u>

CHESTER SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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, 2018, 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, 2018

	Elementary and Secondary Education Act				IDEA Part B	
	Title I	Title II	Title III	Title III Immigrant	Preschool	Basic
REVENUE:						
Local Sources						
State Sources						
Federal Sources	\$ 83,269	\$ 12,204	\$ 12,474	\$ 560	\$ 18,523	\$ 284,484
Total Revenue	83,269	12,204	12,474	560	18,523	284,484
EXPENDITURES:						
Instruction:						
Salaries of Teachers	67,966					182,480
Purchased Professional/Educational Services						33,483
Tuition						
General Supplies	2,117		6,674	560	18,523	
Textbooks						
Other Objects						
Total Instruction	70,083		6,674	560	18,523	215,963
Support Services:						
Salaries of Other Professional Staff			5,800			
Personal Services - Employee Benefits	13,186	12,204				53,326
Purchased Professional/Educational Services						4,649
Purchased Professional and Technical Services						
Other Purchased Services						
Other Objects						
Total Support Services	13,186	12,204	5,800			57,975
Facilities Acquisition:						
Instructional Equipment						10,546
Total Facilities Acquisition						10,546
Total Expenditures	\$ 83,269	\$ 12,204	\$ 12,474	\$ 560	\$ 18,523	\$ 284,484

CHESTER SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic Textbook Aid	Nonpublic Nursing Aid	Nonpublic Technology Aid	Nonpublic Security Aid	Nonpublic Handicapped Aid Examination and Classification	Supplementary Instruction
REVENUE:						
Local Sources						
State Sources	\$ 17,858	\$ 23,716	\$ 12,062	\$ 49,800	\$ 8,733	\$ 4,044
Federal Sources						
Total Revenue	17,858	23,716	12,062	49,800	8,733	4,044
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Purchased Professional/Educational Services						
Tuition						
General Supplies						
Textbooks	17,858	23,716		49,800		
Other Objects						
Total Instruction	17,858	23,716		49,800	8,733	4,044
Support Services:						
Salaries of Other Professional Staff						
Personal Services - Employee Benefits						
Purchased Professional and Educational Services						
Purchased Professional and Technical Services						
Other Purchased Services			12,062			
Other Objects						
Total Support Services			12,062			
Total Expenditures	\$ 17,858	\$ 23,716	\$ 12,062	\$ 49,800	\$ 8,733	\$ 4,044

CHESTER SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Chapter 193			
	Nonpublic			
	Handicapped Aid			
	Corrective			
	Speech			
			Local	Totals
			Grants	
REVENUE:				
Local Sources		\$	33,731	\$ 33,731
State Sources	\$ 7,135			123,348
Federal Sources				411,514
Total Revenue	7,135		33,731	568,593
EXPENDITURES:				
Instruction:				
Salaries of Teachers				67,966
Purchased Professional/Educational Services	7,135			19,912
Tuition				182,480
General Supplies				61,357
Textbooks				17,858
Other Objects				73,516
Total Instruction	7,135			423,089
Support Services:				
Salaries of Other Professional Staff				5,800
Personal Services - Employee Benefits				13,186
Purchased Professional and Educational Services				12,204
Purchased Professional and Technical Services				53,326
Other Purchased Services			33,731	4,649
Other Objects				45,793
Total Support Services			33,731	134,958
Total Expenditures	\$ 7,135	\$	33,731	\$ 568,593

CAPITAL PROJECTS FUND

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, 2018

Expenditures:

Transfers Out:

Transfer To Capital Reserve

\$ 71,373

Transfer To Debt Service Fund

84,306

Total Expenditures

155,679

Deficit of Revenue and Other Financing Sources Under Expenditures

(155,679)

Fund Balance - Beginning

155,679

Fund Balance - Ending

\$ -0-

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, 2018

	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	5,345,000
Total Revenues and Other Financing Sources	7,009,887	\$ -0-	7,009,887	7,009,887
Expenditures:				
Other Purchased Professional and Technical Services	722,231		722,231	722,231
Construction Services	5,931,425		5,931,425	5,931,425
Other Objects	330,262		330,262	330,262
Transfer To Debt Service Fund		25,969	25,969	25,969
Total Expenditures	6,983,918	25,969	7,009,887	7,009,887
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 25,969	\$ (25,969)	\$ -0-	\$ -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, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SIDA Grant	\$ 2,522,133		\$ 2,522,133	\$ 2,522,133
Bond Proceeds	8,127,000		8,127,000	8,127,000
Total Revenues and Other Financing Sources	10,649,133	\$ -0-	10,649,133	10,649,133
Expenditures:				
Other Purchased Professional and Technical Services	1,107,379		1,107,379	1,107,379
Construction Services	8,998,863		8,998,863	8,998,863
Other Objects	501,266	41,625	501,266	501,266
Transfer To Debt Service Fund		41,625	41,625	41,625
Total Expenditures	10,607,508	41,625	10,649,133	10,649,133
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 41,625	\$ (41,625)	\$ -0-	\$ -0-

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: \$ 10,650,000

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

VARIOUS ADDITIONS AND RENOVATIONS TO BLACK RIVER MIDDLE SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	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	3,758,000
Total Revenues and Other Financing Sources	5,089,992	\$ -0-	5,089,992	5,089,992
Expenditures:				
Other Purchased Professional and Technical Services	526,778		526,778	526,778
Construction Services	4,306,741		4,306,741	4,306,741
Other Objects	239,761		239,761	239,761
Transfer to Debt Service		16,712	16,712	16,712
Total Expenditures	5,073,280	16,712	5,089,992	5,089,992
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 16,712	\$ (16,712)	\$ -0-	\$ -0-

Additional Project Information:

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, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 644,258	\$	\$ 644,258	\$ 644,258
Transfer from Capital Reserve	205,650	\$ (3,017)	202,633	202,633
Total Revenue and Other Financing Sources	849,908	(3,017)	846,891	846,891
Expenditures:				
Purchased Professional and Technical Services	10,598		10,598	10,598
Construction Services	825,745		825,745	825,745
Other Objects	10,548		10,548	10,548
Total Expenditures	846,891	-0-	846,891	846,891
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 3,017	\$ (3,017)	\$ -0-	\$ -0-

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

Cancelled SDA Grant \$ (8,278)

Additional Authorized Cost: \$ -0-

Revised Authorized Cost: \$ 849,908

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, 2018

	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	\$ (2,191)	30,959	30,959
Total Revenue and Other Financing Sources	139,936	(2,191)	137,745	137,745
Expenditures:				
Other Purchased Professional and Technical Services	1,708		1,708	1,708
Construction Services	134,336		134,336	134,336
Other Objects	1,701		1,701	1,701
Total Expenditures	137,745	-0-	137,745	137,745
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 2,191	\$ (2,191)	\$ -0-	\$ -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 FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 821,905		\$ 821,905	\$ 821,905
Transfer from Capital Reserve	261,200		261,200	261,200
Total Revenue and Other Financing Sources	1,083,105	\$ -0-	1,083,105	1,083,105
Expenditures:				
Other Purchased Professional and Technical Services	13,462		13,462	20,259
Construction Services	1,056,247		1,056,247	1,047,717
Other Objects	13,396		13,396	15,129
Total Expenditures	1,083,105	-0-	1,083,105	1,083,105
Excess of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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
 Cancelled SDA Grant \$ (19,481)
 Additional Authorized Cost: \$ -0-
 Revised Authorized Cost: \$ 1,083,105

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
DOOR REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 33,498		\$ 33,498	\$ 33,498
Transfer from Capital Reserve	102,060	\$ (51,100)	50,960	50,960
Total Revenue and Other Financing Sources	135,558	(51,100)	84,458	84,458
Expenditures:				
Construction Services	84,458		84,458	84,458
Total Expenditures	84,458	-0-	84,458	84,458
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 51,100	\$ (51,100)	\$ -0-	\$ -0-

Additional Project Information:

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
Cancelled SDA Grant	\$ (34,542)
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	\$ 135,558
Percentage Increase over Original Authorized Cost:	N/A
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

PAVING PROJECT

FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 85,000	\$ (818)	\$ 84,182	\$ 84,182
Total Revenue and Other Financing Sources	85,000	(818)	84,182	84,182
Expenditures:				
Construction Services	84,182		84,182	84,182
Total Expenditures	84,182	-0-	84,182	84,182
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 818	\$ (818)	\$ -0-	\$ -0-

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 84,182
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	\$ 84,182
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, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 100,000	\$ (1,720)	\$ 98,280	\$ 98,280
Total Revenue and Other Financing Sources	100,000	(1,720)	98,280	98,280
Expenditures:				
Other Purchased Professional and Technical Services	500		500	500
Construction Services	97,780		97,780	97,780
Total Expenditures	98,280	-0-	98,280	98,280
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 1,720	\$ (1,720)	\$ -0-	\$ -0-
Additional Project Information:				
Project Number:	N/A			
Grant Date:	N/A			
Bond Authorization Date:	N/A			
Bonds Authorized:	N/A			
Bonds Issued:	N/A			
Original Authorized Cost:	\$ 98,280			
Additional Authorized Cost:	\$ -0-			
Revised Authorized Cost:	\$ 98,280			
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, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 179,748	\$ (12,527)	\$ 167,221	\$ 167,221
Total Revenue and Other Financing Sources	179,748	(12,527)	167,221	167,221
Expenditures:				
Other Purchased Professional and Technical Services	167,221		167,221	167,221
Construction Services	167,221	-0-	167,221	167,221
Total Expenditures	\$ 12,527	\$ (12,527)	\$ -0-	\$ -0-
Excess of Revenue and Other Financing Sources Over Expenditures				

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 167,221
Additional Authorized Cost:	\$ -0-
Revised Authorized Cost:	\$ 167,221
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

CHESTER SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 70,085
Intergovernmental Accounts Receivable:	
State	234
Federal	3,309
Interfund Receivable	585
Inventories	3,656
	<hr/>
Total Current Assets	77,869
	<hr/>

Non-Current Assets:

Capital Assets	172,506
Less: Accumulated depreciation	(108,010)
	<hr/>
Total Non-Current Assets	64,496
	<hr/>

Total Assets	142,365
	<hr/>

LIABILITIES:

Current Liabilities:

Unearned Revenue - Prepaid Sales	9,936
	<hr/>
Total Current Liabilities	9,936
	<hr/>

NET POSITION:

Investment in Capital Assets	64,496
Unrestricted	67,933
	<hr/>

Total Net Position	\$ 132,429
	<hr/> <hr/>

CHESTER SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:

Local Sources:

Daily Sales - Reimbursable Programs	\$ 180,508
Daily Sales - Non Reimbursable Programs	81,098
Special Events	14,635

Total Operating Revenue	<u>276,241</u>
-------------------------	----------------

Operating Expenses:

Cost of Sales - Reimbursable Programs	121,612
Cost of Sales - Non-Reimbursable Programs	54,637
Salaries, Benefits & Payroll Taxes	132,869
Management Fee	16,300
Supplies and Materials	8,786
Depreciation	7,812

Total Operating Expenses	<u>342,016</u>
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Operating (Loss)	<u>(65,775)</u>
------------------	-----------------

Non-Operating Revenue:

State Sources:

State School Lunch Program	2,878
----------------------------	-------

Federal Sources:

National School Lunch Program	42,017
Food Distribution Program	22,882

Local Sources:

Interest Revenue	1,022
------------------	-------

Total Non-Operating Revenue	<u>68,799</u>
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Change in Net Position Before Other Item	3,024
--	-------

Other Item - Disposal of Capital Assets, Net	<u>(2,040)</u>
--	----------------

Change in Net Position After Other Item	984
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Net Position - Beginning of Year	<u>131,445</u>
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Net Position - End of Year	<u><u>\$ 132,429</u></u>
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CHESTER SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows for Operating Activities:

Receipts from Customers	\$ 275,656
Payments for Salaries, Payroll Taxes and Benefits	(132,869)
Payments to Suppliers	<u>(170,029)</u>

Net Cash Used for Operating Activities	<u>(27,242)</u>
--	-----------------

Cash Flows from Noncapital Financing Activities:

Federal and State Sources Received in Food Service Fund	49,752
Transfer In - FSMC Contribution	<u>22,860</u>

Net Cash Provided by Noncapital Financing Activities	<u>72,612</u>
--	---------------

Cash Flows from Investing Activities:

Interest on Investments	<u>1,022</u>
-------------------------	--------------

Net Cash Provided by Investing Activities	<u>1,022</u>
---	--------------

Net Increase in Cash and Cash Equivalents	46,392
---	--------

Cash and Cash Equivalents, July 1	<u>23,693</u>
-----------------------------------	---------------

Cash and Cash Equivalents, June 30	<u><u>\$ 70,085</u></u>
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Reconciliation of Operating Loss to Net Cash

Used for Operating Activities:

Operating Loss	\$ (65,775)
----------------	-------------

Adjustment to Reconcile Operating Loss to Net Cash

Used for Operating Activities

Depreciation	7,812
--------------	-------

Food Distribution Program	22,882
---------------------------	--------

Changes in Assets and Liabilities:

(Increase)/Decrease in Inventory	1,998
----------------------------------	-------

(Increase)/Decrease in Interfund Receivable	(585)
---	-------

Increase/(Decrease) in Unearned Revenue - Prepaid Sales	9,935
---	-------

Increase/(Decrease) in Unearned Revenue - Donated Commodities	<u>(3,509)</u>
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Net Cash Used for Operating Activities	<u><u>\$ (27,242)</u></u>
--	---------------------------

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 \$19,373 and utilized commodities valued at \$22,882 for the fiscal year ended June 30, 2018.

FIDUCIARY FUNDS

CHESTER SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Agency</u>		<u>Total</u>	<u>Flexible</u>	<u>Unemployment</u>
	<u>Payroll</u>	<u>Student</u>	<u>Agency</u>	<u>Spending</u>	<u>Compensation</u>
		<u>Activity</u>	<u>Funds</u>	<u>Trust</u>	<u>Trust</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 14,403	\$ 50,550	\$ 64,953	\$ 7,769	\$ 102,852
Total Assets	14,403	50,550	64,953	7,769	102,852
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings	14,403		14,403		
Due to Student Groups		47,323	47,323		
Technology Store		3,227	3,227		
Total Liabilities	14,403	50,550	64,953		
<u>NET POSITION:</u>					
Held in Trust for Flexible Spending Claims				7,769	102,852
Held in Trust for Unemployment Claims					
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 7,769	\$ 102,852

CHESTER SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Flexible Spending Trust	Unemployment Compensation Trust
ADDITIONS:		
Contributions:		
Employee Contributions	\$ 33,605	\$ 37,397
Total Contributions	<u>33,605</u>	<u>37,397</u>
Investment Earnings:		
Interest	<u>67</u>	<u>1,309</u>
Total Additions	<u>33,672</u>	<u>38,706</u>
DEDUCTIONS:		
Flexible Spending Claims	25,903	
Quarterly Contribution Reports/Unemployment Claims		47,389
Total Deductions	<u>25,903</u>	<u>47,389</u>
Change in Net Position	7,769	(8,683)
Net Position - Beginning of the Year		<u>111,535</u>
Net Position - End of the Year	<u>\$ 7,769</u>	<u>\$ 102,852</u>

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 60,194	\$ 131,077	\$ 140,721	\$ 50,550
Total Assets	<u>\$ 60,194</u>	<u>\$ 131,077</u>	<u>\$ 140,721</u>	<u>\$ 50,550</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 49,259	\$ 121,456	\$ 123,392	\$ 47,323
Technology Store	10,935	9,621	17,329	3,227
Total Liabilities	<u>\$ 60,194</u>	<u>\$ 131,077</u>	<u>\$ 140,721</u>	<u>\$ 50,550</u>

CHESTER SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Bragg Elementary School	\$ 15,124	\$ 10,671	\$ 10,713	\$ 15,082
Dickerson Elementary School	9,813	8,872	8,640	10,045
Black River Middle School	24,322	94,585	96,776	22,131
Student Athletic Account		7,328	7,263	65
Technology Store	10,935	9,621	17,329	3,227
Total All Schools	<u>\$ 60,194</u>	<u>\$ 131,077</u>	<u>\$ 140,721</u>	<u>\$ 50,550</u>

CHESTER SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 14,144	\$ 13,976,682	\$ 13,976,423	\$ 14,403
Total Assets	<u>\$ 14,144</u>	<u>\$ 13,976,682</u>	<u>\$ 13,976,423</u>	<u>\$ 14,403</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Payroll Deductions and Withholdings	\$ 14,144	\$ 13,976,682	\$ 13,976,423	\$ 14,403
Total Liabilities	<u>\$ 14,144</u>	<u>\$ 13,976,682</u>	<u>\$ 13,976,423</u>	<u>\$ 14,403</u>

LONG-TERM DEBT

CHESTER SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2018		Interest Rate	Balance July 1, 2017	Matured	Balance June 30, 2018
			Date	Amount				
Refunding Bonds Series 2004	8/1/2004	\$ 5,195,000			4.00%	\$ 550,000	\$ 550,000	
Refunding Bonds Series 2012	12/12/2012	8,505,000	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%			
						7,760,000	310,000	\$ 7,450,000

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, 2017	Matured	Balance June 30, 2018
			Date	Amount				
Refunding Bonds Series 2013	1/15/2013	\$ 8,250,000	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%			
			\$ 7,995,000	\$ 40,000	\$ 7,955,000			
			\$ 16,305,000	\$ 900,000	\$ 15,405,000			

CHESTER SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Purpose</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Matured or Retired</u>
Technology Equipment	\$ 274,460	1.23%	<u>\$ 69,084</u>	<u>\$ 69,084</u>
			<u>\$ 69,084</u>	<u>\$ 69,084</u>

CHESTER SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,400,500		\$ 1,400,500	\$ 1,400,500	
Total Revenues	1,400,500		1,400,500	1,400,500	
EXPENDITURES:					
Regular Debt Service:					
Interest	500,500		500,500	500,500	
Redemption of Principal	900,000		900,000	900,000	
Total Regular Debt Service	1,400,500		1,400,500	1,400,500	
Total Expenditures	1,400,500		1,400,500	1,400,500	
Deficit of Revenues Under Expenditures					
Other Financing Sources(Uses):					
Transfer from Capital Projects				84,306	\$ 84,306
Total Other Financing Sources/(Uses)				84,306	84,306
Excess/(Deficit) of Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing Uses				84,306	84,306
Fund Balance, July 1					
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ 84,306	\$ 84,306
<u>Recapitulation of Fund Balance at June 30, 2018</u>					
Restricted Fund Balance				\$ 84,306	

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

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

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.

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)

	June 30,			
	2014	2015	2016	2017
Governmental Activities				
Net Investment in Capital Assets	\$ 7,982,014	\$ 7,783,923	\$ 7,999,576	\$ 7,905,060
Restricted	4,377,042	4,756,466	4,912,463	5,374,345
Unrestricted/(Deficit)	(4,834,671)	(5,166,004)	(5,309,416)	(5,541,719)
Total Governmental Activities Net Position	<u>\$ 7,524,385</u>	<u>\$ 7,374,385</u>	<u>\$ 7,602,623</u>	<u>\$ 7,737,686</u>
Business-type Activities				
Investment in Capital Assets	\$ 45,741	\$ 90,199	\$ 82,273	\$ 74,348
Unrestricted	94,772	50,502	30,342	57,097
Total Business-type Activities Net Position	<u>\$ 140,513</u>	<u>\$ 140,701</u>	<u>\$ 112,615</u>	<u>\$ 131,445</u>
District-wide				
Net Investment in Capital Assets	\$ 8,027,755	\$ 7,874,122	\$ 8,081,849	\$ 7,979,408
Restricted	4,377,042	4,756,466	4,912,463	5,374,345
Unrestricted/(Deficit)	(4,739,899)	(5,115,502)	(5,279,074)	(5,484,622)
Total District Net Position	<u>\$ 7,664,898</u>	<u>\$ 7,515,086</u>	<u>\$ 7,715,238</u>	<u>\$ 7,869,131</u>

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

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities					
Instruction:					
Regular	\$ 8,933,928	\$ 9,199,264	\$ 8,491,652	\$ 8,352,131	\$ 8,680,122
Special Education	2,159,785	2,494,809	2,580,749	2,640,462	2,651,607
Other Special Instruction					
School Sponsored/Other Instruction	782,303	729,034	641,399	625,453	806,297
Support Services:					
Tuition	802,237	532,410	589,971	618,490	754,466
Student & Instruction Related Services	2,220,146	2,554,221	2,441,415	2,614,079	3,214,270
General Administrative Services	1,249,974	1,292,089	1,294,430	1,312,986	1,242,245
School Administrative Services	1,096,525	1,112,200	1,154,537	1,126,031	1,164,829
Central Services					
Administrative Information Technology					
Plant Operations and Maintenance	2,492,807	2,521,827	2,035,433	1,991,461	2,107,079
Pupil Transportation	1,441,215	1,487,340	1,404,699	1,466,222	1,498,652
Special Schools	169,245	211,100	171,127	150,368	166,906
Charter Schools					81,699
Interest on Long-term Debt	1,084,746	917,284	891,533	864,475	529,706
Capital Outlay - Debt Service Assessment			73,244	42,595	58,458
Total Governmental Activities Expenses	22,432,911	23,051,578	21,770,189	21,804,753	22,956,336

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

UNAUDITED

(Accrual Basis of Accounting)
(Continued)

	Fiscal Year Ending June 30,			
	2009	2010	2011	2012
				2013
Business-type Activities:				
Food Service	\$ 363,743	\$ 375,012	\$ 368,426	\$ 391,800
Total Business-type Activities Expense	363,743	375,012	368,426	391,800
Total District Expenses	\$ 22,796,654	\$ 23,426,590	\$ 22,138,615	\$ 22,196,553
Program Revenues:				
Governmental Activities:				
Charges for Services:				
Instruction (Tuition)			\$ 129,450	\$ 213,034
Operating Grants and Contributions	\$ 4,570,388	\$ 4,205,571	3,759,445	3,997,063
Capital Grants and Contributions				
Total Governmental Activities Program Revenues	4,570,388	4,205,571	3,888,895	4,210,097
Business-type Activities:				
Charges for Services:				
Food Service	351,006	343,211	332,641	330,545
Operating Grants and Contributions	56,885	65,533	70,163	66,302
Total Business-type Activities Program Revenues	407,891	408,744	402,804	396,847
Total District Program Revenues	\$ 4,978,279	\$ 4,614,315	\$ 4,291,699	\$ 4,606,944
Net (Expense)/Revenue				
Governmental Activities	\$ (17,862,523)	\$ (18,846,007)	\$ (17,881,294)	\$ (17,594,656)
Business-Type Activities	44,148	33,732	34,378	5,047
Total District-Wide Net Expense	\$ (17,818,375)	\$ (18,812,275)	\$ (17,846,916)	\$ (17,589,609)
				\$ (18,611,739)

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

UNAUDITED

(Accrual Basis of Accounting)
(Continued)

	Fiscal Year Ending June 30,			
	2009	2010	2011	2012
				2013
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes Levied for General Purposes, net	\$ 18,264,165	\$ 18,956,872	\$ 19,316,311	\$ 19,631,047
Unrestricted Grants and Contributions	108,586	73,820	11,861	100,018
Rents and Royalties				
Tuition (Other Than Special Schools)	132,147	105,546		
Investment Earnings	51,397	61,874	33,893	55,281
Cancellation of Prior Year Accounts Payable		31,759		
Miscellaneous Income	156,162	120,455	106,224	109,148
Other Item- Cancellation of Prior Year Grants Receivables				206,905
Total Governmental Activities	18,712,457	19,350,326	19,468,289	19,895,494
Business-type Activities:				
Interest Income				1,704
Prior Year Adjustments		25,408		
Other Item - FSMC Contribution				
Total Business-Type Activities		25,408		1,704
Total District-Wide	\$ 18,712,457	\$ 19,375,734	\$ 19,468,289	\$ 20,298,410
Change in Net Position				
Governmental Activities	\$ 849,934	\$ 504,319	\$ 1,586,995	\$ 2,300,838
Business-type Activities	44,148	59,140	34,378	6,751
Total District	\$ 894,082	\$ 563,459	\$ 1,621,373	\$ 2,307,589
				\$ 1,686,671

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

UNAUDITED

(Accrual Basis of Accounting)

(Continued)

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
				2018
Expenses				
Governmental activities				
Instruction:				
Regular	\$ 8,537,297	\$ 8,989,618	\$ 11,316,725	\$ 11,991,624
Special Education	2,716,955	2,976,810	3,393,470	3,627,504
Other Special Instruction			730,605	850,718
School Sponsored/Other Instruction	834,520	770,279	286,964	370,978
				378,686
Support Services:				
Tuition	693,460	637,553	344,859	60,529
Student & Instruction Related Services	2,920,482	3,010,285	3,115,027	3,812,056
General Administrative Services	1,192,768	2,759,321	2,154,010	2,259,217
School Administrative Services	1,189,595	1,248,910	1,415,790	1,554,085
Central Services			395,896	483,831
Administrative Information Technology			25,321	296,971
Plant Operations and Maintenance	2,170,778	2,188,130	2,294,703	2,449,131
Pupil Transportation	1,627,122	1,610,197	1,633,905	1,615,429
Special Schools	165,877	176,348	216,346	255,069
Charter School	98,108			
Interest on Long-term Debt	657,041	625,852	599,025	564,772
Capital Outlay - Debt Service Assessment	58,458	58,458		
Total Governmental Activities Expenses	22,862,461	25,051,761	27,922,647	30,191,915
				58,458
				31,602,942

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

UNAUDITED

(Accrual Basis of Accounting)

(Continued)

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
				2018
Business-type Activities:				
Food Service	\$ 367,622	\$ 338,190	\$ 362,725	\$ 288,438
Total Business-type Activities Expense	367,622	338,190	362,725	288,438
Total District Expenses	\$ 23,230,083	\$ 25,389,951	\$ 28,285,372	\$ 30,480,353
Program Revenues:				
Governmental Activities:				
Charges for Services:				
Instruction (Tuition)	\$ 182,115	\$ 249,521	\$ 252,149	\$ 252,555
Operating Grants and Contributions	3,973,197	4,468,720	6,475,375	8,442,050
Capital Grants and Contributions				(62,301)
Total Governmental Activities Program Revenues	4,155,312	4,718,241	6,727,524	8,632,304
				9,774,093
Business-type Activities:				
Charges for Services:				
Food Service	297,817	283,534	239,962	253,765
Operating Grants and Contributions	59,373	62,557	71,783	53,271
Total Business-type Activities Program Revenues	357,190	346,091	311,745	307,036
Total District Program Revenues	\$ 4,512,502	\$ 5,064,332	\$ 7,039,269	\$ 8,939,340
				\$ 10,118,111
Net (Expense)/Revenue				
Governmental Activities	\$ (18,707,149)	\$ (20,333,520)	\$ (21,195,123)	\$ (21,559,611)
Business-Type Activities	(10,432)	7,901	(50,980)	18,598
Total District-Wide Net Expense	\$ (18,717,581)	\$ (20,325,619)	\$ (21,246,103)	\$ (21,541,013)
				\$ (21,828,849)
				2,002
				\$ (21,826,847)

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

UNAUDITED

(Accrual Basis of Accounting)
(Continued)

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
				2018
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes Levied for General Purposes, net	\$ 19,966,388	\$ 20,426,941	\$ 21,199,168	\$ 21,485,385
Unrestricted Grants and Contributions	71,424	31,250	94,947	105,452
Rents and Royalties	38,953	39,795		
Tuition (Other Than Special Schools)				
Investment Earnings	15,447		17,148	27,938
Board Contribution - Capital Assets		15,969		
Miscellaneous Income	91,350	66,383	112,098	75,899
Other Item- Cancellation of Prior Year Grants Receivables				(88,597)
Total Governmental Activities	20,183,562	20,580,338	21,423,361	21,694,674
Business-type Activities:				
Interest Income	1,704	263	147	232
Prior Year Adjustments				
Other Item - FSMC Contribution			22,747	
Total Business-Type Activities	1,704	263	22,894	232
Total District-Wide	\$ 20,185,266	\$ 20,580,601	\$ 21,446,255	\$ 21,694,906
Change in Net Position				
Governmental Activities	\$ 1,476,413	\$ 246,818	\$ 228,238	\$ 135,063
Business-type Activities	(8,728)	8,164	(28,086)	18,830
Total District	\$ 1,467,685	\$ 254,982	\$ 200,152	\$ 153,893

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

	June 30,			
	2009	2010	2011	2012
General Fund				
Reserved	\$ 2,333,863	\$ 1,663,964		
Unreserved	477,912	422,623		
Restricted			\$ 1,845,574	\$ 3,422,555
Assigned				
Unassigned			666,480	514,596
Total General Fund	\$ 2,811,775	\$ 2,086,587	\$ 2,512,054	\$ 3,937,151
All Other Governmental Funds				
Restricted			\$ 593,316	\$ 440,609
Committed				
Unreserved	\$ 239,287	\$ 469,688		
Total All Other Governmental Funds	\$ 239,287	\$ 469,688	\$ 593,316	\$ 440,609
Total Governmental Funds	\$ 3,051,062	\$ 2,556,275	\$ 3,105,370	\$ 4,377,760

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

	June 30,				
	2014	2015	2016	2017	2018
General Fund					
Reserved					
Unreserved					
Restricted	\$ 3,949,533	\$ 4,538,465	\$ 4,822,825	\$ 5,308,283	\$ 5,885,772
Assigned	191,346	151,823	618,549	907,269	538,903
Unassigned	543,680	494,038	354,374	402,816	506,523
Total General Fund	<u>\$ 4,684,559</u>	<u>\$ 5,184,326</u>	<u>\$ 5,795,748</u>	<u>\$ 6,618,368</u>	<u>\$ 6,931,198</u>
All Other Governmental Funds					
Restricted	\$ 236,163	\$ 218,001	\$ 89,638	\$ 89,617	\$ 84,306
Committed			128,363	66,062	
Unreserved					
Total All Other Governmental Funds	<u>\$ 236,163</u>	<u>\$ 218,001</u>	<u>\$ 218,001</u>	<u>\$ 155,679</u>	<u>\$ 84,306</u>
Total Governmental Funds	<u>\$ 4,920,722</u>	<u>\$ 5,402,327</u>	<u>\$ 6,013,749</u>	<u>\$ 6,774,047</u>	<u>\$ 7,015,504</u>

CHESTER SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS

UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2009	2010	2011	2012
				2013
Revenues				
Tax Levy	\$ 19,348,911	\$ 19,874,156	\$ 20,207,844	\$ 20,492,897
Tuition Charges	132,147	105,546	129,450	213,034
Interest Earnings	51,397	61,874	33,893	55,281
Rents and Royalties				23,522
State Sources	3,126,933	2,566,594	2,363,774	3,265,796
Federal Sources	365,191	724,309	433,251	478,912
Miscellaneous	258,266	191,659	188,972	157,519
Total Revenue	23,282,845	23,524,138	23,357,184	24,105,591
Expenditures				
Instruction				
Regular Instruction	6,920,871	6,965,397	6,233,263	5,945,038
Special Education Instruction	1,669,625	1,951,489	1,959,198	1,957,584
Other Special Instruction				
School-Sponsored/Other Instruction	616,093	548,288	487,631	617,897
Support Services:				
Tuition	802,237	532,410	589,971	618,490
Student & Other Instruction Related Services	1,857,478	2,023,601	1,920,413	1,997,889
General Administrative Services	903,297	933,686	912,222	897,544
School Administrative Services	797,038	795,130	797,275	767,802
Central Services				
Administrative Information Technology				
Plant Operations and Maintenance	2,212,760	2,201,579	1,753,749	1,690,179
Student Transportation	1,385,334	1,407,374	1,319,740	1,364,453
				1,761,785
				1,369,596

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,				
	2009	2010	2011	2012	2013
Expenditures					
Employee Benefits	\$ 4,282,656	\$ 4,797,724	\$ 4,489,815	\$ 4,821,402	\$ 5,393,778
Capital Outlay	734,830	356,699	447,639	744,430	699,698
Special Schools	147,147	182,248	149,292	126,943	139,860
Charter Schools					81,699
Debt Service					
Principal	610,000	630,000	645,000	670,000	880,000
Interest and Other Charges	1,092,275	925,059	900,275	873,550	2,444,665
Total Expenditures	24,031,639	24,250,684	22,605,483	23,093,201	26,205,792
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	(748,794)	(726,546)	751,701	1,012,390	(1,561,939)
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					
Cancellation of Prior Year Accounts Payable		31,759		260,000	280,000
Capital Leases (Non-Budgeted)	226,664				
Prior Year Federal Receivables Cancelled					
Total Other Financing Sources/(Uses)	226,664	31,759		260,000	2,163,375
Net Change in Fund Balances	\$ (522,130)	\$ (694,787)	\$ 751,701	\$ 1,272,390	\$ 601,436
Debt Service as a Percentage of					
Noncapital Expenditures	7.31%	6.51%	6.97%	6.91%	13.03%

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,				
	2014	2015	2016	2017	2018
Revenues					
Tax Levy	\$ 20,581,542	\$ 21,010,908	\$ 21,199,168	\$ 21,485,385	\$ 21,684,589
Tuition Charges	182,115	249,521	252,149	252,555	297,046
Interest Earnings	15,447	15,969	10,796	16,524	52,311
Rents and Royalties	38,953	39,795	46,404	20,695	34,759
State Sources	3,021,827	3,249,882	3,459,469	3,736,204	4,276,900
Federal Sources	332,698	391,307	400,297	510,345	411,514
Miscellaneous	166,292	104,463	139,658	113,663	133,261
Total Revenue	24,338,874	25,061,845	25,507,941	26,135,371	26,890,380
Expenditures					
Instruction					
Regular Instruction	6,156,808	6,359,300	6,872,883	6,578,254	6,774,570
Special Education Instruction	1,951,554	2,123,169	2,088,697	2,103,264	1,704,052
Other Special Instruction			422,533	448,435	459,506
School-Sponsored/Other Instruction	611,446	536,572	177,680	207,374	205,757
Support Services:					
Tuition	693,460	637,553	344,859	60,529	337,773
Student & Other Instruction Related Services	2,258,631	2,269,972	2,178,161	2,498,671	2,572,924
General Administrative Services	813,754	868,403	400,731	455,024	448,817
School Administrative Services	799,853	829,036	832,043	830,228	806,015
Central Services			271,168	301,627	357,567
Administrative Information Technology			162,736	307,128	222,828
Plant Operations and Maintenance	1,870,389	1,829,747	1,832,457	1,907,861	2,133,275
Student Transportation	1,493,827	1,488,563	1,460,208	1,395,817	1,259,228

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,				
	2014	2015	2016	2017	2018
Expenditures					
Employee Benefits	\$ 5,040,703	\$ 5,362,900	\$ 5,613,243	\$ 5,849,271	\$ 6,294,634
Capital Outlay	1,042,372	986,425	673,654	866,812	1,439,464
Special Schools	141,030	143,543	147,503	162,628	143,416
Charter Schools	98,108				
Debt Service					
Principal	800,000	825,000	855,000	870,000	900,000
Interest and Other Charges	625,413	594,537	562,963	532,150	500,500
Total Expenditures	24,397,348	24,854,720	24,896,519	25,375,073	26,560,326
Excess/(Deficit) of Revenues					
Over/(Under) Expenditures	(58,474)	207,125	611,422	760,298	330,054
Other Financing Sources/(Uses)					
Payment to Refunded Bond Escrow Account					
Refunded Bonds Issued					
Premium Issued					
Excess Escrow		20			
Cancellation of Prior Year Accounts Payable					
Capital Leases (Non-Budgeted)		274,460			(88,597)
Prior Year Federal Receivables Cancelled					(88,597)
Total Other Financing Sources/(Uses)		274,480			
Net Change in Fund Balances	\$ (58,474)	\$ 481,605	\$ 611,422	\$ 760,298	\$ 241,457
Debt Service as a Percentage of Noncapital Expenditures	6.07%	5.94%	5.83%	5.72%	5.58%

Source: School District Financial Reports

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>
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
2017	27,938	252,555		75,899	356,392
2018	97,337	297,046		89,263	483,646

Source: School District records

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 ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
<u>Chester Borough</u>												
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
2016	3,240,300	227,449,100	1,103,100	56,600	164,299,800	- 0 -	- 0 -	396,148,900		396,148,900	1.44	398,981,670
2017	3,165,300	227,107,400	1,098,300	56,600	168,664,100	- 0 -	- 0 -	400,091,700		400,091,700	1.39	401,322,238
<u>Chester Township</u>												
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
2016	12,701,600	1,669,012,400	87,901,300	1,302,000	47,594,500	2,543,100	835,200	1,821,890,100	351,836	1,822,241,936	1.53	1,890,867,453
2017	12,608,600	1,676,159,700	88,503,500	1,301,700	47,379,800	2,543,100	835,200	1,829,331,600	358,200	1,829,689,800	1.54	1,900,814,522

* 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

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

^b Tax rates are per \$100 of Assessed Valuation

Source: Municipal Tax Assessor

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			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Direct Rate			Municipality	Morris County	
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct Tax Rate			
<u>Chester Borough</u>						
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
2016	1.335	0.100	1.435	0.924	0.252	2.611
2017	1.303	0.090	1.393	0.933	0.261	2.587
<u>Chester Township</u>						
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
2016	1.425	0.107	1.532	0.522	0.266	2.320
2017	1.439	0.099	1.538	0.524	0.270	2.332

* 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

	2017			2008			
	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	
<u>Chester Borough</u>							
Chester Springs, LLC	\$ 32,270,000	1	1.77%	Chester Springs, LLC	\$ 34,533,100	1	7.58%
CPP Streets of Chester, LLC	18,000,000	2	0.99%	Continental Chester, LLC	26,000,000	2	5.71%
Savro/Chester Shopping Mall	6,925,000	3	0.38%	NS-MPG, Inc.	8,900,000	3	1.95%
ARC RBCR NJ 001	5,920,000	4	0.32%	Savro/Chester Shopping Mall	8,296,000	4	1.82%
Williamson Associates	3,900,000	5	0.21%	Williamson Associates	4,413,400	5	0.97%
95 West Main Associates	3,070,000	6	0.17%	95 West Main Associates	3,698,500	6	0.81%
De Sapio Real Estate Develop.	2,525,000	7	0.14%	Individual Taxpayer #1	3,354,800	7	0.74%
MGHC Group, LLC	2,240,000	8	0.12%	Individual Taxpayer #2	2,713,300	8	0.60%
Chester Franklin Associates	2,240,000	8	0.12%	Turkey Farm Acquisition	2,587,400	9	0.57%
Publick House Holdings, LLC.	2,225,000	10	0.12%	Group 206 North Associates	2,434,100	10	0.53%
Total	\$ 79,315,000		4.35%		\$ 96,930,600		21.27%
<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	3,186,700	7	0.14%
Individual Taxpayer #7	2,784,600	8	0.70%	Individual Taxpayer #7	3,111,300	8	0.14%
Individual Taxpayer #8	2,661,000	9	0.67%	Individual Taxpayer #8	2,980,400	9	0.13%
Individual Taxpayer #9	2,621,700	10	0.66%	Individual Taxpayer #9	2,961,200	10	0.13%
Total	\$ 34,861,100		8.80%		\$ 38,458,200		1.69%

Note: Individual taxpayers may be different in 2008 and 2017

Source: Municipal Tax Assessors

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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 -
2017	21,485,385	21,485,385	100.00%	- 0 -
2018	21,684,589	21,684,589	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					Business-Type Activities	Total District	Percentage of Personal Income ^a	Debt Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)					
2009	\$ 21,390,000	-0-	\$ 559,180	-0-	-0-	\$ 21,949,180	3.12%	\$ 2,349	
2010	20,760,000	-0-	177,247	-0-	-0-	20,937,247	3.14%	2,199	
2011	20,115,000	-0-	59,830	-0-	-0-	20,174,830	2.85%	2,106	
2012	19,445,000	-0-	130,000	-0-	-0-	19,575,000	2.65%	2,039	
2013	19,655,000	-0-	275,000	-0-	-0-	19,930,000	2.59%	2,072	
2014	18,855,000	-0-	140,000	-0-	-0-	18,995,000	2.44%	1,976	
2015	18,030,000	-0-	274,743	-0-	-0-	18,304,743	2.28%	1,905	
2016	17,175,000	-0-	137,327	-0-	-0-	17,312,327	2.05%	1,804	
2017	16,305,000	-0-	69,084	-0-	-0-	16,374,084	1.92%	1,709	
2018	15,405,000	-0-	-0-	-0-	-0-	15,405,000	1.81%	1,608	

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.

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 ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 21,390,000	-0-	\$ 21,390,000	0.79%	\$ 2,255
2010	20,760,000	-0-	20,760,000	0.77%	2,222
2011	20,115,000	-0-	20,115,000	0.90%	2,113
2012	19,445,000	-0-	19,445,000	0.88%	2,030
2013	19,655,000	-0-	19,655,000	0.89%	2,047
2014	18,855,000	-0-	18,855,000	0.86%	1,960
2015	18,030,000	-0-	18,030,000	0.82%	1,876
2016	17,175,000	-0-	17,175,000	0.78%	1,787
2017	16,305,000	-0-	16,305,000	0.73%	1,699
2018	15,405,000	-0-	15,405,000	0.69%	1,608

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.

Source: School District Financial Reports

CHESTER SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Chester	\$ 4,210,000	100.00%	\$ 4,210,000
Township of Chester	14,653,444	100.00%	14,653,444
Morris County General Obligation Debt (Borough Share)	217,187,521	0.43%	934,944
Morris County General Obligation Debt (Township Share)	217,187,521	2.04%	4,428,250
Subtotal, Overlapping Debt			24,226,638
Chester Board of Education Direct Debt			15,405,000
Total Direct and Overlapping Debt			<u>\$ 39,631,638</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.

^a 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.

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

Equalized Valuation Basis:

	Legal Debt Margin Calculation for Fiscal Year 2018		
	Chester Borough	Chester Township	Total
2017	\$ 388,929,425	\$ 1,906,745,466	\$ 2,295,674,891
2016	398,981,670	1,890,515,617	2,289,497,287
2015	389,556,447	1,893,837,691	2,283,394,138
	<u>\$ 1,177,467,542</u>	<u>\$ 5,691,098,774</u>	<u>\$ 6,868,566,316</u>
Average Equalized Valuation of Taxable Property			<u>\$ 2,289,522,105</u>
Debt Limit (3% of average equalization value ^a)			\$ 68,685,663
Net Bonded Debt as of June 30, 2018			15,405,000
Legal Debt Margin			<u>\$ 53,280,663</u>

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 86,418,324	\$ 89,625,350	\$ 87,903,629	\$ 75,362,179	\$ 72,484,088
Total Net Debt Applicable to Limit	21,390,000	20,760,000	20,115,000	19,455,000	19,655,000
Legal Debt Margin	<u>\$ 65,028,324</u>	<u>\$ 68,865,350</u>	<u>\$ 67,788,629</u>	<u>\$ 55,907,179</u>	<u>\$ 52,829,088</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	24.75%	23.16%	22.88%	25.82%	27.12%

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 70,233,799	\$ 69,384,354	\$ 69,224,753	\$ 69,078,196	\$ 68,685,663
Total Net Debt Applicable to Limit	18,855,000	18,030,000	17,175,000	16,305,000	15,405,000
Legal Debt Margin	<u>\$ 51,378,799</u>	<u>\$ 51,354,354</u>	<u>\$ 52,049,753</u>	<u>\$ 52,773,196</u>	<u>\$ 53,280,663</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	26.85%	25.99%	24.81%	23.60%	22.43%

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

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

Chester Borough

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2009	\$ 1,657	\$ 118,245,177	\$ 71,361	5.00%
2010	1,649	122,784,540	74,460	8.80%
2011	1,661	128,240,827	77,207	8.50%
2012	1,665	133,244,955	80,027	8.80%
2013	1,669	134,968,692	80,868	6.50%
2014	1,672	139,924,664	83,687	3.80%
2015	1,669	146,698,424	87,896	3.70%
2016	1,668	148,560,420	89,065	3.30%
2017	1,665	148,293,225	89,065 *	3.40%
2018	1,665 **	148,293,225 ***	89,065 *	N/A

Chester Township

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2009	\$ 7,686	\$ 548,480,646	\$ 71,361	9.80%
2010	7,871	586,074,660	74,460	10.50%
2011	7,918	611,325,026	77,207	10.20%
2012	7,936	635,094,272	80,027	10.10%
2013	7,951	642,981,468	80,868	8.80%
2014	7,940	664,474,780	83,687	6.70%
2015	7,941	697,982,136	87,896	3.70%
2016	7,927	706,018,255	89,065	3.40%
2017	7,915	704,949,475	89,065 *	3.20%
2018	7,915 **	704,949,475 ***	89,065 *	N/A

* - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

** - Latest population data available (2017) was used for calculation purposes.

*** - Latest Morris County personal income available (2016) and latest population data available (2017) was used for calculation purposes.

N/A - Information Not Available

Source:

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

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

^c Per capita personal income for Morris County is estimated based upon the 2000 Census published

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

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

Employer	2017	
	Employees	Percentage of Total Employment
U. S. Army Armament R&D	6,000	2.31%
Atlantic Health System	5,171	1.99%
Novartis	4,622	1.78%
Bayer Healthcare LLC	2,800	1.08%
County of Morris	1,757	0.68%
Wyndham Worldwide Corporation	1,626	0.63%
Accenture	1,561	0.60%
St. Clare's	1,504	0.58%
BASF Corporation	1,500	0.58%
PricewaterhouseCoopers	1,360	0.52%
	<u>27,901</u>	<u>10.75%</u>
	<u>259,756</u>	

Employer	2008	
	Employees	Percentage of Total Employment
Novartis	5,386	2.04%
US Army Armament R&D - (Picatinny Arsenal)	4,300	1.63%
Atlantic Health System	4,045	1.53%
County of Morris	2,007	0.76%
Lucent Technologies	1,983	0.75%
United Parcel Service	1,941	0.74%
Wyndham Worldwide	1,371	0.52%
Greystone Psychiatric	1,296	0.49%
Tiffany & Company	1,200	0.46%
Accenture	1,200	0.46%
	<u>24,729</u>	<u>9.38%</u>
Total Employment	<u>263,677</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	104.0	101.9	95.5	80.4	95.5	93.9	83.9	84.1	78.5	73.9
Special Education	19.2	20.2	18.5	36.5	21.5	22.0	20.8	19.1	17.0	18.4
Other Instruction	9.3	9.9	9.3	7.0	9.0	8.2	9.8	10.9	38.1	38.4
Support Services:										
Student & Instruction Related Services	24.9	25.5	19.2	21.1	20.9	21.1	29.0	41.9	14.6	16.1
General and Business Administrative Services	9.0	9.5	7.2	5.1	5.6	5.6	5.4	5.5	8.0	10.0
School Administrative Services	10.6	10.6	10.6	9.2	11.6	11.6	12.0	11.3	12.6	10.5
Transportation	7.2	6.0	5.7	7.2	8.2	6.8	7.8	9.2	7.6	7.7
Plant Operations and Maintenance	16.0	15.5	14.5	16.3	13.5	13.5	14.3	15.3	15.0	16.8
Total	200.2	199.1	180.5	182.8	185.8	182.7	183.0	197.3	191.4	191.8

Source: School District Personnel Records

CHESTER SCHOOL DISTRICT
OPERATING STATISTICS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year End June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^b	Percentage Change	Teaching Staff ^c	Pupil/Teacher Ratio ^e		Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
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%
2017	1,143	23,106,111	20,215	1.05%	134	9:1	7:1	1,139	1,099	0.53%	96.49%
2018	1,080	23,720,362	21,963	8.65%	131	15:1	14:1	1,072	1,026	-5.88%	95.71%

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

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Elementary</u>										
<u>Bragg</u>										
Square Feet	58,082	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	396
Enrollment	507	467	456	449	436	407	352	345	351	365
<u>Dickerson</u>										
Square Feet	59,105	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	415
Enrollment	414	413	371	327	330	326	326	333	336	330
<u>Middle School</u>										
<u>Black River Middle School</u>										
Square Feet	73,191	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	497
Enrollment	504	498	520	528	473	454	454	455	451	385

Number of Schools
 Elementary = 2
 Middle School = 1

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>
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
2017	165,007	170,006	165,006	500,019
2018	159,836	180,746	193,647	534,229

* 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, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy - NJ Schools Insurance Group (NJSIG):		
<u>PROPERTY SECTION:</u>		
Blanket Building and Contents (fund limit)		
Accounts Receivable	\$ 500,000	\$ 5,000
Automobile Physical Damage	250,000	5,000
Electronic Data Processing Equipment	In Blanket Limit	5,000
	1,085,000	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	100,000	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
Zurich Insurance Company (NJSIG):		
<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>NJSIG:</u>		
Public Employees' Faithful Performance Blanket Position Bond -		
Board Secretary - M Simmons	90,000	500
Treasurer - M Parasugo	225,000	1,000

Source: School District records.

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of 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.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA 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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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, 2018.

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.

January 18, 2019
 Mount Arlington, New Jersey

NISIVOCIA 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, 2018

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Cancellation of Prior Year Account Receivable	Balance, June 30, 2018			
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor		Budgetary Unearned Revenue	Budgetary Accounts Receivable	Due to Grantor	Amounts Provided to Subrecipients
U.S. Department of Agriculture:												
Passed-through State Department of Education:												
Enterprise Fund												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	\$ 19,373			\$ 19,373	\$ (19,373)				
Food Distribution Program	10.555	N/A	7/1/16-6/30/17	9,488		\$ 3,509		(3,509)				
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	42,017			38,708	(42,017)		\$ (3,309)		
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	41,033	\$ (7,958)		7,958					
Total Child Nutrition Cluster					(7,958)	3,509	66,039	(64,899)		(3,309)		
Total Enterprise Fund					(7,958)	3,509	66,039	(64,899)		(3,309)		
Special Revenue Fund												
Elementary and Secondary Education Act:												
Title I	84.010A	ESEA510018	7/1/17-6/30/18	96,656						(83,269)		
Title I	84.010A	ESEA510017	7/1/16-6/30/17	75,483	(45,556)		45,556			(83,269)		
Total Title I					(45,556)		45,556			(10,316)		
Title IIA	84.367A	ESEA510018	7/1/17-6/30/18	17,125			1,888	(12,204)				
Title IIA	84.367A	ESEA510017	7/1/16-6/30/17	18,557	(11,769)		11,769			(10,316)		
Total Title IIA					(11,769)		13,657	(12,204)				
Title III - Immigrant C/O	84.365A	ESEA510015	7/1/14-6/30/15	4,930	(4,930)		1,680	\$ 4,930				
Title III - Immigrant C/O	84.365A	ESEA510017	7/1/16-6/30/17	2,988	(1,680)			(560)		(560)		
Title III - Immigrant	84.365A	ESEA510018	7/1/17-6/30/18	560				(12,474)		(12,474)		
Title III	84.365A	ESEA510018	7/1/17-6/30/18	15,068								
Title III	84.365A	ESEA510017	7/1/16-6/30/17	11,114	(6,046)		6,046					
Total Title III					(12,656)		7,726	(13,034)	4,930	(13,034)		
U.S. Department of Education:												
Passed-through State Department of Education:												
Special Education Cluster:												
ID.E.A. Part B, Basic	84.027A	IDEA510018	7/1/17-6/30/18	316,309						(284,484)		
ID.E.A. Part B, Basic	84.027A	IDEA510017	7/1/16-6/30/17	290,434	(177,520)		177,520					
ID.E.A. Part B, Basic	84.027A	IDEA510015	7/1/14-6/30/15	371,870	(8,712)			8,712				
ID.E.A. Part B, Basic	84.027A	IDEA510014	7/1/13-6/30/14	332,645	(74,955)		2,374	74,955		(16,149)		
ID.E.A. Preschool	84.173A	IDEA510018	7/1/17-6/30/18	28,103			8,355					
ID.E.A. Preschool	84.173A	IDEA510017	7/1/16-6/30/17	20,607	(8,355)		188,249	83,667		(300,633)		
Total Special Education Cluster					(269,542)			(303,007)		(407,252)		
Total Special Revenue					(339,523)		255,188	(411,514)				
Total U.S. Department of Education					(339,523)		255,188	(411,514)		(407,252)		
Total Federal Awards					\$ (347,481)	\$ 3,509	\$ -0-	\$ 88,597	\$ (476,413)	\$ (410,561)	\$ -0-	

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, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Balance at June 30, 2018		MEMO	
				Budgetary Accounts Receivable	Due to Grantor	GAAP Accounts Receivable	Due to Grantor	Budgetary Expenditures	Cumulative Total Expenditures
<u>State Department of Education:</u>									
General Fund State Aid:									
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 829,413	\$ (77,605)					\$ 829,413
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	62,405	(5,839)					62,405
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	10,550	(987)					10,550
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	119,934	(11,222)					119,934
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	11,430	(1,069)					11,430
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	11,430	(1,069)					11,430
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	10,740	(1,005)					
Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	16,951	(16,951)					16,951
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/16-6/30/17	69,504	(69,504)					69,504
Reimbursed TPAF Social Security Contributions	17-495-034-5095-003	7/1/16-6/30/17	669,285	(100,600)					669,285
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	862,238					\$ (80,845)	862,238
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	62,405					(5,851)	62,405
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	10,550					(989)	10,550
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	119,934					(11,245)	119,934
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	11,430					(1,072)	11,430
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	11,430					(1,072)	11,430
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	10,740					(1,007)	10,740
Nonpublic Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	33,283					(33,283)	33,283
Extraordinary Special Education Costs Aid	18-495-034-5120-044	7/1/17-6/30/18	141,366					(141,366)	141,366
Reimbursed TPAF Social Security Contributions	18-495-034-5095-003	7/1/17-6/30/18	669,398					(33,238)	669,398
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	872,091					(872,091)	872,091
On-Behalf TPAF Long Term Disability Insurance Contributions	18-495-034-5094-004	7/1/17-6/30/18	1,733					(1,733)	1,733
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	1,318,248					(1,318,248)	1,318,248
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-003	7/1/17-6/30/18	31,991					(31,991)	31,991
Subtotal - General Fund				(285,851)		(207,887)		(309,968)	5,957,739
Special Revenue Fund Aid:									
Nonpublic Auxiliary Services:									
N.J. Nonpublic Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	17,858					(17,858)	17,858
N.J. Nonpublic Nursing Aid	18-100-034-5120-070	7/1/17-6/30/18	31,621				\$ 7,905	(23,716)	31,621
N.J. Nonpublic Technology Initiative	18-100-034-5120-373	7/1/17-6/30/18	12,062					(12,062)	12,062
N.J. Nonpublic Security Aid	18-100-034-5120-509	7/1/17-6/30/18	49,800					(49,800)	49,800
Nonpublic Handicapped Services:									
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	4,044					(4,044)	4,044
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	12,411				5,276	(7,135)	7,135
Examination and Classification	18-100-034-5120-066	7/1/17-6/30/18	8,733					(8,733)	8,733
Subtotal - Special Revenue Fund - Department of Education							13,181	(123,348)	131,253

CHESTER SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Balance at June 30, 2018		MEMO	
				Budgetary Accounts Receivable	Due to Grantor			GAAP Accounts Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:											
Enterprise Fund:											
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	\$ 2,878			\$ 2,644	\$ (2,878)	\$ (234)		\$ (234)	\$ 2,878
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	2,276	\$ (441)		441					2,276
Subtotal - Enterprise Fund				(441)		3,085	(2,878)	(234)		(234)	5,154
Total State Department of Education				(286,292)		4,280,512	(4,283,063)	(208,121)	\$ 13,181	(310,202)	6,094,146
Schools Development Authority:											
Capital Projects Fund:											
Educational Facilities Construction & Financing Act:											
Schools Development Authority Grant (Energy Project)	0820-020-05-0-AZL	05/08/2006	821,905	(142,117)		(142,117)					
Schools Development Authority Grant (Energy Project)	0820-030-05-0-AZM	05/08/2006	654,258	(119,034)		(119,034)					
Schools Development Authority Grant (Energy Project)	0820-040-05-0-AZN	05/08/2006	106,786	(20,510)		(20,510)					
Total Capital Projects Fund				(281,661)		(281,661)					
Total State Awards											
				\$ (567,953)	\$ -0-	\$ 3,998,851	\$ (4,283,063)	\$ (208,121)	\$ 13,181	\$ (310,202)	\$ 6,094,146
Less: On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	\$ (872,091)				\$ 872,091				
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	(1,733)				1,733				
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 - 6/30/18	(1,318,248)				1,318,248				
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-003	7/1/17 - 6/30/18	(31,991)				31,991				
Subtotal - On-Behalf TPAF Pension System Contributions							2,224,063				
Total State Awards (Net of On-Behalf TPAF Pension System Contributions)											
							\$ (2,059,000)				

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

CHESTER SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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 not 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 (\$3,285) for the general fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds.

CHESTER SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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		\$ 4,153,552	\$ 4,153,552
Special Revenue Fund	\$ 411,514	123,348	534,862
Food Service Fund	<u>64,899</u>	<u>2,878</u>	<u>67,777</u>
Total Awards	<u>\$ 476,413</u>	<u>\$ 4,279,778</u>	<u>\$ 4,756,191</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, 2018.

NOTE 7. NEW JERSEY SCHOOL DEVELOPMENT AUTHORITY GRANT

The District has active grants 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. As of June 30 2018 all the SDA grant money has been collected.

CHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018 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	18-495-034-5120-089	7/1/17-6/30/18	\$ 862,238	\$ 862,238
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	62,405	62,405
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	10,550	10,550
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	11,430	11,430
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	11,430	11,430
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	10,740	10,740

- 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, 2018
(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, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.