

**BOROUGH OF CLAYTON  
SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

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## INTRODUCTORY SECTION

# CLAYTON PUBLIC SCHOOL DISTRICT

350 E. CLINTON STREET  
CLAYTON, NEW JERSEY 08312  
(856) 881-8701 FAX #: (856) 863-8196

DAVID LINDENMUTH  
SUPERINTENDENT

FRANCES ADLER  
BUSINESS ADMINISTRATOR

November 27, 2013

Honorable President and  
Members of the Board of Education  
Clayton Public School District  
300 West Chestnut Street  
Clayton NJ 08312

Dear Board Members:

We are submitting the Comprehensive Annual Financial Report of the Clayton Public School District for the fiscal year ended June 30, 2013. The management of the Board of Education is responsible for the accuracy of the data as well as the completeness and fairness of the presentation including all disclosures. To the best of our knowledge, the data presented in this report is accurate and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All necessary disclosures have been included to enable the reader to gain an understanding of the District's financial activities.

The annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officers. The financial section includes the general-purpose financial statements and schedules as well as the auditors' report. The statistical section includes selected financial and demographic information. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the New Jersey OMB Circular 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." Information related to this single audit including the auditors' report on internal controls and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

**REPORTING ENTITY AND ITS SERVICES:**

Clayton Public School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement Number 3. All account groups and funds of the Clayton Public School District are included in this report. The Clayton Board of Education and its two schools constitute the District's reporting entity.

The Clayton Public School District provides a full range of educational services appropriate to grade levels PreK-12. These include regular and vocational programs as well as special education for the special needs students. The 2012-2013 In-District Student Enrollment was 1,384 which is 1.02 percent higher than the previous year.

**STUDENT ENROLLMENT:**

<b><u>FISCAL YEAR</u></b>	<b><u>STUDENT ENROLLMENT</u></b>	<b><u>% CHANGE</u></b>
2013	1384	1.02%
2012	1370	-0.22%
2011	1373	-0.07%
2010	1374	+1.7%
2009	1351	+ 3.17%
2008	1309	+ 2.4%
2007	1277	+ 1.83%
2006	1254	- 3.39%
2005	1298	- 0.46%
2004	1304	+ 0.54%
2003	1297	+ 3.51%
2002	1253	+ 2.05%
2001	1190	+0.08%
2000	1189	+3.03%
1999	1153	-2.08%
1998	1177	-0.59%
1997	1184	+6.95%
1996	1107	+0.36%
1995	1103	-6.71%

**ECONOMIC CONDITION AND OUTLOOK:**

Residential development continues to take place in Clayton but the rate of development has slowed down with poor economic conditions present due to the national recession. Local businesses have suffered in the current recession, and Clayton has had a hard time attracting new businesses to the community. Economic conditions have caused a rise in the District's free and reduced lunch program. In 2012-2013, the percentage of economically disadvantaged students eligible for free and reduced lunch is 51%, which is up over previous year. A predominantly residential tax base places a local school tax burden on the residents to fund the school system. The District continues to pursue federal, state, and other grant sources to enhance programs and provide resources without an additional local tax burden.

## **MAJOR INITIATIVES:**

The following District-Level goals have been developed for the 2012-2013 school year:

- 1) Improve student achievement through increased student engagement utilizing technology and enhanced articulation.
- 2) Increase community outreach and improve communication throughout the District to allow for a positive student-centered environment.
- 3) Continue fiscal responsibility by examining efficiencies, internal controls, and structure.

## **PROGRESS TOWARD GOALS AND OBJECTIVES:**

**Goal 1:** For 2012-2013, the district has ensured that each classroom has been outfitted with a Smartboard. This technology provides teachers and students with a visual and tactical mechanism to enhance lessons through its interactive modalities, and the ability to readily access instructional resources. Regular maintenance and repair of the Smartboard technology is required since it has become an essential component of instructional delivery and classroom management.

The district will continue to purchase iPads for teachers and students. This technology provides students with a one to one access of resources, educational apps, organizational and reporting software. Teachers utilize the iPads for numerous activities including instruction, classroom management, and communication.

The district is committed to acquiring instructional materials which address the full gamut of instructional possibilities that positively impact student achievement. Furthermore, professional development and training for teachers to utilize technology and incorporate these materials must be ongoing and dynamic. A variety of support for teachers is available. Teachers are required to work within their professional learning communities to work toward individual, school and district goals to improve their practices and positively affect student achievement.

Use of technology is instrumental in allowing teachers access to state standards, and periodicals. Furthermore, teachers can use technology to analyze and aggregate assessment data, create and access reports which is key to developing a data-driven learning community. Communication mechanisms are made available for teachers to allow for vertical and horizontal articulation with their peers as well as administrators and parents.

**Goal 2:** To address Goal 2, the Guidance Department has fully implemented measures to be in compliance with the Anti-Bullying Bill of Rights. Procedures are in place for reporting, investigating and remediating alleged cases of harassment, intimidation and bullying. In addition, Simmons Elementary School has implemented PBSIS which promotes behavioral changes through positive reinforcement.

Clayton Place at the High/Middle School and The Clayton Counseling Center (CCC) at Herma Simmons Elementary offered individual and group counseling services, as well as student centered programs. The CCC also has a Behavioral Specialist and Psychiatrist on Staff to work with students on a multitude of behavioral issues. These services were also utilized by the High School and Middle School. The Youth Specialist at the CCC ran an after school program entitled Microsociety, where students in grades 3 through 5 set up and operated their own “mini-society”. At the end of the year, parents were invited in to observe the functioning society created by the students.

The Guidance Department continued to reach out to the community by setting up parent teacher/conferences on and as needed basis. Naviance was also used at the high school and middle school for communication through a “blast e-mail” function that allowed the counselors to send important updates and messages to large groups of students.

Several functions were held throughout the school year for students and their parents. These include Junior/Senior College Planning Night, Financial Aid Night, 8<sup>th</sup> Grade Orientation and The Academic Awards Night.

**Goal 3:** The District monitors policies, procedures and internal controls regularly to improve efficiencies. We also continue to pursue federal, state, and local grants to enhance programs and resources for our students.

**FINANCIAL INFORMATION AT FISCAL YEAR-END:**

As demonstrated by the various schedules and statements included in the financial section of this report, the District continually meets its responsibility for sound financial management.

**DEBT ADMINISTRATION:**

At June 30, 2013, the District’s outstanding debt issues amount to \$11,057,000.

**CASH MANAGEMENT:**

Cash balances with contracted depository banks are in interest-bearing accounts which are covered under the Government Unit Deposit Protection Act of the State of New Jersey. All such deposits are held in the Board’s name.

New Jersey Governmental Unit Deposit Protection Act (NJGUDPA) permits the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or in the State of New Jersey Cash Management Fund. The Board uses a money market fund investing in United States Treasury obligations which is neither insured nor guaranteed by a governmental agency; however, it is acceptable under New Jersey Statute 18A:20-37. All such deposits are held in the Board’s name.

**RISK MANAGEMENT:**

The Board carries various kinds of insurance including but not limited to general and automobile liability, comprehensive/collision coverage, school board legal liability, theft insurance on property and contests, as well as fidelity bonds.

**OTHER INFORMATION:**

Independent Audit: An annual audit by independent certified public accountants is required by State statutes. The accounting firm of Bowman and Company LLP was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and New Jersey OMB 04-04, as revised. The auditor’s report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

**AWARDS:**

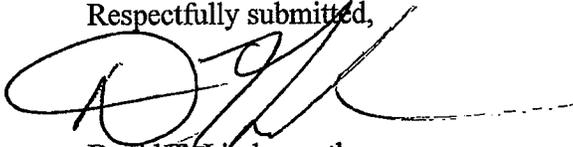
1. Teachers of the Year: Elementary School Teacher – Lauren Eichhorn  
Middle School Teacher – Stacy Seger  
High School Teacher – Cliff Christopher
  
2. Grant Awards: We are in our third and final year of the Mentoring Grant from Office of Justice, which supports our Big Brothers/Big Sisters Program.

**ACKNOWLEDGEMENTS:**

We would like to express our appreciation to the members of the Clayton Public School District School Board for their continuous support to the development and maintenance of our financial operations as well as providing accountability to the taxpayers and citizens of Clayton.

This report could not have been accomplished without the cooperation of the accounting staff of the school district and the administration.

Respectfully submitted,

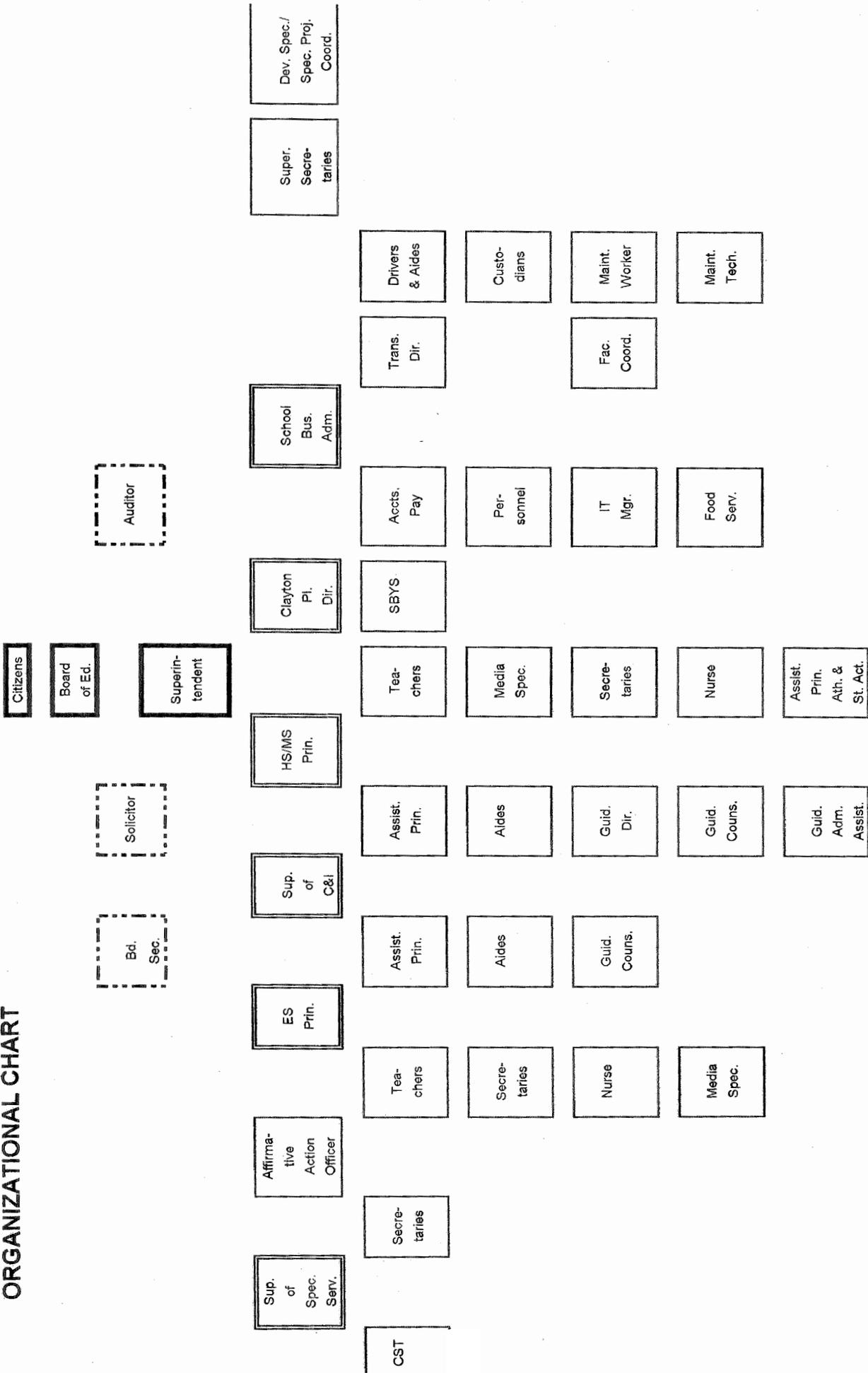


David T. Lindenmuth  
Superintendent of Schools



Fran Adler  
School Business Administrator/Board Secretary

# CLAYTON PUBLIC SCHOOLS ORGANIZATIONAL CHART



# **CLAYTON BOARD OF EDUCATION**

## **CLAYTON, NEW JERSEY**

### **ROSTER OF OFFICIALS**

**As of June 30, 2013**

**January 2013- December 2013**

<b>Members of the Board of Education</b>	<b>Term Expires</b>
Anthony Grafton, President	2013
Ronald Durham, Vice President	2014
John Connelly	2015
Elizabeth Kellum	2013
Jeremiah Long	2015
Dawn Milligan	2013
Jeff Radio	2015
Milton "Bud" Reuter, III	2014
Edwardo Rojas	2014

David T. Lindenmuth, Superintendent of Schools

Frances Adler, School Business Administrator/Board Secretary

Deborah Swietanski, Treasurer of School Funds

**CLAYTON BOARD OF EDUCATION  
CLAYTON, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

Architect

Garrison Architects  
14000 F Commerce Parkway  
Mount Laurel, NJ 08054

Audit Firm

Bowman & Company LLP  
Certified Public Accountants & Consultants  
601 White Horse Road  
Voorhees, New Jersey 08043

Attorney

Ware, Streit, and Thompson  
10 Pitman Avenue  
Pitman, NJ 08071

Official Depositories

Fulton Bank of New Jersey  
Clayton Branch  
35 North Delsea Drive  
Clayton, NJ 08312

FINANCIAL SECTION

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Education  
Borough of Clayton School District  
County of Gloucester

### ***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 Borough of Clayton School District, in the County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School 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.

### ***Auditor's 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 in compliance with audit requirements as prescribed by the Division of Administration and 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 School 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 School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 previously 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 Borough of Clayton School District in the County of Gloucester, State of New Jersey, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Clayton School District's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relates 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 accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2013 on our consideration of the Borough of Clayton School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Borough of Clayton School District's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Glen J. Walton  
Certified Public Accountant  
Public School Accountant  
No. 20CS00205000

Voorhees, New Jersey  
November 27, 2013

**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 AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Education  
Borough of Clayton School District  
County of Gloucester

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Clayton School District, in the County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 27, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Borough of Clayton School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Clayton School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Clayton School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey and which are described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no. 2013-1.

**The Borough of Clayton School District's Response to Finding**

The Borough of Clayton School District's response to the finding identified in our audit is described in the schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Glen J. Walton  
Certified Public Accountant  
Public School Accountant  
No. 20CS00205000

Voorhees, New Jersey  
November 27, 2013

REQUIRED SUPPLEMENTARY INFORMATION  
PART I

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The discussion and analysis of Clayton Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights:**

Key financial highlights for 2013 are as follows:

- In total, net position increased \$664,558.
- General revenues account for \$20,296,801 in revenue or eighty-five percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$3,462,862 or fifteen percent of total revenues of \$23,759,663.
- The School District had \$23,095,105 in expenses; only \$3,462,862 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues of \$20,296,801 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$19,485,053 in revenues and \$19,195,571 in expenditures. The General Fund's balance increased \$289,482 over 2013. This increase was anticipated by the Board of Education.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clayton Public School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

non-major funds presented in total in one column. In the case of Clayton Public School District, the General Fund is by far the most significant fund.

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities – all of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation, and extra-curricular activities.
- Business-type activity – this service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

**Governmental Funds**

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

**Enterprise Fund**

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. This information is information that has not been presented on the face of the financial statements, for reasons of practicality, but is essential for the financial statements to be fairly presented.

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net position for 2013 and 2012.

**Table 1  
Net Position**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>Assets</b>		
Current and Other Assets	\$ 2,107,982	\$ 2,719,885
Capital Assets	<u>28,653,454</u>	<u>29,147,466</u>
<b>Total Assets</b>	<u>30,761,436</u>	<u>31,867,351</u>
<b>Liabilities</b>		
Long-term Liabilities	10,554,377	11,257,876
Other Liabilities	<u>1,386,974</u>	<u>2,453,948</u>
<b>Total Liabilities</b>	<u>11,941,351</u>	<u>13,711,824</u>
<b>Net Position</b>		
Net Investment in Capital Assets	17,441,669	17,093,584
Restricted	2,081,430	1,709,166
Unrestricted	<u>(703,014)</u>	<u>(647,223)</u>
<b>Total Net Position</b>	<u>\$ 18,820,085</u>	<u>\$ 18,155,527</u>

The District's combined net position were \$18,820,085 on June 30, 2013. This was an increase of 3.6 percent from the prior year.

Total assets decreased \$1,105,915. A decrease in current and other assets of \$611,903 was due to a decrease in cash and accounts receivable. A decrease in capital assets of \$494,012 is due to depreciation expense of capital assets.

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

Total liabilities decreased \$1,770,473 primarily due to a decrease in bonds payable. Table 2 shows changes in net position for fiscal year 2013 compared to the fiscal year 2012.

**Table 2  
Changes in Net Position**

	June 30, 2013	June 30, 2012
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 613,235	\$ 297,160
Operating Grants and Contributions	2,849,627	2,788,911
General Revenues:		
Property Taxes	8,336,078	8,067,296
Grants and Entitlements	11,662,085	11,165,005
Other	<u>298,638</u>	<u>(98,943)</u>
Total Revenues	<u>23,759,663</u>	<u>\$ 22,219,429</u>
<b>Program Expenses</b>		
Instruction	\$ 11,713,279	\$ 11,701,505
Support Services:		
Pupils and Instructional Staff	5,190,681	5,555,264
General Administration, School Administration, Business Operations, and Maintenance of Facilities	2,247,870	2,220,477
Pupil Transportation	2,081,648	2,112,102
Interest on Debt	822,445	880,756
Food Service	384,664	471,521
	<u>654,518</u>	<u>553,477</u>
Total Expenses	<u>23,095,105</u>	<u>23,495,102</u>
Increase (Decrease) in Net Position	<u>\$ 664,558</u>	<u>\$ (1,275,673)</u>

Program revenues include charges for services and operating grants and contributions. The increase in charges for services is primarily the result of an increase in tuition revenue. There is a \$60,636 increase in operating grants and contributions due primarily to an increase in food service grants.

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

General revenues include property taxes, federal and state aids, and other revenues, with federal and state aids being the predominant source of revenue for the District. Federal and state aids increased \$497,080, primarily due increase in state funding.

Property taxes increased \$268,782 as State aid revenue increased.

Total expenses decreased by \$399,997 mainly due a decrease in support services and interest costs.

**Governmental Activities**

Property taxes made up 36 percent of revenues for governmental activities for the Clayton Public School District for fiscal year 2013. The District's total revenues were \$23,140,904 for the year ended June 30, 2013. Federal, State, and local grants accounted for another 61 percent of revenue.

The total cost of all programs and services was \$22,850,285. Instruction comprises 51 percent of District expenses.

**Business-Type Activities**

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and State reimbursements.

- Food service expenses exceeded revenues by \$35,759.
- Charges for services represent \$197,050 of revenue. This represents amounts paid by patrons for daily food service.
- Federal and State requirements for meals including payments for free and reduced lunches and breakfast and donated commodities was \$421,538.

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3**

	<b>Total Cost of Services 2013</b>	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2013</b>	<b>Net Cost of Services 2012</b>
Instruction	\$ 11,713,279	\$ 11,701,505	\$ 10,453,479	\$ 10,947,455
Support Services:				
Pupils and Instructional Staff	5,190,681	5,555,264	3,606,207	3,795,162
General Administration, School Administration, Business	2,247,870	2,220,477	2,247,870	2,220,477
Operation and Maintenance of Facilities	2,081,648	2,112,102	2,081,648	2,112,102
Pupil Transportation	822,445	880,756	822,445	880,756
Interest and Fiscal Charges	384,664	471,521	384,664	471,521
<b>Total Expenses</b>	<b>\$ 22,440,587</b>	<b>\$ 22,941,625</b>	<b>\$ 19,596,313</b>	<b>\$ 20,427,473</b>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student including extra-curricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students including curriculum and staff development.

General administration, school administration, and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities involved keeping the school grounds, buildings, and equipment in an effective working condition.

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

Pupil transportation includes activities involved with the conveyance of students to and from school as well as to and from school activities as provided by State law.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

“Other” includes special schools and unallocated depreciation.

**The School District's Funds**

All governmental funds (i.e., general fund, special revenue fund, capital projects, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$23,140,904 and expenditures were \$22,850,285. The net increase in fund balance for the year was most significant in the general fund, an increase of \$289,482.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General fund.

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- TPAF, which is the State's contribution to the pension fund, is neither a revenue item nor an expenditure item to the District but is required to be reflected in the financial statements.
- Home instruction, both salaries and contracted, were higher than past years due to the number of students who were ill or placed on home instruction pending other placements.
- Reductions were made to the instructional supply and textbook accounts at the end of the school year after all instructional purchases had been made. These funds helped offset other accounts that were nearing over-expenditure.

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

Tuition for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into the District during the summer as well as the school year, which necessitates transferring funds to the appropriate account to pay these special education costs.

**Capital Assets**

At the end of the fiscal year 2013, the School District had \$28,581,602, invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to 2012.

**Table 4  
Capital Assets (Net of Depreciation) at June 30**

	<b>2013</b>	<b>2012</b>
Land	\$ 510,670	\$ 510,670
Site Improvements	1,067,065	989,508
Building and Building Improvements	25,992,534	25,555,076
Machinery and Equipment	1,011,333	943,413
<b>Total</b>	<u>\$ 28,581,602</u>	<u>\$ 28,998,667</u>

Overall capital assets decreased \$417,065 from fiscal year 2012 to fiscal year 2013. The decrease in capital assets is due to depreciation expense being more than additions for the year. For more detailed information, please refer to the Notes to the Financial Statements.

**Debt Administration**

At June 30, 2013, the School District had \$11,340,169 of outstanding debt. Of this amount, \$283,169 is for compensated absences and \$11,057,000 of serial bonds for school construction.

**Table 5  
Outstanding Debt at June 30**

	<b>2013</b>	<b>2012</b>
July 15, 2001		\$ 37,000
March 1, 2004	\$ 1,240,000	1,870,000
January 28, 2010	9,817,000	9,917,000
<b>Total</b>	<u>\$ 11,057,000</u>	<u>\$ 11,824,000</u>

**CLAYTON PUBLIC SCHOOL DISTRICT  
CLAYTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**For the Future**

The Clayton Public School District is in good financial condition presently. The School District is proud of its community support of the public schools. A major concern is the continued enrollment growth of the District with the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and State funding is decreased.

In conclusion, the Clayton Public School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Frances Adler, School Business Administrator/Board Secretary, at Clayton Public School District, 300 West Chestnut Street, Clayton, NJ 08312. Please visit our website at [www.clayton.k12.nj.us](http://www.clayton.k12.nj.us).

## BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

**BOROUGH OF CLAYTON SCHOOL DISTRICT**

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 540,793	\$ 84,544	\$ 625,337
Receivables, net	896,332	68,088	964,420
Inventory		3,995	3,995
Restricted Assets:			
Capital Reserve Account - Cash	165,731		165,731
Restricted Cash and Cash Equivalents	348,499		348,499
Capital Assets, net (Note 6)	<u>28,581,602</u>	<u>71,852</u>	<u>28,653,454</u>
<b>Total Assets</b>	<u>30,532,957</u>	<u>228,479</u>	<u>30,761,436</u>
<b>LIABILITIES:</b>			
Accounts Payable	298,135	25,662	323,797
Payable to State Government	70,050		70,050
Unearned Revenue	52,550		52,550
Accrued Interest Payable	154,785		154,785
Noncurrent Liabilities (Note 7):			
Due within One Year	785,792		785,792
Due beyond One Year	<u>10,554,377</u>		<u>10,554,377</u>
<b>Total Liabilities</b>	<u>11,915,689</u>	<u>25,662</u>	<u>11,941,351</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	17,369,817	71,852	17,441,669
Restricted for:			
Debt Service	171,221		171,221
Other Purposes	1,910,209		1,910,209
Unrestricted (Deficit)	<u>(833,979)</u>	<u>130,965</u>	<u>(703,014)</u>
<b>Total Net Position</b>	<u>\$ 18,617,268</u>	<u>\$ 202,817</u>	<u>\$ 18,820,085</u>

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

**Borough of Clayton School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 8,895,815	\$ 416,185	\$ 498,448	\$ (8,997,367)	\$	\$ (8,997,367)
Special Education	2,125,994		345,167	(1,364,642)		(1,364,642)
Other Instruction	691,470			(691,470)		(691,470)
Support Services:						
Tuition	1,412,073		279,592	(1,132,481)		(1,132,481)
Student and Instruction Related Services	3,778,608		1,304,882	(2,473,726)		(2,473,726)
General Administrative Services	384,920			(384,920)		(384,920)
School Administrative Services	1,862,950			(1,862,950)		(1,862,950)
Plant Operations and Maintenance	2,081,648			(2,081,648)		(2,081,648)
Pupil Transportation	822,445			(822,445)		(822,445)
Interest on Long-Term Debt	384,664			(384,664)		(384,664)
Total Governmental Activities	22,440,587	416,185	2,428,089	(19,596,313)		(19,596,313)
Business-Type Activities:						
Food Service	654,518	197,050	421,538		\$ (35,930)	(35,930)
Total Business-Type Activities	654,518	197,050	421,538		(35,930)	(35,930)
Total Primary Government	\$ 23,095,105	\$ 613,235	\$ 2,849,627	(19,596,313)		(19,632,243)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				7,411,722		7,411,722
Taxes Levied for Debt Service				924,356		924,356
Federal and State Aid Not Restricted				11,338,679		11,338,679
State Aid Restricted				303,406		303,406
Transportation Fees from other LEAs within State				24,501	171	24,672
Interest and Investment Earnings				4,884		4,884
Miscellaneous Income				269,082		269,082
Total General Revenues, Special Items, Extraordinary Items and Transfers				20,296,630	171	20,296,801
Change in Net Position					(35,759)	664,558
Net Position -- July 1					238,576	18,155,527
Net Position -- June 30					\$ 202,817	\$ 18,820,085

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

FUND FINANCIAL STATEMENTS

**Borough of Clayton School District**  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 706,524		\$ 11,547	\$ 171,221	\$ 889,292
Capital Reserve Account	165,731				165,731
Accounts Receivable					
State	117,380	\$ 4,848			122,228
Federal	825	639,512			640,337
Other	132,818	949			133,767
Interfunds Receivable	413,600				413,600
<b>Total Assets</b>	<b>\$ 1,536,878</b>	<b>\$ 645,309</b>	<b>\$ 11,547</b>	<b>\$ 171,221</b>	<b>\$ 2,364,955</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 145,345	\$ 152,790			\$ 298,135
Interfunds Payable		402,053	\$ 11,547		413,600
Payable to State Government		70,050			70,050
Unearned Revenue		52,550			52,550
<b>Total Liabilities</b>	<b>145,345</b>	<b>677,443</b>	<b>11,547</b>		<b>834,335</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	165,731				165,731
Excess Surplus--Designated for Subsequent Year's Expenditures	951,602				951,602
Excess Surplus	792,876				792,876
<b>Assigned:</b>					
Other Purposes	28,464				28,464
Unassigned	(547,140)	(32,134)		\$ 171,221	(408,053)
<b>Total Fund Balances</b>	<b>1,391,533</b>	<b>(32,134)</b>		<b>171,221</b>	<b>1,530,620</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,536,878</b>	<b>\$ 645,309</b>	<b>\$ 11,547</b>	<b>\$ 171,221</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$39,717,212, and the accumulated depreciation is \$11,135,610.

28,581,602

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

11,340,169

Accrued interest payable

154,785

Net position of governmental activities

\$ 18,617,268

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

**Borough of Clayton School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local Tax Levy	\$ 7,411,722			\$ 924,356	\$ 8,336,078
Tuition Charges	416,185				416,185
Interest	4,112		\$ 772		4,884
Transportation Charges	24,501				24,501
Unrestricted Miscellaneous Revenues	200,551				200,551
State Sources	11,328,386	\$ 819,178		303,406	12,450,970
Federal Sources	30,293	1,544,999			1,575,292
Local Sources	68,531	63,912			132,443
<b>Total Revenues</b>	<b>19,484,281</b>	<b>2,428,089</b>	<b>772</b>	<b>1,227,762</b>	<b>23,140,904</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Regular Instruction	5,611,620	440,683			6,052,303
Special Education Instruction	1,191,492	305,248			1,496,740
Other Instruction	462,640				462,640
<b>Support Services and Undistributed Costs:</b>					
Tuition	1,132,481	279,592			1,412,073
Student and Instruction Related Services	1,651,697	1,153,972			2,805,669
General Administrative Services	384,918				384,918
School Administrative Services	907,994				907,994
Central Services	226,195				226,195
Administrative Information Technology	112,249				112,249
Plant Operations and Maintenance	1,392,761				1,392,761
Pupil Transportation	822,445				822,445
Unallocated Benefits	5,024,506	248,458			5,272,964
<b>Debt Service:</b>					
Principal				767,000	767,000
Interest and Other Charges				459,761	459,761
Capital Outlay	274,573				274,573
<b>Total Expenditures</b>	<b>19,195,571</b>	<b>2,427,953</b>	<b>-</b>	<b>1,226,761</b>	<b>22,850,285</b>
Excess (Deficiency) of Revenues over Expenditures	288,710	136	772	1,001	290,619
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In	772				772
Operating Transfers Out			(772)		(772)
<b>Total Other Financing Sources (Uses)</b>	<b>772</b>	<b>-</b>	<b>(772)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>289,482</b>	<b>136</b>	<b>-</b>	<b>1,001</b>	<b>290,619</b>
Fund Balance -- July 1	1,102,051	(32,270)	-	170,220	1,240,001
Fund Balance -- June 30	\$ 1,391,533	\$ (32,134)	\$ -	\$ 171,221	\$ 1,530,620

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

**Borough of Clayton School District**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	290,619
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense	\$	(966,331)
Capital Outlays		274,573
Other Capital Additions		<u>274,693</u>
		(417,065)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
		767,000
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)</p>		
		75,097
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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 (+).</p>		
		<u>(15,334)</u>
Change in Net Position of Governmental Activities	\$	<u>700,317</u>

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

**Borough of Clayton School District**  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 84,544
Accounts Receivable:	
State	1,649
Federal	66,439
Inventories	<u>3,995</u>
Total Current Assets	<u>156,627</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	273,110
Less Accumulated Depreciation	<u>201,258</u>
Total Noncurrent Assets	<u>71,852</u>
Total Assets	<u>228,479</u>
<b>LIABILITIES :</b>	
Current Liabilities:	
Accounts Payable	<u>25,662</u>
Total Current Liabilities	<u>25,662</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	71,852
Unrestricted	<u>130,965</u>
Total Net Position	<u><u>\$ 202,817</u></u>

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

**Borough of Clayton School District**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 103,770
Daily Sales - Non-Reimbursable Programs	91,251
Special Functions	<u>2,029</u>
Total Operating Revenues	<u>197,050</u>
OPERATING EXPENSES:	
Salaries	180,784
Employee Benefits	34,319
Supplies and Materials	16,438
Cost of Sales	302,051
Management Fee	26,337
Other Purchased Services	6,339
Depreciation	<u>88,250</u>
Total Operating Expenses	<u>654,518</u>
Operating Income (Loss)	<u>(457,468)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	7,259
Federal Sources:	
Special Milk Program	1,737
National School Lunch Program	275,506
Healthy Hunger Free Kids Program	7,325
School Breakfast Program	82,450
United States Department of Agriculture Commodities	47,261
Interest and Investment Revenue	<u>171</u>
Total Nonoperating Revenues	<u>421,709</u>
Change in Net Position	(35,759)
Total Net Position -- July 1	<u>238,576</u>
Total Net Position -- June 30	<u>\$ 202,817</u>

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

**Borough of Clayton School District**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Customers	\$ 197,050
Payments to Employees	(180,784)
Payments for Employee Benefits	(34,319)
Payments to Suppliers	<u>(278,501)</u>
Net Cash Provided by (used for) Operating Activities	<u>(296,554)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Cash Received from State and Federal Reimbursements	<u>338,036</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>338,036</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of Capital Assets	<u>(11,303)</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(11,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and Dividends	<u>171</u>
Net Cash Provided by (used for) Investing Activities	<u>171</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,350
Cash and Cash Equivalents -- July 1	<u>54,194</u>
Cash and Cash Equivalents -- June 30	<u><u>\$ 84,544</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ (457,468)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	88,250
Federal Commodities	47,261
(Increase) Decrease in Inventories	(259)
Increase (Decrease) in Other Current Liabilities	<u>25,662</u>
Total Adjustments	<u>160,914</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (296,554)</u></u>

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

**Borough of Clayton School District**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2013

	<u>Trust Funds</u>	<u>Agency Funds</u>		<u>Total</u>
	<u>Private Purpose Scholarship Fund</u>	<u>Student Activity</u>	<u>Payroll</u>	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,861	\$ 121,102	\$ 161,511	\$ 285,474
Total Assets	<u>\$ 2,861</u>	<u>\$ 121,102</u>	<u>\$ 161,511</u>	<u>\$ 285,474</u>
<b>LIABILITIES:</b>				
Payable to Student Groups		\$ 121,102		\$ 121,102
Payroll Deductions and Withholdings			\$ 161,511	161,511
Total Liabilities		<u>\$ 121,102</u>	<u>\$ 161,511</u>	<u>282,613</u>
<b>NET POSITION:</b>				
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 2,861</u>			<u>\$ 2,861</u>

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

**Borough of Clayton School District**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2013

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	Private Purpose Scholarship <u>Fund</u>
ADDITIONS:	
Local Sources	
Gifts and Contributions	\$ 1,056
Interest on Investments	<u>4</u>
Total Contributions	<u>1,060</u>
DEDUCTIONS:	
Scholarship Payments	<u>600</u>
Total Deductions	<u>600</u>
Change in Net Position	460
Net Position -- July 1	<u>2,401</u>
Net Position -- June 30	<u><u>\$ 2,861</u></u>

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

**BOROUGH OF CLAYTON SCHOOL DISTRICT**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Borough of Clayton School District (the "School District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

**Description of the Reporting Entity**

The School District is a Type II district located in the County of Gloucester, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to educate students in grades kindergarten - 12 at the School District's three schools. The Borough of Clayton School District has an approximate enrollment at June 30, 2013 of 1,384.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control. 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 School District is not includable in any other reporting entity on the basis of such criteria.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

**Fund Financial Statements** - The School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

**Governmental Funds** - Governmental funds are those through which most School District functions are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities, except those accounted for in the proprietary fund and fiduciary funds, are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the School District's major governmental funds:

**General Fund** - The general fund is the primary operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2010. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the 2010-2011 school year, through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2013 is considered to be attributable to Ed Jobs. Ed Jobs expenditures during the fiscal year ended June 30, 2013 are included as a component of overall general fund expenditures, and also are included in total general fund expenditures for purposes of the excess surplus calculation.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Governmental Funds (Cont'd)**

**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.

**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 New Jersey Economic Development Authority grants, temporary notes, or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Proprietary Funds**

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District maintains the following enterprise funds:

**Food Service Fund** - This fund accounts for the financial transactions related to the food service operations of the School District.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The School District maintains the following fiduciary funds:

**Agency Funds** - Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

**Private-Purpose Trust Funds** - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust funds:

**Scholarship Fund** - Revenues consist of donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**Modified Accrual**

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e. both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants, and interest on investments. The School District considers all revenues, with the exception of the expenditure-driven grants, as available if they are collected within sixty (60) days after fiscal year-end. The expenditure driven grants are considered available if received within one fiscal year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at fiscal year end when revenue is recognized for taxes received by the School District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due / paid.

In applying the susceptible to accrual concept to revenues from federal and state sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the School District will receive any amounts; therefore, revenues are recognized based on the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In cases where monies are received and all eligibility requirements, including timing, have been satisfied, but the occurrence of expenditure has yet to happen, amounts are reported as unearned revenue. Conversely, where monies are received but eligibility requirements, including timing, have yet to be satisfied, such amounts are reported as deferred inflows of resources.

**Accrual**

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

**Revenue Recognition**

**Property Taxes** - Ad valorem (property) taxes are susceptible to accrual. As under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Basis of Accounting (Cont'd)****Revenue Recognition (Cont'd)**

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Budgets / Budgetary Control**

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. The budgets are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

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 legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June 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. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues 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.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

**Inventories**

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Tuition Receivable**

Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

**Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (non-allocation method). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

**Short-Term Interfund Receivables / Payables**

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position.

**Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at fair market value at the time received.

The School District's capitalization threshold is \$2,000. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Activities Estimated Lives</u>
Land Improvements	10-20 Years
Buildings and Improvements	20-50 Years
Furniture and Equipment	5-15 Years

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Tuition Payable**

Tuition charges for the fiscal years ended June 30, 2013 and 2012 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

**Accrued Salaries and Wages**

Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2013, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

**Compensated Absences**

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

The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. An expenditure is recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Bond Discounts / Premiums**

Bond discounts / premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond discounts / premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position and on the proprietary fund statement of net position.

**Net Position**

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

***Net Investment in Capital Assets*** - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

***Restricted*** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

***Unrestricted*** - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Fund Balance**

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

***Nonspendable*** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

***Restricted*** - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

***Committed*** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Fund Balance (Cont'd)**

**Assigned** - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

**Unassigned** - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. 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 proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

In November 2010, the GASB issued Statement 60, Accounting and Financial Reporting for Service Concession Arrangements. GASBS 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The School District does not have any SCAs and therefore the adoption of GASBS 60 does not have any impact on the School District's financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

In November 2010, the GASB issued Statement 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. GASBS 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The School District elected to early implement GASBS 61 effective for fiscal year 2013. The adoption of GASBS 61, however, does not have any impact on the School District's financial statements.

In December 2010, the GASB issued Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASBS 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS 62 does not have any impact on the School District's financial statements.

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASBS 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This Statement is effective for financial statements for periods beginning after December 15, 2011. The adoption of GASBS 63 does not have any impact on the School District's financial statements.

In March 2012, the GASB issued Statement 65, Items Previously Reported as Assets and Liabilities. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The School District elected to early implement GASBS 65 effective for fiscal year 2013. The adoption of GASBS 65 did not materially affect the classification of several balances on the statement of net position.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements**

In March 2012, the GASB issued Statement 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62. GASBS 66 is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, Accounting for Operating Leases with Scheduled Rent Increases, regarding the reporting of certain operating lease transactions, and No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The School District does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the School District's financial statements.

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements and expects the impact to be material.

In January 2013, the GASB issued Statement 69, Government Combinations and Disposals of Government Operations. GASBS 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

In April 2013, the GASB issued Statement 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of June 30, 2013, the School District's bank balance of \$1,978,835 was exposed to custodial credit risk as follows:

Insured	\$ 877,156
Collateralized under GUDPA	1,101,679
Uninsured/Uncollateralized	<u>-</u>
	<u><u>\$ 1,978,835</u></u>

**Note 3: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the School District by inclusion of \$105 on October 10, 2000 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 School District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a school 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 fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance July 1, 2012	\$ 15,696
Deposits	150,035
Withdrawals	<u>-</u>
Ending balance June 30, 2013	<u>\$ 165,731</u>

The June 30, 2013 LRFP balance of local support costs of uncompleted capital projects at June 30, 2013 is \$5,044,884.

**Note 4: RECEIVABLES**

Accounts receivable at June 30, 2013 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable as of fiscal year-end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
Intergovernmental	<u>\$ 251,023</u>	<u>\$ 645,309</u>	<u>\$ 68,088</u>	<u>\$ 964,420</u>
Total	<u>\$ 251,023</u>	<u>\$ 645,309</u>	<u>\$ 68,088</u>	<u>\$ 964,420</u>

**Note 5: INVENTORY**

Inventory in the Food Service Fund at June 30, 2013 consisted of the following:

Food	\$	2,964
Supplies		<u>1,031</u>
	\$	<u><u>3,995</u></u>

**Note 6: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 510,670			\$ 510,670
Construction in Progress	<u>-</u>			<u>-</u>
Total Capital Assets, not being Depreciated	<u>510,670</u>	<u>-</u>	<u>-</u>	<u>510,670</u>
Capital Assets, being Depreciated:				
Site Improvements	1,584,487	\$ 214,465	\$ (50,199)	1,748,753
Building and Improvements	35,446,497	135,006		35,581,503
Equipment	<u>5,005,341</u>	<u>199,795</u>	<u>(3,328,850)</u>	<u>1,876,286</u>
Total Capital Assets, being Depreciated	<u>42,036,325</u>	<u>549,266</u>	<u>(3,379,049)</u>	<u>39,206,542</u>
Less Accumulated Depreciation for:				
Site Improvements	(594,979)	(136,908)	50,199	(681,688)
Building and Improvements	(8,891,421)	(697,548)		(9,588,969)
Equipment	<u>(4,061,928)</u>	<u>(131,875)</u>	<u>3,328,850</u>	<u>(864,953)</u>
Total Accumulated Depreciation	<u>(13,548,328)</u>	<u>(966,331)</u>	<u>3,379,049</u>	<u>(11,135,610)</u>
Total Capital Assets, being Depreciated, Net	<u>28,487,997</u>	<u>(417,065)</u>	<u>-</u>	<u>28,070,932</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,998,667</u>	<u>\$ (417,065)</u>	<u>\$ -</u>	<u>\$ 28,581,602</u>
<b>Business-Type Activities:</b>				
Capital Assets, being Depreciated:				
Equipment	\$ 233,361	\$ 39,749		\$ 273,110
Less Accumulated Depreciation	<u>(84,562)</u>	<u>(116,696)</u>		<u>(201,258)</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 148,799</u>	<u>\$ (76,947)</u>	<u>-</u>	<u>\$ 71,852</u>

**Note 6: CAPITAL ASSETS (CONT'D)**

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

Instruction	\$ 607,540
Student & Instruction Related Services	138,110
General and Business Administrative Services	104,223
Plant Operations and Maintenance	<u>116,458</u>
Total Depreciation Expense	<u>\$ 966,331</u>

**Note 7: LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2013, the following changes occurred in long-term obligations:

	<u>Principal Outstanding July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 11,824,000		\$ (767,000)	\$ 11,057,000	\$ 715,000
Compensated Absences	<u>267,835</u>	<u>\$ 173,654</u>	<u>(158,320)</u>	<u>283,169</u>	<u>70,792</u>
Governmental Activity Long-term Liabilities	<u>\$ 12,091,835</u>	<u>\$ 173,654</u>	<u>\$ (925,320)</u>	<u>\$ 11,340,169</u>	<u>\$ 785,792</u>

**Bonds Payable** - Bonds and loans 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 School District are general obligation bonds.

Principal due on the serial bonds is as follows:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Amount</u>
2004	\$ 5,120,000	2014 to 2015	2.00-3.75%	\$ 1,240,000
2010	10,017,000	2013 to 2035	3.25-4.375%	<u>9,817,000</u>
				<u>\$ 11,057,000</u>

**Note 7: LONG-TERM OBLIGATIONS (CONT'D)**

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 715,000	\$ 436,806	\$ 1,151,806
2015	725,000	402,806	1,127,806
2016	295,000	375,294	670,294
2017	305,000	365,544	670,544
2018	325,000	355,306	680,306
2019-24	1,865,000	1,585,669	3,450,669
2025-28	2,370,000	1,176,688	3,546,688
2029-33	3,015,000	638,975	3,653,975
2034-35	1,442,000	64,225	1,506,225
	<u>\$ 11,057,000</u>	<u>\$ 5,401,313</u>	<u>\$ 16,458,313</u>

**Bonds Authorized But Not Issued** - As of June 30, 2013, the School District had no authorized but not issued bonds.

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Note 8: PENSION PLANS**

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Teachers' Pension and Annuity Fund** - The Teachers' Pension and Annuity Fund ("TPAF") is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

**Note 8: PENSION PLANS (CONT'D)**

**Teachers' Pension and Annuity Fund (Cont'd)** - The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

**Public Employees' Retirement System** - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

**Public Employees Retirement System**

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by District</u>
2013	\$ 53,905	\$ 139,768	\$ 193,673	\$ 193,673
2012	70,587	154,665	225,252	225,252
2011	79,359	126,454	205,813	205,813

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program ("DCRP") is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

**Note 8: PENSION PLANS (CONT'D)**

**Defined Contribution Retirement Program (Cont'd)** - The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contribution, equal to the required contribution for each fiscal year, was as follows:

**Defined Contribution Retirement System**

<u>Fiscal Year</u>	<u>Total Liability</u>	<u>Paid by District</u>
2013	\$ 10,512	\$ 10,512
2012	13,373	13,373
2011	-	-

**Early Retirement Incentive Program** - The School District approved an "Early Retirement Incentive Program" during 1991 and 1993 for certain members of the TPAF and PERS. Since no accrual has been made for the additional costs related to the Program, the School District will fund such cost in an annual budget appropriation on a pay-as-you-go basis. Program costs are billed annually by the Division of Pension and Benefits.

**Note 9: STATE POST-RETIREMENT MEDICAL BENEFITS**

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees receiving postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

**Note 10: ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2013, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement medical costs were \$503,469 and \$569,297, respectively.

**Note 11: RISK MANAGEMENT**

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

**Property and Liability Insurance** - The School District maintains commercial insurance coverage for property, liability, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**Note 12: DEFERRED COMPENSATION**

The School District offers its employees a choice of (5) deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Equitable  
Lincoln Investment Planning  
Lincoln National  
N.Y. Life & Mainstay  
Valic

**Note 13: COMPENSATED ABSENCES**

The School 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.

School District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. School District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. School District employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the School Districts' agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, the liability for compensated absences reported on the government-wide statement of net position was \$283,169.

**Note 14: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 413,600	
Special Revenue		\$ 402,053
Capital Projects		11,547
	<u>\$ 413,600</u>	<u>\$ 413,600</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2014, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

**Note 15: DEFICIT FUND BALANCES**

The School District has a deficit fund balance \$547,140 in the general fund and \$32,134 in the special revenue fund as of June 30, 2013 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute 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 June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$579,274 is less than the June state aid payments.

**Note 16: DEFICIT NET POSITION**

As reflected on exhibit A-1, statement of net position, an unrestricted deficit of \$833,979 exists for the governmental activities. In addition to the delay in the payment of state aid until the following fiscal year another cause of the deficit is a result of the recording of accrued interest and compensated absences. In accordance with the rules and regulations that govern the School District in the formulation of their annual budget (see note 1), accrued interest and compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are funded in the period in which such services are rendered or in which such events take place; however, in accordance with full accrual accounting, which is the basis of accounting for exhibit A-1, statement of net position, such liabilities are required to be recorded in the period in which they are incurred.

**Note 17: FUND BALANCES****RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

**General Fund -**

**For Excess Surplus** - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2013 is \$951,602. Additionally, \$792,876 of excess fund balance generated during 2012-2013 has been restricted and designated for utilization in the 2014-2015 budget.

**For Capital Reserve Account** - As of June 30, 2013, the balance in the capital reserve account is \$165,731. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

**General Fund -**

**Other Purposes** - As of June 30, 2013, the School District had \$28,464 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

**UNASSIGNED**

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

**General Fund** - As of June 30, 2013, (\$547,140) of general fund balance was unassigned.

**Special Revenue Fund** - As of June 30, 2013, the fund balance of the special revenue fund was a deficit of \$32,134, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in note 15, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of \$32,134 is less than the last state aid payment.

**Debt Service Fund** - As of June 30, 2013 \$171,221 of debt service fund balance was unassigned.

**Note 18: LITIGATION**

The School District is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION  
PART II

BUDGETARY COMPARISON SCHEDULES

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 7,411,722		\$ 7,411,722	7,411,722	\$ 18,531
Other Local Government Units	50,000		50,000	68,531	22,811
Tuition - from Individual				22,811	298,569
Tuition - LEAs w/in state	94,805		94,805	393,374	4,077
Interest				4,077	10
Interest Earned on Capital Reserve	25		25	35	20,926
Transportation Fees - from other LEAs within State	3,575		3,575	24,501	102,551
Miscellaneous	98,000		98,000	200,551	
<b>Total - Local Sources</b>	<b>7,658,127</b>		<b>7,658,127</b>	<b>8,125,602</b>	<b>467,475</b>
<b>State Sources:</b>					
Equalization Aid	8,710,339		8,710,339	8,710,339	13,809
Nonpublic Transportation Aid				13,809	(6,174)
Extraordinary Aid	80,000		80,000	73,826	
Categorical Special Education Aid	709,151		709,151	709,151	
Categorical Security Aid	161,888		161,888	161,888	
Categorical Transportation Aid	63,240		63,240	63,240	
On-Behalf T.P.A.F. Pension Contributions (non-budgeted)				503,469	503,469
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				569,297	569,297
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				590,713	590,713
<b>Total - State Sources</b>	<b>9,724,618</b>		<b>9,724,618</b>	<b>11,395,732</b>	<b>1,671,114</b>
<b>Federal Sources:</b>					
Medicaid Reimbursement	31,017		31,017	22,803	(8,214)
ED Jobs		7,490	7,490	7,490	
<b>Total - Federal Sources</b>	<b>31,017</b>	<b>7,490</b>	<b>38,507</b>	<b>30,293</b>	<b>(8,214)</b>
<b>Total Revenues</b>	<b>17,413,762</b>	<b>7,490</b>	<b>17,421,252</b>	<b>19,551,627</b>	<b>2,130,375</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:	\$ 365,484	\$ 39,442	\$ 404,926	\$ 404,477	\$ 449
Preschool / Kindergarten	1,786,730	(53,253)	1,733,477	1,721,486	11,991
Grades 1-5	1,111,133	206,773	1,317,906	1,270,756	47,150
Grades 6-8	1,541,405	24,463	1,565,868	1,561,534	4,334
Grades 9-12					
Regular Programs - Home Instruction:					
Salaries of Teachers	18,000	(5,300)	12,700	12,699	1
Purchased Services		3,947	3,947	3,766	181
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	139,120	38,189	177,309	177,155	154
Purchased Professional / Educational Services	3,600	18,447	22,047	22,046	1
Purchased Professional and Technical Services	29,100	(8,802)	20,298	20,298	
Other Purchased Services	17,800	(113)	17,687	17,615	72
General Supplies	207,989	173,936	381,925	373,552	8,373
Textbooks	34,500	(10,137)	24,363	23,321	1,042
Other Objects	3,000		3,000	2,915	85
<b>Total Regular Programs</b>	<b>5,257,861</b>	<b>427,592</b>	<b>5,685,453</b>	<b>5,611,620</b>	<b>73,833</b>
Special Education - Instruction:					
Behavioral Disabilities					
Salaries of Teachers	146,026		146,026	138,754	7,272
Other Salaries for Instruction	61,554		61,554	55,349	6,205
General Supplies	5,000		5,000	1,515	3,485
<b>Total Behavioral Disabilities</b>	<b>212,580</b>		<b>212,580</b>	<b>195,618</b>	<b>16,962</b>
Multiple Disabilities					
Salaries of Teachers	47,539	54,775	102,314	102,313	1
Other Salaries for Instruction		2,666	2,666	2,666	
General Supplies	5,000		5,000	265	4,735
<b>Total Multiple Disabilities</b>	<b>52,539</b>	<b>57,441</b>	<b>109,980</b>	<b>105,244</b>	<b>4,736</b>
Resource Room / Resource Center:					
Salaries of Teachers	1,038,090	(136,297)	901,793	861,189	40,604
Other Salaries for Instruction	50,957	(20,980)	29,977	26,135	3,842
<b>Total Resource Room / Resource Center</b>	<b>1,089,047</b>	<b>(157,277)</b>	<b>931,770</b>	<b>887,324</b>	<b>44,446</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>EXPENDITURES (CONTD):</b>					
Current Expense (Cont'd)					
Home Instruction	\$ 8,000		\$ 8,000	\$ 3,306	\$ 4,694
Purchase Professional - Educational Services					
Total Home Instruction	8,000		8,000	3,306	4,694
Total Special Education - Instruction	1,362,166	(99,836)	1,262,330	1,191,492	70,838
Basis Skills / Remedial - Instruction	153,224	(152,684)	540		540
Salaries of Teachers	700		700		700
Supplies					
Total Basis Skills / Remedial - Instruction	153,924	(152,684)	1,240		1,240
Bilingual Education - Instruction:					
Salaries of Teachers	46,084	1,318	47,402	47,401	1
Total Bilingual Education - Instruction	46,084	1,318	47,402	47,401	1
School Sponsored Cocurricular Activities - Instruction:					
Salaries	109,685	7,490	117,175	83,139	34,036
Purchased Services	5,600		5,600	3,000	2,600
Supplies and Materials	6,100		6,100	3,778	2,322
Other Objects - Cocurricular	500		500		500
Total School Sponsored Cocurricular Activities - Instruction	121,885	7,490	129,375	89,917	39,458
School Sponsored Athletics - Instruction:					
Salaries	200,274	5,311	205,585	200,379	5,206
Purchased Services	59,840	(5,311)	54,529	51,261	3,268
Supplies and Materials	24,500	7,750	32,250	31,921	329
Other Objects	18,750		18,750	18,154	596
Total School Sponsored Athletics - Instruction	303,364	7,750	311,114	301,715	9,399
Instructional/Alternative Education Program - Instruction					
Salaries	39,744	(11,893)	27,851	23,607	4,244
Total Instructional/Alternative Education Program - Instruction	39,744	(11,893)	27,851	23,607	4,244
Total Instruction	7,285,028	179,737	7,464,765	7,265,752	199,013

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONTD):</b>					
Current Expense (Cont'd)					
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within State - Regular	\$ 96,831	\$ (11,401)	\$ 85,430	\$ 59,019	\$ 26,411
Tuition to Other LEA's Within State - Special	103,955	(17,449)	86,506	86,506	
Tuition To City Sch. - Reg	120,536	(219)	120,317	109,699	10,618
Tuition to CSSD & Reg. Day Schools	696,358	(61,027)	635,331	615,874	19,457
Tuition to Private Schools for the Disabled - Within State	327,721	(14,558)	313,163	201,036	112,127
Tuition - State Facilities	60,347		60,347	60,347	
<b>Total Undistributed Expenditures - Instruction</b>	<b>1,405,748</b>	<b>(104,654)</b>	<b>1,301,094</b>	<b>1,132,481</b>	<b>168,613</b>
Attendance and Social Work Services					
Supplies	250		250		250
<b>Total Attendance and Social Work Services</b>	<b>250</b>		<b>250</b>		<b>250</b>
Undistributed Expenditures - Health Services:					
Salaries	148,338	(3,345)	144,993	136,298	8,695
Purchased Professional and Technical Services	15,035	885	15,920	15,919	1
Other Purchased Services	925		925	530	395
Supplies and Materials	2,845	450	3,295	2,375	920
<b>Total Undistributed Expenditures - Health Services</b>	<b>167,143</b>	<b>(2,010)</b>	<b>165,133</b>	<b>155,122</b>	<b>10,011</b>
Undistributed Expenditures - Other Support Services -					
Students - Related Services:					
Purchased Professional - Educational Services	310,402	52,304	362,706	354,243	8,463
Supplies and Materials	100		100	50	50
<b>Total Undistributed Expenditures - Other Support Services -</b>	<b>310,502</b>	<b>52,304</b>	<b>362,806</b>	<b>354,293</b>	<b>8,513</b>
Undistributed Expenditures - Other Support Services -					
Students - Extraordinary:					
Salaries	163,475	(54,202)	109,273	107,895	1,378

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONTD):</b>					
Current Expense (Cont'd)					
Total Undistributed Expenditures - Other Support Services - Students - Extraordinary	\$ 163,475	\$ (54,202)	\$ 109,273	\$ 107,895	\$ 1,378
Undistributed Expenditures - Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	389,864	(42,539)	347,325	309,634	37,691
Salaries of Secretarial and Clerical Assistants	18,905		18,905	18,905	
Purchased Professional - Educational Services	5,750		5,750	1,337	4,413
Other Purchased Professional and Technical Services	17,700		17,700	10,785	6,915
Other Purchased Services (400-500 series)	250	374	624	624	
Supplies and Materials	2,475	(424)	2,051	169	1,882
Other objects	300	600	900	850	50
Total Undistributed Expenditures - Other Support Services - Students - Guidance	435,244	(41,989)	393,255	342,304	50,951
Undistributed Expenditures - Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	315,761	907	316,668	315,986	682
Salaries of Secretarial and Clerical Assistants	33,039		33,039	33,039	
Other Salaries		804	804	803	1
Purchased Professional - Educational Services	62,000	(1,587)	60,413	60,413	
Other Purchased Professional and Technical Services	13,780		13,780	6,430	7,350
Other Purchased Services	7,500		7,500	6,805	695
Supplies and Materials	10,600		10,600	10,044	556
Other Objects	1,150		1,150	1,130	20
Total Undistributed Expenditures - Other Support Services - Students - Child Study Team	443,830	124	443,954	374,237	69,717

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONTD):</b>					
Current Expense (Cont'd)					
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of Supervisor of Instruction	\$ 92,293	\$	92,293	92,293	\$ 49
Other Salaries	9,000		9,000	8,951	49
Purchased Professional / Education Services	52,600	(11,767)	40,833	36,030	4,803
Other Purch Prof. and Tech. Services	25,000	(1,233)	23,767	23,532	235
Other Purchased Services	2,000	100	2,100	2,042	58
Supplies and Materials	1,000	(100)	900	667	233
Other Objects	3,625		3,625	1,479	2,146
<b>Total Undistributed Expenditures - Improvement of Instruction Services</b>	<b>185,518</b>	<b>(13,000)</b>	<b>172,518</b>	<b>164,994</b>	<b>7,524</b>
Undistributed Expend. - Educational Media Services / Sch Library:					
Salaries	123,819		123,819	123,819	
Salaries of Technology Coordinators	15,340		15,340	10,286	5,054
Purchased Professional and Technical Services	500		500	350	150
Other Purchased Services	3,300	(900)	2,400	2,400	
Supplies and Materials	5,847	923	6,770	6,536	234
<b>Total Undistributed Expend. - Educational Media Services / Sch Library</b>	<b>148,806</b>	<b>23</b>	<b>148,829</b>	<b>143,391</b>	<b>5,438</b>
Undistributed Expenditures - Instructional Staff Training Services:					
Salaries of Other Professional Staff	2,400		2,400	310	2,090
Purchased Professional-Education services	1,000	(1,000)			
Other Purchased Prof. and Tech. Services		9,500	9,500	9,151	349
Other Purchased Services					
<b>Total Undistributed Expenditures - Instructional Staff Training Services:</b>	<b>3,400</b>	<b>8,500</b>	<b>11,900</b>	<b>9,461</b>	<b>2,439</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONTD):</b>					
Current Expense (Cont'd)					
Undistributed Expenditures - Support Services - General Administration:					
Salaries	\$ 205,887	\$ (15,212)	\$ 190,675	\$ 190,675	\$ 1,659
Legal Services	21,862	3,005	24,867	23,208	
Audit Fees	25,000	500	25,500	25,500	
Architectural/Engineering Services	6,000	(763)	5,237	473	4,764
Purchased Technical Services	4,730	4,730	9,460	4,085	645
Communications / Telephone	104,539	(4,193)	100,346	52,380	47,966
BOE Other Purchased Services	1,500	1,818	3,318	3,315	3
Other Purchased Services	83,295	305	83,600	66,158	17,442
General Supplies	8,000	(179)	7,821	5,680	2,141
Miscellaneous Expenditures	13,000	179	13,179	13,179	
BOE Membership Dues and Fees	1,500	(672)	828	265	563
<b>Total Undistributed Expenditures - Support Services - General Admin</b>	<b>475,313</b>	<b>(15,212)</b>	<b>460,101</b>	<b>384,918</b>	<b>75,183</b>
Undistributed Expenditures - Support Services - School Admin:					
Salaries of Principals / Assistant Principals	489,895	11,582	501,477	495,041	6,436
Salaries of Other Professional Staff	231,607		231,607	231,607	
Salaries of Secretarial and Clerical Assistants	181,588	391	181,979	169,734	12,245
Other Salaries	5,500	(3,888)	1,612	1,612	
Purchased Technical Services	3,000		3,000		3,000
Other Purchased Services (400-500 series)	2,230	693	2,923	2,269	654
Supplies and Materials	4,452	(800)	3,652	3,369	283
Other Objects	5,150	1,050	6,200	5,974	226
<b>Total Undistributed Expenditures - Support Services - School Admin.</b>	<b>923,422</b>	<b>9,028</b>	<b>932,450</b>	<b>907,994</b>	<b>24,456</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONT'D):</b>					
Current Expense (Cont'd)					
Undistributed Expenditures - Central Services					
Salaries	\$ 199,082	\$ 794	\$ 199,876	\$ 199,875	\$ 1
Purchased Professional Services	4,300	450	4,750	2,970	1,780
Purchased Technical Services	19,138	(765)	18,373	15,500	2,873
Miscellaneous Purchased Services	500	274	774	774	
Supplies and Materials	5,921	166	6,087	6,086	1
Other Object	1,000	325	1,325	990	335
<b>Total Undistributed Expenditures - Central Services</b>	<b>229,941</b>	<b>1,244</b>	<b>231,185</b>	<b>226,195</b>	<b>4,990</b>
Undistributed Expenditures - Admin. Info. Technology					
Salaries	48,960	1,040	50,000	50,000	
Purchased Professional Services	1,800	180	1,980	1,980	
Purchased Technical Services	12,600	436	13,036	13,036	
Other Purchased Services	7,000	(616)	6,384	5,586	798
Supplies and Materials	15,500	26,147	41,647	41,647	
Other Objects	100		100		100
<b>Total Undistributed Expenditures - Admin. Info. Technology</b>	<b>85,960</b>	<b>27,187</b>	<b>113,147</b>	<b>112,249</b>	<b>898</b>
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	120,780	(1,073)	119,707	119,707	
Cleaning, Repair and Maintenance Services	32,118	15,069	47,187	47,186	1
General Supplies	16,756	48	16,804	16,771	33
<b>Total Undistributed Expenditures - Required Maintenance for School Facilities</b>	<b>169,654</b>	<b>14,044</b>	<b>183,698</b>	<b>183,664</b>	<b>34</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONT'D):</b>					
Current Expense (Cont'd)					
Undistributed Expenditures - Operation and Maintenance of Plant Services:					
Salaries	\$ 356,168	\$ (17,069)	\$ 339,099	\$ 336,911	\$ 2,188
Salaries of Non-Instructional Aides	81,053	(6,998)	74,055	73,987	68
Cleaning, Repair and Maintenance Services	23,089	4,935	28,024	27,975	49
Other Purchased Services	23,865	6,351	30,216	30,216	
Insurance	54,615	(2,024)	52,591	50,954	1,637
General Supplies	48,020	9,735	57,755	57,212	543
Energy (Heat and Electricity)	581,150	(6,267)	574,883	518,937	55,946
Other Objects	185	350	535	535	
<b>Total Undistributed Expenditures - Operation and Maintenance of Plant Services</b>	<b>1,168,145</b>	<b>(10,987)</b>	<b>1,157,158</b>	<b>1,096,727</b>	<b>60,431</b>
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	26,518		26,518	26,518	
Cleaning, Repair & Maintenance Services	3,000	(500)	2,500		2,500
General Supplies	15,375	(2,000)	13,375	13,350	25
<b>Total Undistributed Expenditures - Care &amp; Upkeep Grounds</b>	<b>44,893</b>	<b>(2,500)</b>	<b>42,393</b>	<b>39,868</b>	<b>2,525</b>
Undistributed Expenditures - Security					
Salaries	73,110		73,110	71,512	1,598
Cleaning, Repair and Maintenance Services		990	990	990	
<b>Total Undistributed Expenditures - Security</b>	<b>73,110</b>	<b>990</b>	<b>74,100</b>	<b>72,502</b>	<b>1,598</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule

General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONT'D):</b>					
Current Expense (Cont'd)					
Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 19,397	\$ 36,037	\$ 55,434	\$ 44,433	\$ 11,001
Sal for Pupil Trans (Bet Home & Sch) - Reg.	102,199	(7,655)	94,544	88,626	5,918
Sal for Pupil Trans (Bet Home & Sch) - Sp Ed	60,766	(10,347)	50,419	49,256	1,163
Sal for Pupil Trans (Other than Bet. Home & Sch)	18,000	(2,046)	15,954	15,954	
Sal for Pupil Trans (Bet Home & Sch) - NonPublic Sch	28,000	(5,763)	22,237		22,237
Other Purchased Professional / Technical Services	33,378		33,378	31,960	1,418
Cleaning, Repair and Maintenance Services	27,000	22,574	49,574	46,073	3,501
Rentals	4,300	(3,121)	1,179		1,179
Contracted Services - Aid in Lieu of Payments - NonPub Sch	36,244	(1,213)	35,031	28,438	6,593
Contracted Services - (Other than Bet Home & Sch) - Vendors	12,000		12,000	6,769	5,231
Contracted Services - (Between Home and School) - Joint Agreement	117,620		117,620	109,290	8,330
Contracted Services (Special Education Students) - Joint Agreements	430,474	(81,289)	349,185	326,079	23,106
Miscellaneous Purchased Services - Transportation	12,899	6,163	19,062	19,002	60
Supplies and Materials	500	(105)	395	88	307
Transportation Supplies	27,000	29,085	56,085	55,749	336
Miscellaneous Expenditures	700	78	778	728	50
<b>Total Undistributed Expenditures - Student Transportation Services</b>	<b>930,477</b>	<b>(17,602)</b>	<b>912,875</b>	<b>822,445</b>	<b>90,430</b>
Unallocated Benefits:					
Social Security Contributions	192,000	69,655	261,655	258,281	3,374
Other Retirement Contributions - Regular	211,504		211,504	187,398	24,106
Unemployment Compensation	36,000	32,685	68,685	46,684	22,001
Workman's Compensation	121,283	(6,163)	115,120	99,591	15,529
Health Benefits	3,130,400	(185,315)	2,945,085	2,709,417	235,668
Tuition Reimbursement	30,000	2,808	32,808	32,807	1
Other Employee Benefits	30,000	(4,649)	25,351	7,435	17,916
<b>Total Unallocated Benefits</b>	<b>3,751,187</b>	<b>(90,979)</b>	<b>3,660,208</b>	<b>3,341,613</b>	<b>318,595</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES (CONT'D):</b>					
Current Expense (Cont'd)					
On-behalf T.P.A.F. Pension Contributions (non-budgeted)				\$ 503,469	\$ (503,469)
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				590,713	(590,713)
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				569,297	(569,297)
Total On-behalf Contributions				1,663,479	(1,663,479)
Total Undistributed Expenditures	\$ 11,116,018	\$ (239,691)	\$ 10,876,327	11,635,832	(759,505)
Total Current Expense	18,401,046	(59,954)	18,341,092	18,901,584	(560,492)
Capital Outlay:					
Interest Deposit to Capital Reserve	25		25		25
Equipment:					
Grades 1-5		22,970	22,970	22,970	
Undistributed Expenditures:					
Grounds Equipment	6,770	16,426	23,196	23,195	1
School Bus - Regular	27,077	46,000	73,077	68,077	5,000
Total Equipment	33,872	85,396	119,268	114,242	5,026
Facilities Acquisition and Construction Services					
Lease Purchase Payment - Principal	64,696		64,696	64,695	1
Other Objects	22,245		22,245	22,244	1
Assessment for Debt Service on SDA Funding	73,392		73,392	73,392	-
Total Facilities Acquisition and Construction Services	160,333		160,333	160,331	2
Total Capital Outlay	194,205	85,396	279,601	274,573	5,028
Transfer of Funds to Charter Schools	8,013	11,401	19,414	19,414	-
Total Expenditures	18,603,264	36,843	18,640,107	19,195,571	(555,464)

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>Calculation of Excess (Deficiency) of Revenues Over (Under) Expenditures</b>					
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,189,502)	(29,353)	\$ (1,218,855)	\$ 356,056	\$ 1,574,911
Other Financing Sources (Uses):					
Operating Transfer In - Capital Projects				772	772
Total Other Financing Sources (Uses)				772	772
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,189,502)	(29,353)	(1,218,855)	356,828	1,575,683
Fund Balances, July 1	776,301	119,188	895,489	1,946,296	1,050,807
Fund Balances, June 30	<u>\$ (413,201)</u>	<u>\$ 89,835</u>	<u>\$ (323,366)</u>	<u>\$ 2,303,124</u>	<u>\$ 2,626,490</u>

**Recapitulation:**

Restricted:	
Capital Reserve	\$ 165,731
Excess Surplus	792,876
Excess Surplus--Designated for Subsequent Year's Expenditures	951,602
Assigned:	
Year-End Encumbrances	28,464
Unassigned	364,451
	<u>2,303,124</u>
	<u>(911,591)</u>
	<u>\$ 1,391,533</u>

Reconciliation to Governmental Funds Statements(GAAP):  
 Last 12-13 State Aid Payment Not Recognized on GAAP Basis

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule -ED Jobs  
 General Fund  
 For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Federal Sources:					
ED Jobs	\$ -	7,490	\$ 7,490	7,490	\$ -
Total - Federal Sources	-	7,490	7,490	7,490	-
Total Revenues	-	7,490	7,490	7,490	-
<b>EXPENDITURES:</b>					
<b>GENERAL CURRENT EXPENSE:</b>					
School Sponsored Cocurricular Activities - Instruction:					
Salaries		7,490	7,490	7,490	-
Total School Sponsored Cocurricular Activities - Instruction		7,490	7,490	7,490	-
Total Instruction		7,490	7,490	7,490	-
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Special Revenue Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>					
<b>Local Sources</b>					
Recycle Bank					
Heart of Gloucester County					
Other Local Grants					
NJSBAIG Safety Grant					
<b>Total - Local Sources</b>	<b>\$ -</b>	<b>\$ 171,091</b>	<b>\$ 171,091</b>	<b>\$ 64,762</b>	<b>\$(106,329)</b>
<b>State Sources:</b>					
NJ Non-Public Nursing	\$ 16,888	567	17,455	17,455	-
NJ Non-Public Home Instruction	14,253	(9,405)	4,848	4,848	-
NJ Non-Public Textbook Aid		12,576	12,576	12,576	-
NJ Non-Public Technology		4,641	4,641	4,483	(158)
Chapter 192 - Auxiliary Services	103,016	(5,526)	97,490	80,832	(16,658)
Chapter 193 - Handicapped Services	82,354	27,055	109,409	85,929	(23,480)
Preschool Education Aid	346,339		346,339	338,407	(7,932)
School Based Youth Service Program	228,704	5,163	233,867	231,969	(1,898)
Family Friendly Center	45,463		45,463	42,543	(2,920)
<b>Total - State Sources</b>	<b>837,017</b>	<b>35,071</b>	<b>872,088</b>	<b>819,042</b>	<b>\$(53,046)</b>
<b>Federal Sources:</b>					
Title I	310,000	232,635	542,635	506,496	\$(36,139)
Title IIA	41,674	18,657	60,331	46,856	\$(13,475)
Title IID	-	305	305	305	
Title III	-	35,255	35,255	12,197	(23,058)
I.D.E.I.A., Part B	240,000	131,245	371,245	363,733	(7,512)
I.D.E.I.A., Part B, Preschool Incentive	10,000	20,768	30,768	23,816	(6,952)
Race to the Top		28,938	28,938	4,839	(24,099)
Mentoring Grant		155,272	155,272	102,118	(53,154)
Safe Schools Healthy Students		513,538	513,538	513,538	
<b>Total - Federal Sources</b>	<b>601,674</b>	<b>1,136,613</b>	<b>1,738,287</b>	<b>1,573,898</b>	<b>\$(164,389)</b>
<b>Total Revenues</b>	<b>1,438,691</b>	<b>1,342,775</b>	<b>2,781,466</b>	<b>2,457,702</b>	<b>\$(323,764)</b>

(Continued)

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Special Revenue Fund  
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers	\$ 567,357	\$ (34,150)	\$ 533,207	\$ 518,503	\$ 14,704
Other Salaries for Instruction	42,619	154,215	196,834	168,828	28,006
Purchased Professional and Technical Services		4,670	4,670	2,236	2,434
General Supplies	11,640	61,212	72,852	56,364	16,488
Tuition	250,000	29,592	279,592	279,592	-
<b>Total Instruction</b>	<b>871,616</b>	<b>215,539</b>	<b>1,087,155</b>	<b>1,025,523</b>	<b>61,632</b>
<b>Support Services:</b>					
Salaries Personal Services	223,120	380,386	603,506	509,761	93,745
Personal Services - Employee Benefits	94,972	160,371	255,343	248,458	6,885
Purchased Professional - Educational Services	225,550	395,723	621,273	528,805	92,468
Other Purchased Services (400-500 series)	1,200	38,999	40,199	12,532	27,667
Supplies and Materials	2,081	111,844	113,925	101,656	12,269
Other Objects	20,152	39,913	60,065	30,967	29,098
<b>Total Support Services</b>	<b>567,075</b>	<b>1,127,236</b>	<b>1,694,311</b>	<b>1,432,179</b>	<b>262,132</b>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment		-			
<b>Total Facilities Acquisition and Construction Services</b>					
<b>Total Expenditures</b>	<b>1,438,691</b>	<b>1,342,775</b>	<b>2,781,466</b>	<b>2,457,702</b>	<b>323,764</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Borough of Clayton School District**  
 Required Supplementary Information  
 Budget-to-GAAP Reconciliation  
 For the Fiscal Year Ended June 30, 2013

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) "revenues" from the budgetary comparison schedules	\$ 19,551,627	\$ 2,457,702
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year		(32,907)
Prior Year		3,158
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	844,245	32,270
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	<u>(911,591)</u>	<u>(32,134)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 19,484,281</u>	<u>\$ 2,428,089</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 19,195,571	\$ 2,457,702
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year		(32,907)
Prior Year		3,158
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 19,195,571</u>	<u>\$ 2,427,953</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

**Borough of Clayton School District**  
 Special Revenue Fund  
 Combining Schedule of Revenues and Expenditures - Budgetary Basis  
 For the Fiscal Year Ended June 30, 2013

	Total	Chapter 192				Chapter 193				Total Carried Forward	
		Recycle Bank	Heart of Gloucester County	NJSBAIG Safety Grant	Nonpublic Compensatory Education	Nonpublic E.S.L.	Nonpublic Transportation	Nonpublic Examination and Classification	Nonpublic Corrective Speech		Nonpublic Supplementary Instruction
<b>REVENUES:</b>											
Federal Sources	\$ 1,573,898				\$ 59,105	\$ 4,177	\$ 17,550	\$ 16,710	\$ 54,996	\$ 14,223	\$ 1,573,898
State Sources	819,042	\$ 250	\$ 60,128	\$ 4,384							652,281
Local Sources	64,762										-
Total Revenues	\$ 2,457,702	\$ 250	\$ 60,128	\$ 4,384	\$ 59,105	\$ 4,177	\$ 17,550	\$ 16,710	\$ 54,996	\$ 14,223	\$ 2,226,179
<b>EXPENDITURES:</b>											
Instruction:											
Salaries of Teachers	\$ 518,503	\$ 500									\$ 518,003
Other Salaries for Instruction	168,828										168,828
Purchased Professional and Technical Services	2,236										2,236
Other Purchased Services	-	(250)									-
General Supplies	56,364										56,364
Tuition	279,592										279,592
Textbooks	-										-
Total Instruction	1,025,523	250									1,025,273
Support Services:											
Salaries Personal Services	509,761		\$ 47,913								461,848
Personal Services - Employee Benefits	248,458										248,458
Purchased Professional - Educational Services	528,805		6,705		\$ 59,105	\$ 4,177	\$ 17,550	\$ 16,710	\$ 54,996	\$ 14,223	365,339
Purchased Technical Services	-										-
Other Purchased Services (400-500 series)	12,532		5,510	\$ 4,384							12,532
Supplies and Materials	101,656										91,762
Other Objects	30,967										30,967
Total Support Services	1,432,179	-	60,128	4,384	59,105	4,177	17,550	16,710	54,996	14,223	1,200,906
Facilities Acquisition and Construction Services:											
Instructional Equipment	-										-
Total Facilities Acquisition and Construction Services	-										-
Total Expenditures	\$ 2,457,702	\$ 250	\$ 60,128	\$ 4,384	\$ 59,105	\$ 4,177	\$ 17,550	\$ 16,710	\$ 54,996	\$ 14,223	\$ 2,226,179

(Continued)

**Borough of Clayton School District**  
 Special Revenue Fund  
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
 For the Fiscal Year Ended June 30, 2013

	Total Carried Forward	Nonpublic Home Instruction	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic Technology	Preschool Education/Aid	School Based Youth Service Program Clayton Place	Family Friendly Center	Title I Part A	Title II Part A	Total Brought Forward
<b>REVENUES:</b>											
Federal Sources	\$ 1,573,898										
State Sources	652,281	\$ 4,848	\$ 12,576	\$ 17,455	\$ 4,483	\$ 338,407	\$ 231,969	\$ 42,543	\$ 506,496	\$ 46,856	\$ 1,020,546
Local Sources	-										-
<b>Total Revenues</b>	<b>\$ 2,226,179</b>	<b>\$ 4,848</b>	<b>\$ 12,576</b>	<b>\$ 17,455</b>	<b>\$ 4,483</b>	<b>\$ 338,407</b>	<b>\$ 231,969</b>	<b>\$ 42,543</b>	<b>\$ 506,496</b>	<b>\$ 46,856</b>	<b>\$ 1,020,546</b>
<b>EXPENDITURES:</b>											
<b>Instruction:</b>											
Salaries of Teachers	\$ 518,003					\$ 212,755			\$ 278,815	\$ 23,342	\$ 3,091
Other Salaries for Instruction	168,828					44,124			124,704		856
Purchased Professional and Technical Services	2,236								1,380		-
Other Purchased Services	-										-
General Supplies	56,614				\$ 4,483	10,999			23,994		17,138
Tuition	279,592										279,592
Textbooks	-										-
<b>Total Instruction</b>	<b>1,025,273</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,483</b>	<b>267,878</b>	<b>-</b>	<b>-</b>	<b>428,893</b>	<b>23,342</b>	<b>300,677</b>
<b>Support Services:</b>											
Salaries Personal Services	461,848						\$ 180,796	\$ 38,110	61,019	5,110	242,942
Personal Services - Employee Benefits	248,458					68,858	23,627		14,047	10,284	89,844
Purchased Professional - Educational Services	355,339	\$ 4,848	\$ 12,576	\$ 17,455		1,071	2,253				292,805
Purchased Technical Services	-										-
Other Purchased Services (400-500 series)	12,532					600	6,694	1,928	2,537	7,143	2,252
Supplies and Materials	91,762						18,599	2,505		977	82,163
Other Objects	30,967										9,863
<b>Total Support Services</b>	<b>1,200,906</b>	<b>4,848</b>	<b>12,576</b>	<b>17,455</b>	<b>-</b>	<b>70,529</b>	<b>231,969</b>	<b>42,543</b>	<b>77,603</b>	<b>23,514</b>	<b>719,869</b>
<b>Facilities Acquisition and Construction Services:</b>											
Instructional Equipment	-										-
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>\$ 2,226,179</b>	<b>\$ 4,848</b>	<b>\$ 12,576</b>	<b>\$ 17,455</b>	<b>\$ 4,483</b>	<b>\$ 338,407</b>	<b>\$ 231,969</b>	<b>\$ 42,543</b>	<b>\$ 506,496</b>	<b>\$ 46,856</b>	<b>\$ 1,020,546</b>

(Continued)

**Borough of Clayton School District**  
 Special Revenue Fund  
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
 For the Fiscal Year Ended June 30, 2013

	Total Carried Forward	Title II Part D	Title III	I.D.E.I.A. Part B Basic	I.D.E.I.A. Preschool	Race to the Top	Mentoring Grant	Safe Schools
<b>REVENUES:</b>								
Federal Sources	\$ 1,020,546	\$ 305	\$ 12,197	\$ 363,733	\$ 23,816	\$ 4,839	\$ 102,118	\$ 513,538
State Sources	-							
Local Sources	-							
<b>Total Revenues</b>	<b>\$ 1,020,546</b>	<b>\$ 305</b>	<b>\$ 12,197</b>	<b>\$ 363,733</b>	<b>\$ 23,816</b>	<b>\$ 4,839</b>	<b>\$ 102,118</b>	<b>\$ 513,538</b>
<b>EXPENDITURES:</b>								
Instruction:								
Salaries of Teachers	\$ 3,091		\$ 1,977			\$ 1,114		
Other Salaries for Instruction	856		856					
Purchased Professional and Technical Services								
Other Purchased Services								
General Supplies	17,138	\$ 305	6,963	\$ 424	\$ 9,446			
Tuition	279,592			265,222	14,370			
Textbooks								
<b>Total Instruction</b>	<b>300,677</b>	<b>305</b>	<b>9,796</b>	<b>265,646</b>	<b>23,816</b>	<b>1,114</b>	<b>-</b>	<b>-</b>
Support Services:								
Salaries Personal Services	242,942		1,226				\$ 36,862	\$ 204,854
Personal Services - Employee Benefits	89,844		53				1,399	88,392
Purchased Professional - Educational Services	292,805		409	98,087		1,166	56,510	136,633
Purchased Technical Services								
Other Purchased Services (400-500 series)	2,252		113				1,519	620
Supplies and Materials	82,163		600			2,559	1,976	77,028
Other Objects	9,863						3,852	6,011
<b>Total Support Services</b>	<b>719,869</b>		<b>2,401</b>	<b>98,087</b>		<b>3,725</b>	<b>102,118</b>	<b>513,538</b>
Facilities Acquisition and Construction Services:								
Instructional Equipment								
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>\$ 1,020,546</b>	<b>\$ 305</b>	<b>\$ 12,197</b>	<b>\$ 363,733</b>	<b>\$ 23,816</b>	<b>\$ 4,839</b>	<b>\$ 102,118</b>	<b>\$ 513,538</b>

**Board of Education of the Borough of Clayton**  
Special Revenue Fund  
Preschool Education Aid Schedule - Budgetary Basis  
For the Fiscal Year Ended June 30, 2013

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES:</b>			
Instruction			
Salaries of teachers	\$ 215,683	\$ 212,755	
Other salaries for instruction	42,619	44,124	\$ (1,505)
Purchased Professional and Technical Services			-
Supplies	11,640	10,999	641
Textbooks			-
	<u>269,942</u>	<u>267,878</u>	<u>(864)</u>
Total instruction			
Support services			
Personal Services - Employee Benefits	68,858	68,858	-
Purchased Professional - Educational Services	6,339	1,071	5,268
Other Purchased Services (400-500 series)	1,200	600	600
	<u>76,397</u>	<u>70,529</u>	<u>5,868</u>
Total support services			
Facilities Acquisition and Construction Services:			
Instructional Equipment			-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenditures	<u>\$ 346,339</u>	<u>\$ 338,407</u>	<u>\$ 5,004</u>

**Calculation of Budget and Carryover**

2012-13 Revised Preschool Education Aid Allocation	\$ 321,339
Add: Actual ECPA Carryover (June 30, 2012)	<u>29,429</u>
Total Preschool Education Aid Funds Available for 2012-13 Budget	350,768
Less: 2012-13 Budgeted Preschool Education Aid (Including Prior Year Budget Carryover)	<u>(346,339)</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2013	4,429
Add: 2012-13 Unexpended Preschool Education Aid	<u>5,004</u>
2012-13 Carryover - Preschool Education Aid	<u>\$ 9,433</u>

## PROPRIETARY FUNDS

**Borough of Clayton School District**  
Enterprise Fund  
Combining Statement of Net Position  
June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 84,544
Accounts Receivable:	
State	1,649
Federal	66,439
Inventories	<u>3,995</u>
Total Current Assets	<u>156,627</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	273,110
Less Accumulated Depreciation	<u>201,258</u>
Total Noncurrent Assets	<u>71,852</u>
Total Assets	<u>228,479</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	<u>25,662</u>
Total Current Liabilities	<u>25,662</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	71,852
Unrestricted	<u>130,965</u>
Total Net Position	<u><u>\$ 202,817</u></u>

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

**Borough of Clayton School District**  
Enterprise Fund  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 103,770
Daily Sales - Non-Reimbursable Programs	91,251
Special Functions	2,029
Total Operating Revenues	197,050
OPERATING EXPENSES:	
Salaries	180,784
Employee Benefits	34,319
Supplies and Materials	16,438
Cost of Sales	302,051
Management Fee	26,337
Repair and Maintenance	6,339
Depreciation	88,250
Total Operating Expenses	654,518
Operating Income (Loss)	(457,468)
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	7,259
Federal Sources:	
Healthy Hunger Free Kids Program	7,325
Special Milk Program	1,737
National School Lunch Program	275,506
School Breakfast Program	82,450
United States Department of Agriculture Commodities	47,261
Interest and Investment Revenue	171
Total Nonoperating Revenues	421,709
Change in Net Position	(35,759)
Total Net Position -- July 1	238,576
Total Net Position -- June 30	\$ 202,817

**Borough of Clayton School District**  
Enterprise Fund  
Combining Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Customers	\$ 197,050
Payments to Employees	(180,784)
Payments for Employee Benefits	(34,319)
Payments to Suppliers	<u>(278,501)</u>
Net Cash Provided by (used for) Operating Activities	<u>(296,554)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Cash Received from State and Federal Reimbursements	<u>338,036</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>338,036</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of Capital Assets	<u>(11,303)</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(11,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and Dividends	<u>171</u>
Net Cash Provided by (used for) Investing Activities	<u>171</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,350
Cash and Cash Equivalents -- July 1	<u>54,194</u>
Cash and Cash Equivalents -- June 30	<u>\$ 84,544</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ (457,468)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	88,250
Federal Commodities	47,261
(Increase) Decrease in Inventories	(259)
Increase (Decrease) in Other Current Liabilities	<u>25,662</u>
Total Adjustments	<u>160,914</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (296,554)</u>

## FIDUCIARY FUNDS

**Borough of Clayton School District**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2013

	<u>Trust Funds</u>	<u>Agency Funds</u>		<u>Total</u>
	<u>Private Purpose Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,861	\$ 121,102	\$ 161,511	\$ 285,474
Total Assets	<u>2,861</u>	<u>121,102</u>	<u>161,511</u>	<u>285,474</u>
<b>LIABILITIES:</b>				
Payable to Student Groups		\$ 121,102		\$ 121,102
Payroll Deductions and Withholdings			\$ 161,511	\$ 161,511
Total Liabilities		<u>\$ 121,102</u>	<u>\$ 161,511</u>	<u>282,613</u>
<b>NET POSITION:</b>				
Reserved for Scholarships	<u>\$ 2,861</u>			<u>\$ 2,861</u>

**Borough of Clayton School District**  
 Fiduciary Funds  
 Combining Statement of Changes in Fiduciary Net Position  
 For the Fiscal Year Ended June 30, 2013

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	Private Purpose Scholarship <u>Fund</u>
ADDITIONS:	
Local Sources	
Gifts and Contributions	\$ 1,056
Interest on Investments	4
Total Contributions	1,060
DEDUCTIONS:	
Scholarship Payments	600
Total Deductions	600
Change in Net Position	460
Net Position-- July 1	2,401
Net Position -- June 30	\$ 2,861

**Borough of Clayton School District**  
 Fiduciary Funds  
 Student Activity Agency Fund Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2013

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Herma Simmons Elementary School	\$ 13,756	\$ 13,548	\$ 13,977	\$ 13,327
Clayton High School	<u>110,098</u>	<u>329,335</u>	<u>331,658</u>	<u>107,775</u>
Total All Schools	<u>\$ 123,854</u>	<u>\$ 342,883</u>	<u>\$ 345,635</u>	<u>\$ 121,102</u>

**Borough of Clayton School District**  
 Fiduciary Funds  
 Payroll Agency Fund Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2013

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	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 63,711	\$ 4,998,179	\$ 4,900,379	\$ 161,511
Total Assets	<u>\$ 63,711</u>	<u>\$ 4,998,179</u>	<u>\$ 4,900,379</u>	<u>\$ 161,511</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 63,711	\$ 4,998,179	\$ 4,900,379	\$ 161,511
Total Liabilities	<u>\$ 63,711</u>	<u>\$ 4,998,179</u>	<u>\$ 4,900,379</u>	<u>\$ 161,511</u>

LONG-TERM DEBT

**Borough of Clayton School District**  
 Schedule of Serial Bonds  
 For the Fiscal Year Ended June 30, 2013

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance June 30, 2012	Issued	Retired	Balance June 30, 2013
Serial Bonds:									
Elementary School Addition	7/15/01	\$ 312,000				\$ 37,000		\$ 37,000	
Refunding School Bonds	3/1/04	5,120,000	1/15/14 1/15/15	\$ 615,000 625,000	5.000% 3.375%	1,870,000		630,000	\$ 1,240,000
School Improvements	1/28/10	10,017,000	9/1/13 9/1/14 9/1/15 9/1/16 9/1/17 9/1/18 9/1/19 9/1/20 9/1/21 9/1/22 9/1/23 9/1/24 9/1/25 9/1/26 9/1/27 9/1/28 9/1/29 9/1/30 9/1/31 9/1/32 9/1/33 9/1/34	100,000 100,000 295,000 305,000 325,000 340,000 355,000 370,000 390,000 410,000 430,000 450,000 475,000 495,000 520,000 545,000 575,000 600,000 630,000 665,000 695,000 747,000	3.250% 3.250% 3.250% 3.250% 3.500% 3.750% 3.750% 3.750% 3.750% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.125% 4.250% 4.375% 4.375%	9,917,000		100,000	9,817,000
						<u>\$ 11,824,000</u>	<u>\$ -</u>	<u>\$ 767,000</u>	<u>\$ 11,057,000</u>

**Borough of Clayton School District**  
 Budgetary Comparison Schedule  
 Debt Service Fund

For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 924,356		\$ 924,356	\$ 924,356	
State Sources:					
Debt Service Aid Type II	303,406		303,406	303,406	
Total Revenues	<u>1,227,762</u>		<u>1,227,762</u>	<u>1,227,762</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	460,762		460,762	459,761	\$ 1,001
Redemption of Principal	767,000		767,000	767,000	
Total Regular Debt Service	<u>1,227,762</u>		<u>1,227,762</u>	<u>1,226,761</u>	<u>1,001</u>
Total Expenditures	<u>1,227,762</u>		<u>1,227,762</u>	<u>1,226,761</u>	<u>1,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				1,001	1,001
Other Financing Sources:					
Operating Transfers In:					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	1,001	1,001
Fund Balance, July 1	<u>170,220</u>		<u>170,220</u>	<u>170,220</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 170,220</u>	<u>\$ -</u>	<u>\$ 170,220</u>	<u>\$ 171,221</u>	<u>\$ 1,001</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Budgeted Fund Balance	<u>\$ 170,220</u>	<u>\$ -</u>	<u>\$ 170,220</u>	<u>\$ 171,221</u>	<u>\$ 1,001</u>

STATISTICAL SECTION

## Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the School District's financial position has changed over time. Please refer to the following exhibits for a historical view of the School District's financial performance.

**Borough of Clayton School District**  
 Net Position by Component  
 Last Ten Fiscal Years (accrual basis of accounting)  
 Unaudited

	Fiscal Year Ending June 30.									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 17,369,817	\$ 16,944,785	\$ 13,399,931	\$ (1,288,491)	\$ 7,719,147	\$ 7,555,524	\$ 7,141,593	\$ 6,838,239	\$ 6,067,074	\$ 5,996,185
Restricted	2,081,430	1,709,166	6,436,824	1,929,955	2,796,666	1,907,329	987,567	1,046,421	760,742	958,982
Unrestricted	(833,979)	(737,000)	(625,526)	17,993,256	(824,667)	(455,947)	44,040	(386,243)	(138,589)	(255,316)
<b>Total Governmental Activities Net Position</b>	<b>\$ 18,617,268</b>	<b>\$ 17,916,951</b>	<b>\$ 19,211,229</b>	<b>\$ 18,634,720</b>	<b>\$ 9,691,126</b>	<b>\$ 9,006,906</b>	<b>\$ 8,173,200</b>	<b>\$ 7,498,417</b>	<b>\$ 6,689,227</b>	<b>\$ 6,699,851</b>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 71,852	\$ 148,799	\$ 64,418	\$ 30,263	\$ 30,667	\$ 18,987	\$ 16,723	\$ 15,793	\$ 27,272	\$ 22,296
Restricted	130,965	89,777	155,553	172,716	110,739	73,759	33,634	54,286	32,211	34,813
Unrestricted										
<b>Total Business-type Activities Net Position</b>	<b>\$ 202,817</b>	<b>\$ 238,576</b>	<b>\$ 219,971</b>	<b>\$ 202,979</b>	<b>\$ 141,406</b>	<b>\$ 92,746</b>	<b>\$ 50,357</b>	<b>\$ 70,079</b>	<b>\$ 59,483</b>	<b>\$ 57,109</b>
<b>District-wide</b>										
Net Investment in Capital Assets	\$ 17,441,669	\$ 17,093,584	\$ 13,464,349	\$ (1,258,228)	\$ 7,749,814	\$ 7,574,511	\$ 7,158,316	\$ 6,854,032	\$ 6,094,346	\$ 6,018,481
Restricted	2,081,430	1,709,166	6,436,824	1,929,955	2,796,666	1,953,062	987,567	1,046,421	760,742	958,982
Unrestricted	(703,014)	(647,223)	(469,973)	18,165,972	(713,948)	(382,188)	77,674	(331,957)	(106,378)	(220,503)
<b>Total District-wide Net Position</b>	<b>\$ 18,820,085</b>	<b>\$ 18,155,527</b>	<b>\$ 19,431,200</b>	<b>\$ 18,837,699</b>	<b>\$ 9,832,532</b>	<b>\$ 9,145,385</b>	<b>\$ 8,223,557</b>	<b>\$ 7,568,496</b>	<b>\$ 6,748,710</b>	<b>\$ 6,756,960</b>

Source: District Records

**Borough of Clayton School District**  
 Changes in Net Position  
 Last Ten Fiscal Years (accrual basis of accounting)  
 Unaudited

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>										
Governmental Activities										
Instruction										
Regular	\$ 8,895,815	\$ 8,511,190	\$ 7,249,196	\$ 7,886,392	\$ 7,464,236	\$ 7,033,982	\$ 6,429,561	\$ 5,841,902	\$ 6,071,690	\$ 5,950,443
Special Education	2,125,994	2,320,908	1,860,147	1,274,326	747,639	766,099	731,573	767,038	989,889	928,417
Other Special Education					283,056	200,215	309,974	327,779	349,989	263,198
Vocational										
Other Instruction	691,470	869,407	794,398	923,740	742,056	744,318	600,716	577,811	448,751	414,739
Nonpublic School Programs				2,015	6,250	3,425	5,280	8,248	189,852	168,496
Adult/Continuing Education Programs										
Support Services:										
Tuition	1,412,073	1,638,314	1,780,612	1,871,665	1,364,551	1,048,060	1,110,786	1,182,343	930,536	956,848
Student & Instruction Related Services	3,778,608	3,916,950	4,004,377	3,792,332	3,146,104	2,952,633	2,631,747	2,099,236	2,059,996	1,966,244
Non-Public Programs										
General & Business Services	384,920	453,296	400,642	946,867	944,063	994,427	882,064	732,776	663,812	283,578
General Administrative Services	1,862,950	1,787,181	1,489,295	1,005,419	952,499	1,006,827	947,019	908,414	1,000,871	1,350,711
School Administrative Services										
Business Administrative Services	2,081,648	2,112,102	1,661,055	1,693,575	1,707,377	1,647,113	1,574,849	1,472,483	1,445,063	1,310,823
Plant Operations and Maintenance	822,445	880,756	667,844	1,121,077	997,656	889,532	806,578	1,043,475	846,794	671,990
Pupil Transportation										
Special Schools										
Charter Schools	384,664	471,521	513,331	340,271	151,258	170,210	398,268	454,235	370,949	454,222
Interest on Long-term Debt										
Unallocated Depreciation										
Total Governmental Activities Expenses	22,440,587	22,941,625	20,420,897	20,867,679	18,506,745	17,456,841	16,428,415	15,415,740	15,368,192	14,719,709
Business-type Activities:										
Food Service	654,518	553,477	489,561	481,895	485,421	464,795	486,499	420,308	402,199	418,412
Total Business-type Activities Expense	654,518	553,477	489,561	481,895	485,421	464,795	486,499	420,308	402,199	418,412
Total District Expenses	\$ 23,095,105	\$ 23,495,102	\$ 20,910,458	\$ 21,349,574	\$ 18,992,166	\$ 17,921,636	\$ 16,914,914	\$ 15,836,048	\$ 15,770,391	\$ 15,138,121

(Continued)

**Borough of Clayton School District**  
 Changes in Net Position  
 Last Ten Fiscal Years (accrual basis of accounting)  
 Unaudited

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)	\$ 416,185	\$ 94,911	\$ 287,198	\$ 289,875	\$ 280,646	\$ 247,993	\$ 195,846	\$ 301,143	\$ 326,639	\$ 250,082
Pupil Transportation										
Business and Other Support Services										
Operating Grants and Contributions	2,428,089	2,419,161	2,378,471	2,551,827	1,826,929	2,173,047	2,040,885	2,047,608	2,176,628	2,191,781
Capital Grants and Contributions										
<b>Total Governmental Activities Program Revenues</b>	<b>2,844,274</b>	<b>2,514,072</b>	<b>2,665,669</b>	<b>2,841,702</b>	<b>2,117,575</b>	<b>2,420,940</b>	<b>2,236,731</b>	<b>2,348,751</b>	<b>2,503,267</b>	<b>2,441,863</b>
Business-type activities:										
Charges for services:										
Food Service	197,050	202,169	209,021	221,730	250,604	260,217	242,055	217,275	224,056	204,899
Child Care										
Operating Grants and Contributions	416,185	369,750	296,873	321,148	283,136	245,764	206,873	206,007	180,517	197,111
Capital Grants and Contributions										
<b>Total Business-type Activities Program Revenues</b>	<b>613,235</b>	<b>571,919.00</b>	<b>505,894.00</b>	<b>542,878</b>	<b>533,740</b>	<b>505,981</b>	<b>448,928</b>	<b>423,282</b>	<b>404,573</b>	<b>402,010</b>
<b>Total District Program Revenues</b>	<b>\$ 3,457,509</b>	<b>\$ 3,085,991</b>	<b>\$ 3,171,563</b>	<b>\$ 3,384,580</b>	<b>\$ 2,651,315</b>	<b>\$ 2,926,921</b>	<b>\$ 2,685,659</b>	<b>\$ 2,772,033</b>	<b>\$ 2,907,840</b>	<b>\$ 2,843,873</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (19,596,313)	\$ (20,427,473)	\$ (17,755,228)	\$ (18,025,977)	\$ (16,389,170)	\$ (15,035,901)	\$ (14,191,684)	\$ (13,066,889)	\$ (12,864,925)	\$ (12,277,846)
Business-type Activities	(35,830)	18,442	16,513	60,983	48,319	41,186	(37,571)	2,874	2,374	(16,402)
<b>Total District-wide Net Expense</b>	<b>\$ (19,632,243)</b>	<b>\$ (20,409,031)</b>	<b>\$ (17,738,715)</b>	<b>\$ (17,964,994)</b>	<b>\$ (16,340,851)</b>	<b>\$ (14,994,715)</b>	<b>\$ (14,229,255)</b>	<b>\$ (13,064,015)</b>	<b>\$ (12,862,551)</b>	<b>\$ (12,294,248)</b>

(Continued)

**Borough of Clayton School District**  
 Changes in Net Position  
 Last Ten Fiscal Years (accrual basis of accounting)  
 Unaudited

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 7,411,722	\$ 7,164,595	\$ 6,942,151	\$ 6,783,799	\$ 6,563,869	\$ 6,437,878	\$ 6,081,922	\$ 5,206,352	\$ 4,592,926	\$ 4,704,200
Taxes Levied for Debt Service	924,356	902,701	865,594	381,857	363,846	533,555	439,953	497,496	499,462	501,591
Federal & State Aid - not Restricted	11,358,679	10,862,334	10,120,489	9,400,298	9,712,650	8,296,587	7,818,467	7,353,071	7,711,454	7,457,673
State Aid Restricted	303,406	302,671	303,589	10,344,088	339,528	514,373	463,786	730,520		224,296
Payments in Lieu of Taxes			50,479	9,444	2,842	15,730	1,750	7,086	12,005	24,981
Tuition Received	24,501	24,863	4,519	8,174				7,360	16,089	13,038
Transportation	4,884	1,789	23,405	22,548	29	37	1,016	15,036	8,183	7,313
Investment Earnings	269,082	181,213	100,212	19,363	90,626	71,447	75,373	59,258	14,182	16,533
Miscellaneous Income		(306,971)	(78,701)				(15,800)			
Transfers										
<b>Total Governmental Activities</b>	<b>20,296,630</b>	<b>19,133,195</b>	<b>18,331,737</b>	<b>26,969,571</b>	<b>17,073,390</b>	<b>15,869,607</b>	<b>14,866,467</b>	<b>13,876,179</b>	<b>12,854,301</b>	<b>12,949,625</b>
Business-type Activities:										
Investment Earnings	171	163	479	590	341	1,203	2,049	7,622	-	-
Transfers							15,800			
<b>Total Business-type Activities</b>	<b>171</b>	<b>163</b>	<b>479</b>	<b>590</b>	<b>341</b>	<b>1,203</b>	<b>17,849</b>	<b>7,622</b>	<b>-</b>	<b>-</b>
<b>Total District-wide</b>	<b>\$ 20,296,801</b>	<b>\$ 19,133,358</b>	<b>\$ 18,332,216</b>	<b>\$ 26,970,161</b>	<b>\$ 17,073,731</b>	<b>\$ 15,870,810</b>	<b>\$ 14,884,316</b>	<b>\$ 13,883,801</b>	<b>\$ 12,854,301</b>	<b>\$ 12,949,625</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 700,317	\$ (1,294,278)	\$ 576,509	\$ 8,943,594	\$ 684,220	\$ 633,706	\$ 674,783	\$ 809,190	\$ (10,624)	\$ 671,779
Business-type Activities	(35,759)	18,605	16,992	61,573	48,660	42,389	(19,722)	10,596	2,374	(16,402)
<b>Total District</b>	<b>\$ 664,558</b>	<b>\$ (1,275,673)</b>	<b>\$ 593,501</b>	<b>\$ 9,005,167</b>	<b>\$ 732,880</b>	<b>\$ 876,095</b>	<b>\$ 655,061</b>	<b>\$ 819,786</b>	<b>\$ (8,250)</b>	<b>\$ 655,377</b>

Source: District Records

**Borough of Clayton School District**  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years (modified accrual basis of accounting)  
Unaudited

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund	\$ 1,938,673	\$ 1,571,848	\$ 1,058,520	\$ 2,611,214	\$ 2,635,794	\$ 1,792,190	\$ 1,226,646	\$ 748,028	\$ 709,889	\$ 958,982
Reserved	(547,140)	(469,797)	(366,965)	(486,322)	(460,629)	(62,306)	(4,189)	(47,663)	18,205	25,940
Unreserved	\$ 1,391,533	\$ 1,102,051	\$ 691,555	\$ 2,124,892	\$ 2,175,165	\$ 1,729,884	\$ 1,222,457	\$ 700,365	\$ 728,094	\$ 984,922
Total General Fund	\$ 1,391,533	\$ 1,102,051	\$ 691,555	\$ 2,124,892	\$ 2,175,165	\$ 1,729,884	\$ 1,222,457	\$ 700,365	\$ 728,094	\$ 984,922
All Other Governmental Funds										
Reserved			\$ 950,225	\$ 531,781			\$ 18,495	\$ 107,538		
Unreserved, Reported in:										
Special Revenue Fund	\$ (32,134)	\$ (32,270)	(29,336)	(29,336)	\$ (28,035)	\$ (54,016)	(44,416)	(44,416)	\$ (44,416)	\$ (44,416)
Capital Projects Fund			4,433,999	18,461,133	160,872	160,872	142,377	143,977	-	-
Debt Service Fund	171,221	170,220	22,506	22,506				46,183	50,853	4,670
Permanent Fund										
Total All Other Governmental Funds	\$ 139,087	\$ 137,950	\$ 5,377,394	\$ 18,986,084	\$ 132,837	\$ 106,856	\$ 116,456	\$ 253,282	\$ 6,437	\$ (39,746)

Source: District Records

**Borough of Clayton School District**  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years (modified accrual basis of accounting)  
Unaudited

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Tax Levy	\$ 8,336,078	\$ 8,067,296	\$ 7,807,745	\$ 7,165,656	\$ 6,927,715	\$ 6,971,433	\$ 6,521,875	\$ 5,703,848	\$ 5,092,388	\$ 5,205,791
Tuition Charges	416,185	94,991	50,479	9,444	2,842	15,730	1,750	7,086	12,005	24,981
Interest Earnings	4,884	1,789	23,405	22,548	29	37	1,016	15,036	8,183	7,313
Transportation	24,501	24,863	4,519	8,174				7,360	16,089	13,038
Miscellaneous	200,551	128,824	94,958	19,267	90,626	71,447	75,373	59,258	14,181	16,533
State Sources	12,450,970	11,349,260	11,116,550	20,165,718	11,246,353	10,286,271	9,585,459	9,440,879	9,058,496	9,075,610
Federal Sources	1,575,292	1,917,386	1,886,646	2,415,053	5,000	2,373				
Local Sources	132,443	62,938	13,104	5,317	918,400	943,256	993,206	991,463	1,156,225	1,048,222
<b>Total Revenue</b>	<b>23,140,904</b>	<b>21,647,347</b>	<b>20,997,406</b>	<b>29,811,177</b>	<b>19,190,965</b>	<b>18,290,547</b>	<b>17,118,679</b>	<b>16,224,930</b>	<b>15,357,567</b>	<b>15,391,488</b>
<b>Expenditures</b>										
Instruction										
Regular Instruction	6,052,303	5,296,670	5,094,612	6,009,874	5,681,334	5,158,749	4,766,650	4,535,440	4,441,899	4,335,923
Special Education Instruction	1,496,740	1,513,907	1,329,185	1,013,298	560,303	543,935	522,520	567,821	652,225	613,201
Other Special Instruction					249,157	184,807	281,447	303,243	325,356	230,245
Vocational Education										
Other Instruction	462,640	531,689	545,581	684,759	566,119	530,902	432,828	433,847	343,504	322,450
Nonpublic School Programs										
Adult/Continuing Education Programs				1,494	4,684				189,852	168,496
Support Services:										
Tuition	1,412,073	1,638,314	1,780,612	1,871,665	1,364,551	1,048,060	1,110,786	1,182,343	902,980	919,985
Student & Instruction Related Services	2,805,669	2,824,922	3,059,845	3,023,022	2,502,017	2,294,381	2,030,723	1,668,618	1,624,900	1,510,734
Non Public Schools										
General Administration	384,918	453,296	400,642	458,106	491,325	493,616	447,027	360,990	592,019	592,019
General Administrative & Business Services	907,994	797,524	760,027	745,306	707,509	714,853	676,401	672,479	684,254	1,018,785
School Administrative Services										
Business Administrative Services	338,444	283,201	262,799	243,796	222,506	212,433	182,980	181,468	1,139,408	210,207
Other Administrative Services	1,392,761	1,291,662	1,140,787	1,255,429	1,279,559	1,172,392	1,149,199	1,115,639	1,086,820	1,086,820
Plant Operations and Maintenance	822,445	880,756	667,844	831,042	777,650	649,323	592,989	789,217	779,351	603,257
Pupil Transportation	5,272,964	4,671,624	4,288,414	3,894,281	3,366,129	3,587,981	3,443,654	2,862,383	2,750,989	2,558,236
Unallocated Employee Benefits										
Special Schools										
Charter Schools	274,573	5,064,852	14,352,137	1,444,632	253,486	153,360	235,806	399,035	207,979	433,112
Capital Outlay	767,000	745,000	625,000	600,000	550,000	870,000	735,000	675,000	655,000	560,000
Debt Service:	459,761	482,878	544,183	136,360	153,374	177,928	214,922	258,291	278,496	514,977
Interest and Other Charges										
<b>Total Expenditures</b>	<b>22,850,285</b>	<b>26,476,295</b>	<b>34,851,668</b>	<b>22,213,064</b>	<b>18,719,703</b>	<b>17,792,720</b>	<b>16,822,932</b>	<b>16,005,814</b>	<b>15,568,212</b>	<b>15,086,428</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	290,619	(4,828,948)	(13,854,262)	7,598,113	471,262	497,827	295,747	219,116	(210,645)	305,060
<b>Other Financing Sources (Uses)</b>										
Capital Leases (Non-budgeted)										
Bond Proceeds				10,017,096			105,000			58,340
Proceeds of Refunding Debt										5,268,161
Transfers In	772	172,009	105,572	22,548	29	37	1,016	237,288	146	(5,171,403)
Transfers Out	(772)	(172,009)	(105,572)	(22,548)	(29)	(37)	(16,816)	(237,288)	(146)	78,877
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,017,096</b>	<b>-</b>	<b>-</b>	<b>89,200</b>	<b>-</b>	<b>-</b>	<b>155,098</b>
<b>Net Change in Fund Balances</b>	<b>\$ 290,619</b>	<b>\$ (4,828,948)</b>	<b>\$ (13,854,262)</b>	<b>\$ 17,615,209</b>	<b>\$ 471,262</b>	<b>\$ 497,827</b>	<b>\$ 384,947</b>	<b>\$ 219,116</b>	<b>\$ (210,645)</b>	<b>\$ 460,158</b>
Debt Service as a Percentage of Noncapital Expenditures	5.4%	5.7%	5.7%	3.5%	3.8%	5.9%	5.7%	6.0%	6.1%	7.3%

Source: District Records

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Refunds										
Interest on Investments	\$ 4,112	\$ 1,789	\$ 8,114	\$ 15,976	\$ 13,258	\$ 17,495	\$ 11,410	\$ 62,391	\$ 8,037	\$ 7,032
Gate Receipts					15,120	26,257		14,901	7,836	9,063
Miscellaneous	200,551	128,824	92,098	3,291	300	5,695	2,059	4,459	6,345	7,470
Rentals					900					
Tuition Refunds					41,093		12,072			
Tuition	416,185	94,991	50,479	9,444	2,842	13,980	5,393	4,946	12,005	24,981
Transportation Fees	24,501	24,863	4,519	8,174	14,637	2,000		1,908	16,089	13,038
	<u>\$ 645,349</u>	<u>\$ 250,467</u>	<u>\$ 155,210</u>	<u>\$ 36,885</u>	<u>\$ 88,150</u>	<u>\$ 65,427</u>	<u>\$ 30,934</u>	<u>\$ 88,605</u>	<u>\$ 50,312</u>	<u>\$ 61,584</u>

Source: District Records.

## Revenue Capacity Information

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the School District's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the School District's ability to generate revenues.

**Borough of Clayton School District**  
 Assessed Value and Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 Unaudited

(Fiscal) Year Ended Dec. 31 (June 30)	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities (1)	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (2)
2012	\$ 6,201,500	\$ 246,957,400	\$ 1,593,800	\$ 581,062	\$ 13,779,800	\$ 9,921,000	\$ 6,222,700	\$ 285,194,262	\$ 782,800	\$ 609,000	\$ 285,803,262	\$ 507,364,531	2.916
2011	6,348,600	247,167,800	1,814,700	518,052	13,862,500	11,957,000	6,222,700	287,862,262		618,193	288,500,455	521,761,379	2.796
2010	6,695,800	246,918,200	1,814,700	557,262	13,235,300	11,957,000	6,222,700	287,434,538		735,486	288,136,448	525,465,627	2.709
2009	7,602,800	243,441,500	1,707,000	554,900	13,738,600	11,957,000	6,222,700	285,512,548	404,325	692,373	285,916,873	533,425,806	2.506
2008	8,326,500	238,900,800	1,751,800	389,900	13,844,400	11,762,800	6,222,700	281,403,900	404,325	669,812	282,073,712	503,948,291	2.521
2007	8,467,400	233,501,400	1,824,600	391,100	13,659,200	11,762,375	6,222,700	275,828,700	404,325	662,101	276,086,551	455,559,405	2.521
2006	9,091,300	228,321,800	1,608,200	385,500	14,559,125	11,762,375	6,222,700	271,951,000	391,925	695,970	272,255,045	396,332,148	2.395
2005	6,571,302	224,428,700	2,190,400	491,700	13,793,225	11,762,375	6,222,700	265,460,402	603,825	838,660	265,695,237	384,518,840	2.146
2004	8,217,502	216,766,300	2,190,400	575,000	13,768,225	11,965,375	6,333,000	259,815,802	670,425	1,013,381	260,158,758	334,683,426	1.957
2003	6,970,000	210,335,300	2,284,700	485,200	13,374,625	11,965,375	6,333,000	251,738,200	690,625	1,172,631	252,220,206	303,417,422	2.064

(1) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

(2) Tax Rates are per \$100.00 of Assessed Valuation

CASB Statement 44 requires that the information in this schedule be shown for each "period for which levied" and should be consistent with the periods shown in the schedule of direct and overlapping property tax rates and schedule of property tax levies and collections.

**Borough of Clayton School District**  
 Direct and Overlapping Property Tax Rates  
 Last Ten (Fiscal) Years  
 (rate per \$100 of assessed value)  
 Unaudited

(Fiscal) Year Ended Dec. 31, (June 30,)	District Direct Rate			Overlapping Rates					Total Direct and Overlapping Tax Rate
	Basic Rate (1)	General Obligation Debt Service (2)	Total Direct School Tax Rate	Library District	Clayton Borough	Open Spaces	County of Gloucester		
2012	2.593	0.323	2.916	0.075	1.401	0.071	0.095	5.368	
2011	2.483	0.313	2.796	0.074	1.357	0.072	0.904	5.203	
2010	2.409	0.300	2.709	0.074	1.357	0.073	0.930	5.143	
2009	2.373	0.133	2.506	0.077	1.301	0.074	0.951	4.909	
2008	2.333	0.129	2.462	0.074	1.245	0.072	0.912	4.765	
2007	2.328	0.193	2.521	0.070	1.205	0.066	0.842	4.704	
2006	2.233	0.162	2.395	0.064	1.185	0.059	0.801	4.504	
2005	1.959	0.187	2.146	0.059	1.161	0.053	0.786	4.152	
2004	1.765	0.192	1.957	0.055	1.098	0.024	0.731	3.841	
2003	1.865	0.199	2.064	0.050	1.117	0.023	0.675	3.906	

(1) The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

(2) Rates for debt service are based on each year's requirements.

**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 calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any growth adjustments.

Source: Municipal Tax Collector

**Borough of Clayton School District**  
 Principal Property Tax Payers  
 Current Year and Nine Years Ago  
 Unaudited

	2013			2004		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Berk Cohen Associates	\$ 8,767,200	1	3.04%	N/A		N/A
Aleris Light Gauge Products, Inc.	7,083,400	2	2.46%	N/A		N/A
Silver Lake Assoc.	3,020,500	3	1.05%	N/A		N/A
Realmarq Development LLC	3,238,300	4	1.12%	N/A		N/A
Clayton Apartments LTC Partnership	1,782,300	5	0.62%	N/A		N/A
Rite Aide of NJ Inc.	1,263,600	6	0.44%	N/A		N/A
Verizon	1,156,928	7	0.40%	N/A		N/A
825 Delsea Dr. C/O Robson Goldberg	1,137,500	8	0.39%	N/A		N/A
↕ American Stores Company	1,125,200	9	0.39%	N/A		N/A
↕ HWD, LLC	1,201,700	10	0.42%	N/A		N/A
<b>Total</b>	<b>\$ 29,776,628</b>		<b>10.33%</b>			

Source: Municipal Tax Assessor  
 Information for 2004 is not available

**Borough of Clayton School District**  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years  
 Unaudited

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Fiscal Year Ended June 30,	School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2013	\$ 8,336,078	\$ 8,336,078	100.00%	-
2012	8,067,295	8,067,295	100.00%	-
2011	7,807,745	7,807,745	100.00%	-
2010	7,165,656	7,165,656	100.00%	-
2009	6,927,715	6,927,715	100.00%	-
2008	6,971,433	6,971,433	100.00%	-
2007	6,521,875	6,521,875	100.00%	-
2006	5,703,848	5,703,848	100.00%	-
2005	5,092,388	5,092,388	100.00%	-
2004	5,205,791	5,205,791	100.00%	-

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

## Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the School District's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the School District's outstanding debt and its debt capacity.



**Borough of Clayton School District**  
 Ratios of Net General Bonded Debt Outstanding  
 Last Ten Fiscal Years  
 Unaudited

General Bonded Debt Outstanding

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Actual Taxable</u> <u>Value of Property</u>	<u>Per Capita (2)</u>
2013	\$ 11,057,000	-	\$ 11,057,000	3.87%	NA
2012	11,824,000	-	11,824,000	4.10%	NA
2011	12,569,000	-	12,569,000	4.36%	NA
2010	13,194,000	-	13,194,000	4.61%	NA
2009	3,777,000	-	3,777,000	1.34%	NA
2008	4,327,000	-	4,327,000	1.57%	NA
2007	5,197,000	-	5,197,000	1.91%	NA
2006	5,932,000	-	5,932,000	2.23%	NA
2005	6,607,000	-	6,607,000	2.54%	NA
2004	7,262,000	-	7,262,000	2.88%	\$ 30,265

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

- (1) See Exhibit NJ J-6 for property tax data.
- (2) Population data can be found in Exhibit NJ J-14.

Source: District Records.

**Borough of Clayton School District**  
 Direct and Overlapping Governmental Activities Debt  
 As of December 31, 2012 (June 30, 2013)  
 Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Borough of Clayton	\$ 1,812,702	100.000%	\$ 1,812,702
<b>Other debt</b>			
County of Gloucester	274,706,201	1.85%	<u>5,088,713</u>
Subtotal, overlapping debt			6,901,415
<b>Borough of Clayton School District Direct Debt</b>			<u>11,057,000</u>
<b>Total direct and overlapping debt</b>			<u>\$ 17,958,415</u>

**Sources:** Assessed value data used to estimate applicable percentages provided by County of Gloucester  
 Debt outstanding provided by applicable governmental unit

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

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

**Borough of Clayton School District**  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 Unaudited

**Legal Debt Margin Calculation for Fiscal Year 2013**

Equalized valuation basis	
2012	\$ 486,264,726
2011	509,796,816
2010	518,493,527
<b>[A]</b>	<u>\$ 1,514,555,069</u>
Average equalized valuation of taxable property	
<b>[A/3]</b>	\$ 504,851,690
Debt limit ( 3.5% of average equalization value) (1)	<b>[B]</b> 17,669,809
Total Net Debt Applicable to Limit	<b>[C]</b> <u>11,057,000</u>
Legal Debt Margin	<b>[B-C]</b> \$ <u>6,612,809</u>

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	\$ 17,669,809	\$ 18,050,239	\$ 18,214,012	\$ 17,902,134	\$ 17,056,883	\$ 15,431,533	\$ 15,949,352	\$ 14,337,672	\$ 11,786,653	\$ 10,716,781
Total net debt applicable to limit	11,057,000	11,824,000	12,569,000	13,194,000	2,133,256	2,382,333	5,197,000	5,932,000	6,607,000	7,262,000
Legal debt margin	\$ 6,612,809	\$ 6,226,239	\$ 5,645,012	\$ 4,708,134	\$ 14,923,627	\$ 13,049,200	\$ 10,752,352	\$ 5,179,653	\$ 5,179,653	\$ 3,454,781
Total net debt applicable to the limit	62.58%	65.51%	69.01%	73.70%	12.51%	15.44%	32.58%	41.37%	56.05%	67.76%

(1) Limit set by N.J.S.A. 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

Source: Abstract of Rates and District Records CAFR Schedule J-7

## Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

**Borough of Clayton School District**  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited

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<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2013	8,175	\$ 345,213,900	\$ 42,228	9.8%
2012	8,202	339,374,154	41,377	9.5%
2011	7,139	282,640,149	39,591	9.8%
2010	7,586	296,157,440	39,040	9.2%
2009	7,586	NA	NA	NA
2008	7,563	NA	NA	NA
2007	7,511	NA	NA	NA
2006	7,450	NA	NA	NA
2005	7,412	NA	NA	NA
2004	7,424	NA	NA	8.6%

**Source:**

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

**Borough of Clayton School District**  
Principal Employers  
Current Year and Nine Years Ago  
Unaudited

	2013			2004		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
Inspira Health	1,825	1	N/A	N/A		N/A
Kennedy Memorial Hospital	1,675	2	N/A	N/A		N/A
Washington Township School District	1,528	3	N/A	N/A		N/A
County of Gloucester	1,485	4	N/A	N/A		N/A
Rowan University	1,483	5	N/A	N/A		N/A
Missa Bay, LLC	950	6	N/A	N/A		N/A
Monroe Township School District	794	7	N/A	N/A		N/A
U.S. Foodservices	725	8	N/A	N/A		N/A
LaBrea Bakery	525	9	N/A	N/A		N/A
Delaware Valley Wholesale Florist	450	10	N/A	N/A		N/A
	<u>11,440</u>					

**Source:**

Gloucester County Office of Economic Development and Employer Directly  
 Note - The information provided is for the County of Gloucester. Information at the municipal level is not available.  
 Information for 2004 is not available.

## Operating Information

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the School District's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the School District's operations.

**Borough of Clayton School District**  
 Full-time Equivalent District Employees by Function/Program  
 Last Ten Fiscal Years  
 Unaudited

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction										
Regular	99	78	77	87	87	86	90	93	95	96
Special education	26	22	22	18	18	14	12	11	13	12
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	-	-	-	-	-	-	-	-	-	-
Student & instruction related services	36	36	36	26	26	26	23	23	16	16
General administrative services	2	2	2	4	4	4	3	3	2	2
School administrative services	12	12	12	11	11	11	11	11	13	13
Business administrative services	3	3	3	3	3	3	3	3	4	4
Plant operations and maintenance	12	12	10	10	10	10	10	17	9	9
Pupil transportation	12	12	12	5	5	5	5	5	10	10
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	2	-	-	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>204</b>	<b>177</b>	<b>174</b>	<b>164</b>	<b>164</b>	<b>158</b>	<b>157</b>	<b>167</b>	<b>162</b>	<b>162</b>

**Source:** District Personnel Records

**Borough of Clayton School District**  
 Operating Statistics  
 Last Ten Fiscal Years  
 Unaudited

Fiscal	Enrollment	Operating Expenditures (1)	Cost Per Pupil	Percentage Change	Teaching Staff (2)	Elementary	Middle School	Pupil/Teacher Ratio	High School	Average Daily Enrollment (ADE) (3)	Average Daily Attendance (ADA) (3)	% Change in Average Daily Enrollment	Student Attendance Percentage
2013	1,384	\$ 21,623,525	15,624	6.05%	125	11.6:1	11.8:1	9.6:1	1,367	1,316	2.57%	96.27%	
2012	1,370	20,183,565	14,733	1.52%	117	14.0:1	7.6:1	10.1:1	1,366	1,283	6.21%	93.92%	
2011	1,332	19,330,348	14,512	-0.46%	116	14.0:1	7.6:1	10.1:1	1,322	1,208	-6.36%	91.38%	
2010	1,374	20,032,072	14,579	10.89%	121	11.0:1	7.3:1	11.0:1	1,327	1,290	14.16%	97.21%	
2009	1,351	17,762,843	13,148	3.73%	123	11.9:1	6.6:1	11.8:1	1,350	1,130	-8.43%	83.70%	
2008	1,309	16,591,432	12,675	4.32%	114	14.5:1	15.2:1	8.9:1	1,313	1,234	4.22%	93.98%	
2007	1,287	15,637,204	12,150	3.84%	119	14.5:1	15.2:1	8.9:1	1,250	1,184	2.87%	94.70%	
2006	1,254	14,673,488	11,701	5.36%	119	13.4:1	15.6:1	9.7:1	1,226	1,151	-1.23%	94.86%	
2005	1,298	14,416,288	11,107	6.64%	119	13.4:1	13.8:1	9.7:1	1,229	1,165	0.78%	94.86%	
2004	1,304	13,580,966	10,415	8.70%	119	14.5:1	14.3:1	9.2:1	1,222	1,156	-4.69%	94.66%	

**Sources:** District records, ASSA and Schedules J-12, J-14

**Note:** Enrollment based on annual October district count.

- (1) Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- (2) Teaching staff includes only full-time equivalents of certificated staff.
- (3) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**Borough of Clayton School District**  
 School Building Information  
 Last Ten Fiscal Years  
 Unaudited

	2013	2012*	2011	2010	2009	2008	2007	2006	2005	2004
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
E.S. Simmons Elementary										
Square Feet	126,080	126,080	98,092	98,092	98,092	98,092	98,092	98,092	98,092	98,092
Capacity (students)	763	763	638	638	638	638	638	638	638	638
Enrollment	719	724	787	787	778	765	746	752	753	740
<b><u>High School/Middle School</u></b>										
Clayton Middle School										
Square Feet	95,421	95,421	96,191	96,191	96,191	96,191	96,191	96,191	96,191	96,191
Capacity (students)	868	868	800	500	617	617	617	617	617	617
Enrollment	665	646	545	525	534	524	540	531	511	515

Number of Schools at June 30, 2013  
 Elementary = 1  
 High/Middle School= 1  
 Other = 0

**Source:** District records, ASSA

\*Increases/decreases in sq. ft. and/or capacity resulted from actual architect records vs. estimates used in prior years. additions. Enrollment is based on the annual October district count.

**Borough of Clayton School District**  
 Schedule of Required Maintenance  
 Last Ten Fiscal Years  
 Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES

11-000-261-XXX

* School Facilities	Project # (s)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Clayton Middle/Clayton High School	N/A	\$ 104,688	\$ 103,567	\$ 96,080	\$ 121,107	\$ 89,224	\$ 102,750	\$ 85,990	\$ 87,636	\$ 168,973	\$ 189,154
Clayton Elementary School	N/A	78,976	53,098	64,081	61,959	71,698	82,791	52,230	35,528	60,610	69,961
<b>Total School Facilities</b>		<u>183,664</u>	<u>156,665</u>	<u>160,161</u>	<u>183,066</u>	<u>160,922</u>	<u>185,541</u>	<u>138,220</u>	<u>123,164</u>	<u>229,583</u>	<u>259,115</u>
Other Facilities											
<b>Grand Total</b>		<u>\$ 183,664</u>	<u>\$ 156,665</u>	<u>\$ 160,161</u>	<u>\$ 183,066</u>	<u>\$ 160,922</u>	<u>\$ 185,541</u>	<u>\$ 138,220</u>	<u>\$ 123,164</u>	<u>\$ 229,583</u>	<u>\$ 259,115</u>

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

Source: District Records

**Borough of Clayton School District**  
Insurance Schedule  
June 30, 2013  
*Unaudited*

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	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Property & Auto Physical Damage/Boiler & Machinery	\$ 38,971,473	\$ 1,000
Commercial Liability	10,000,000	10,000.00
General Liability	1,000,000/3,000,000	
Automobile Liability	1,000,000	500 / 1,000
School Board Legal Liability	1,000,000/2,000,000	7,500
 Workers' Compensation	 Statutory	
 Student Accident Insurance (2)	 1,000,000	
 Surety Bonds (3)		
Treasurer	250,000	
Board Secretary/Business Administrator	20,000	

- (1) List Insurance Company  
(2) List Insurance Company  
(3) Per Claim/Annual Aggregate  
(4) Each Accident

Utica Mutual Insurance  
Bollinger Insurance Company

Source: District Records

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND  
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

**INDEPENDENT AUDITORS' REPORT**

The Honorable President and  
Members of the Board of Education  
Borough of Clayton School District  
County of Gloucester

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

We have audited the Borough of Clayton School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2013. The School District's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Clayton School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinions on Each Major Federal and State Program***

In our opinion, the Borough of Clayton School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB and which is described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as Finding 2013-1. Our opinion on each major federal and state program is not modified with respect to these matters.

The School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the Borough of Clayton School 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance of each major federal or state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, 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 School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no. 2013-1, which we consider to be a significant deficiency.

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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 OMB Circular A-133 and State of New Jersey Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*Bowman + Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Glen J. Walton*

Glen J. Walton  
Certified Public Accountant  
Public School Accountant  
No. 20CS00205000

Voorhees, New Jersey  
November 27, 2013

**BOROUGH OF CLAYTON SCHOOL DISTRICT**  
 Schedule of Expenditures of Federal Awards, Schedule A  
 For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor / Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2012	Carryover / (Walkover) Amount
				From	To		
<b>General Fund:</b>							
U.S. Department of Education							
Passed-through State Department of Education:							
Medical Assistance Program	93.778		\$ 30,455	7-1-2011	6-30-2012	\$ (12,811)	
Medical Assistance Program	93.778		22,803	7-1-2012	6-30-2013		
ED Jobs	84.410A		320,394	7-1-2011	6-30-2012	(17,969)	
ED Jobs	84.410A		7,490	7-1-2012	9-30-2012		
Total U.S. Department of Education						(30,780)	
Total General Fund						(30,780)	
<b>Special Revenue Fund:</b>							
U.S. Department of Education							
Passed-through State Department of Education:							
Title I, Part A	84.010A	NCLB086012	424,901	9-1-2011	8-31-2012	(118,545)	
Title I, Part A	84.010A	NCLB086013	446,711	9-1-2012	8-31-2013		
Title II, Part A	84.367A	NCLB086012	72,733	9-1-2011	8-31-2012	(15,981)	
Title II, Part A	84.367A	NCLB086013	60,331	9-1-2012	8-31-2013		
Title II, Part D - Tech	84.318X	NCLB086012	425	9-1-2011	8-31-2012	(120)	
Title III	84.365A		35,255	9-1-2012	8-31-2013		
I.D.E.A. Part B, Basic Regular Carryover	84.027	FT-1100-12	391,263	9-1-2011	8-31-2012	(84,258)	
I.D.E.A. Part B, Basic Regular Carryover	84.027	FT-1100-13	370,139	9-1-2012	8-31-2013		
ARRA - I.D.E.A. Part B, Basic Regular	84.391		383,354	7-1-2009	8-31-2011	(1,801)	
Local Capacity Building Project	84.027A	N/A	200,000	10-01-2002	9-30-2004	(14,320)	
I.D.E.A. Preschool Incentive	84.173		26,099	9-1-2011	8-31-2012	(447)	
I.D.E.A. Preschool Incentive	84.173		30,767	9-1-2012	8-31-2013		
Safe and Drug-free Schools and Communities	84.184L	Q184L080031	2,943,044	7-1-2008	6-30-2012	(168,329)	
Race to the Top	84.413A		28,938	7-1-2012	11-30-2015		
Total U.S. Department of Education						(403,801)	
U.S. Department of Justice							
Mentoring for Safe Schools Healthy Students Initiatives	16.726		300,000	10-1-2010	9-30-2013	(17,906)	
Total Special Revenue Fund						(421,707)	
<b>Enterprise Fund:</b>							
U.S. Department of Agriculture							
Passed-through State Department of Education:							
Food Distribution Program	10.555	N/A	39,636	7-1-2011	6-30-2012	2,940	
Food Distribution Program	10.555	N/A	47,261	7-1-2012	6-30-2013		
National School Lunch Program	10.555	N/A	252,497	7-1-2011	6-30-2012	(14,106)	
National School Lunch Program	10.555	N/A	275,506	7-1-2012	6-30-2013		
Healthy Hunger Free Kids Program	10.555	N/A	7,325	7-1-2012	6-30-2013		
Special Milk Program	10.556	N/A	3,199	7-1-2011	6-30-2012	(137)	
Special Milk Program	10.556	N/A	1,737	7-1-2012	6-30-2013		
School Breakfast Program	10.553	N/A	68,685	7-1-2011	6-30-2012	(4,936)	
School Breakfast Program	10.553	N/A	82,450	7-1-2012	6-30-2013		
Total U.S. Department of Agriculture						(16,239)	
Total Enterprise Fund						(16,239)	
Total Federal Financial Assistance						\$ (468,726)	\$ -

Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2013		Due to Grantor at June 30, 2013
				(Accounts Receivable)	Unearned Revenue	
\$ 12,811						
22,803	\$ 22,803					
17,969						
6,665	7,490			\$ (825)		
60,248	30,293			(825)		
60,248	30,293			(825)		
202,448	95,891	\$ 11,988				
139,613	410,605			(270,992)		
19,623		(3,642)				
24,916	46,856			(21,940)		
425	305					
8,142	12,197			(4,055)		
84,258						
223,203	363,733			(140,530)		
				(1,801)		
				(14,320)		
447						
22,540	23,816			(1,276)		
526,008	513,538			(155,859)		
	4,839			(4,839)		
1,251,623	1,471,780	8,346		(615,612)		
96,124	102,118			(23,900)		
1,347,747	1,573,898	8,346		(639,512)		
	2,940					
47,261	45,899				\$ 1,362	
14,106						
227,013	275,506			(48,493)		
5,918	7,325			(1,407)		
137						
1,438	1,737			(299)		
4,936						
66,210	82,450			(16,240)		
367,019	415,857			(66,439)	1,362	
367,019	415,857			(66,439)	1,362	
\$ 1,775,014	\$ 2,020,048	\$ 8,346	\$ -	\$ (706,776)	\$ 1,362	\$ -

**Borough of Clayton School District**  
 Schedule of Expenditures of State Financial Assistance, Schedule B  
 For the Fiscal Year Ended June 30, 2013

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2012		
			From	To	Unearned Revenue / Accounts Receivable	Due to Grantor	Carryover/ (Walkover) Amount
<b>State Department of Education (State Aid):</b>							
<b>General Fund:</b>							
Equalization Aid	12-495-034-5120-078	\$ 8,356,753	7-1-2011	6-30-2012	\$ (764,373)		
Equalization Aid	13-495-034-5120-078	8,710,339	7-1-2012	6-30-2013			
Transportation Aid	13-495-034-5120-014	63,240	7-1-2012	6-30-2013			
Security Aid	12-495-034-5120-084	126,066	7-1-2011	6-30-2012	(12,606)		
Security Aid	13-495-034-5120-084	161,888	7-1-2012	6-30-2013			
Special Education Aid	12-495-034-5120-089	672,662	7-1-2011	6-30-2012	(67,266)		
Special Education Aid	13-495-034-5120-089	709,151	7-1-2012	6-30-2013			
Nonpublic School Transportation Aid	12-495-034-5120-014	15,983	7-1-2011	6-30-2012	(15,983)		
Nonpublic School Transportation Aid	12-495-034-5120-014	13,809	7-1-2012	6-30-2013			
Extraordinary Special Education Aid Costs	12-100-034-5120-473	89,914	7-1-2011	6-30-2012	(89,914)		
Extraordinary Special Education Aid Costs	13-100-034-5120-473	73,826	7-1-2012	6-30-2013			
Reimbursed T.P.A.F. Social Security	12-495-034-5095-002	569,743	7-1-2011	6-30-2012	(28,370)		
Reimbursed T.P.A.F. Social Security	13-495-034-5095-002	590,713	7-1-2012	6-30-2013			
Total State Aid - General Fund					(978,512)	-	-
<b>Special Revenue Fund:</b>							
State Department of Education							
Preschool Education Aid	12-495-034-5120-086	322,696	7-1-2011	6-30-2012	(2,842)		
Preschool Education Aid	13-495-034-5120-086	321,339	7-1-2012	6-30-2013			
N.J. Nonpublic Aid:							
Textbook Aid	12-100-034-5120-064	14,253	7-1-2011	6-30-2012		\$ 874	
Textbook Aid	13-100-034-5120-064	12,576	7-1-2012	6-30-2013			
Auxiliary Services							
Compensatory Education	12-100-034-5120-067	92,141	7-1-2011	6-30-2012		34,659	
Auxiliary Services							
Compensatory Education	13-100-034-5120-067	73,575	7-1-2012	6-30-2013			
English as a Second Language	13-100-034-5120-067	4,177	7-1-2012	6-30-2013			
Transportation	13-100-034-5120-067	19,738	7-1-2012	6-30-2013			
Handicapped Services							
Supplemental Instruction	12-100-034-5120-068	14,732	7-1-2011	6-30-2012		3,508	
Corrective Speech	12-100-034-5120-068	58,449	7-1-2011	6-30-2012		1,580	
Handicapped Services							
Supplemental Instruction	13-100-034-5120-068	15,264	7-1-2012	6-30-2013			
Corrective Speech	13-100-034-5120-068	60,387	7-1-2012	6-30-2013			
Examination and Classification	13-100-034-5120-068	33,758	7-1-2012	6-30-2013			
Home Instruction	N/A	334	7-1-2011	6-30-2012	(334)		
Home Instruction	N/A	4,848	7-1-2012	6-30-2013			
Nursing Services	13-100-034-5120-373	17,455	7-1-2012	6-30-2013			
Technology Initiative Aid	13-400-034-5120-373	4,641	7-1-2012	6-30-2013			
Subtotal Special Revenue Fund - State Department of Education					(3,176)	40,621	
State Department of Human Services							
School Based Youth Service Program	SB09014	228,303	7-1-2008	6-30-2009		15,474	
School Based Youth Service Program	10CTHP	228,704	7-1-2009	6-30-2010		1,084	
School Based Youth Service Program	11CTHP	228,704	7-1-2010	6-30-2011		15	
School Based Youth Service Program	12CTHP	228,704	7-1-2011	6-30-2012		5,688	
School Based Youth Service Program	13CTHP	233,867	7-1-2012	6-30-2013			
Family Friendly	SB09014	45,463	7-1-2008	6-30-2009		10,477	
Family Friendly	10CTHP	45,463	7-1-2009	6-30-2010		13,392	
Family Friendly	11CTHP	45,463	7-1-2010	6-30-2011		182	
Family Friendly	12CTHP	45,463	7-1-2011	6-30-2012		4,575	
Family Friendly	13CTHP	45,463	7-1-2012	6-30-2013			
Subtotal Special Revenue Fund - State Department of Human Services					-	50,887	
Total Special Revenue Fund					(3,176)	91,508	
<b>Debt Service Fund</b>							
State Department of Education							
Debt Service Aid Type II	13-495-034-5120-125	303,406	7-1-2012	6-30-2013			
Total Debt Service Fund					-	-	-
<b>Enterprise Fund:</b>							
National School Lunch Program (State Share)	12-100-010-3360-067	5,733	7-1-2011	6-30-2012	(378)		
National School Lunch Program (State Share)	13-100-010-3360-067	7,259	7-1-2012	6-30-2013			
Total Enterprise Fund					(378)	-	-
Total State Financial Assistance					\$ (982,066)	\$ 91,508	\$ -

Cash Received	Adjustments	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013			Memo	
				Accounts Receivable	Unearned Revenue	Due to Grantor at	Budgetary Receivable 6/30/2012	Cumulative Total Expenditures
\$ 764,373								
7,892,176		\$ 8,710,339		\$ (818,163)			\$ (818,163)	\$ 8,710,339
56,916		63,240		(6,324)			(6,324)	63,240
12,606								
145,699		161,888		(16,189)			(16,189)	161,888
67,266								
638,236		709,151		(70,915)			(70,915)	709,151
15,983								
89,914		13,809		(13,809)			(13,809)	13,809
28,370		73,826		(73,826)			(73,826)	73,826
560,969		590,713		(29,744)			(29,744)	590,713
<u>10,272,508</u>	<u>-</u>	<u>10,322,966</u>	<u>-</u>	<u>(1,028,970)</u>	<u>-</u>	<u>-</u>	<u>(1,028,970)</u>	<u>10,322,966</u>
32,270		29,428						
289,205		308,979		(32,134)	\$ 12,360		(32,134)	308,979
12,576		12,576	\$ (874)					
			(34,659)					
73,575		59,105				\$ 14,470		
4,177		4,177						
19,738		17,550				2,188		
			(3,508)					
			(1,580)					
15,264		14,223				1,041		
60,387		54,996				5,391		
33,758		16,710				17,048		
334								
17,455		4,848		(4,848)				
4,641		17,455						
		4,483				158		
<u>563,380</u>		<u>544,530</u>	<u>(40,621)</u>	<u>(36,982)</u>	<u>12,360</u>	<u>40,296</u>	<u>(32,134)</u>	<u>308,979</u>
	\$ 14,902		(30,376)					
						1,084		
						15		
						5,688		
233,867		231,969				1,898		231,969
			(10,477)			-		
						13,392		
						182		
						4,575		
45,463		42,543				2,920		42,543
<u>279,330</u>	<u>14,902</u>	<u>274,512</u>	<u>(40,853)</u>	<u>-</u>	<u>-</u>	<u>29,754</u>	<u>-</u>	<u>274,512</u>
842,710	14,902	819,042	(81,474)	(36,982)	12,360	70,050	(32,134)	583,491
303,406		303,406						303,406
303,406	-	303,406	-	-	-	-	-	303,406
378								
5,610		7,259		(1,649)				7,259
5,988	-	7,259	-	(1,649)	-	-	-	7,259
<u>\$ 11,424,612</u>	<u>\$ 14,902</u>	<u>\$ 11,452,673</u>	<u>\$ (81,474)</u>	<u>\$ (1,067,601)</u>	<u>\$ 12,360</u>	<u>\$ 70,050</u>	<u>\$ (1,061,104)</u>	<u>\$ 11,217,122</u>

**BOROUGH OF CLAYTON SCHOOL DISTRICT**  
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2013

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**Note 1: GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Borough of Clayton School District (hereafter referred to as the "School District"). The School District is defined in Note 1 to the School District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

**Note 2: BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting, with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile revenues from the budgetary basis to the GAAP basis is \$67,346 for the general fund and \$29,613 for the special revenue fund. The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$29,749 for the special revenue fund. See Exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

**Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS (CONT'D)**

Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 45,105	\$ 11,328,386	\$ 11,373,491
Special Revenue	1,544,999	819,178	2,364,177
Debt Service		303,406	303,406
Food Service	415,891	5,733	421,624
Total Awards and Financial Assistance	<u>\$ 2,005,995</u>	<u>\$ 12,456,703</u>	<u>\$ 14,462,698</u>

**Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**Note 5: ADJUSTMENTS**

Amounts reported in the column entitled "adjustments" represent favorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in fiscal year 2012-2013.

**Note 6: OTHER**

Revenues and expenditures reported under the food distribution program represent current year value received and current year distribution, respectively. TPAF social security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2013.

**Note 7: MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**BOROUGH OF CLAYTON SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013**

**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	___ yes <u> x </u> none reported
Noncompliance material to financial statements noted?	___ yes <u> x </u> no

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	<u> x </u> yes ___ none reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ yes <u> x </u> no

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
<u>84.010A</u>	<u>Title I, Part A</u>
<u>84.027</u>	<u>IDEA Part B - Basic</u>
<u>84.173</u>	<u>IDEA Part B - Preschool</u>
<u>84.184L</u>	<u>Safe and Drug-free Schools and Communities</u>
<u>10.553</u>	<u>School Breakfast Program</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>10.555</u>	<u>Healthy Hunger Free Kid Program</u>
<u>10.556</u>	<u>Special Milk Program</u>
<u>10.555</u>	<u>Food Distribution Program</u>

Dollar threshold used to determine Type A programs	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<u> x </u> yes ___ no



**BOROUGH OF CLAYTON SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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***Section 2- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

No current year findings.

**BOROUGH OF CLAYTON SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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***Section 3- Schedule of Federal Award Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

**Finding No. 2013-1**

**Criteria or Specific Requirement**

In order to ensure federal funding is used appropriately, adequate supporting records and documentation should be maintained for all expenditures made with federal funds.

**Condition**

The district did not maintain complete proper supporting documentation for all expenditures made with federal funds.

**Context**

Findings related to federal grant expenditures were noted in an Office of Fiscal Accountability and Compliance Consolidated Monitoring Report dated May, 2013.

**Effect**

It could not be determined whether certain expenditures were proper expenditures under the respective federal funding sources.

**Cause**

Complete supporting records and documentation was not maintained for all expenditures made with federal funds.

**Recommendation**

The organization should take steps to ensure that controls over expenditures are instituted, and that proper support and records required by each funding source is maintained for all expenditures.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and a detailed corrective action plan has been adopted by the Board of Education on July 16, 2013. All required steps will be taken to ensure adequate supporting documentation and records are maintained for all expenditures made with federal funds.

**BOROUGH OF CLAYTON SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs***

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

No current year findings.

**BOROUGH OF CLAYTON SCHOOL DISTRICT**  
Summary Schedule of Prior Year Audit Findings  
and Questioned Costs as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

**FINANCIAL STATEMENT FINDINGS**

No Prior Year Findings.

**FEDERAL AWARDS**

No Prior Year Findings.

**STATE FINANCIAL ASSISTANCE PROGRAMS**

No Prior Year Findings.

