

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



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

BOROUGH OF CLAYTON SCHOOL DISTRICT
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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**

**NIKOLAOS C. KOUTSOGIANNIS
SUPERINTENDENT OF SCHOOLS**

**FRANCES ADLER
BUSINESS ADMINISTRATOR**

November 27, 2017

Honorable President and
Members of the Board of Education
Clayton Public School District
350 East Clinton 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, 2017. 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, Uniform Guidance, and the State of New Jersey Circular 15-08-OMB "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws, regulations, findings and questioned costs, 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 2014-2015 In-District Students Enrollment was 1,447 which is 3.44 percent higher than the previous year.

STUDENT ENROLLMENT:

FISCAL YEAR	STUDENT ENROLLMENT	% CHANGE
2017	1447	-0.07%
2016	1448	+0.07%
2015	1447	+ 3.44%
2014	1399	+ 1.08%
2013	1384	+1.02%
2012	1370	-0.22%
2011	1373	-0.07%
2010	1374	+1.70%
2009	1351	+3.17%
2008	1309	+2.40%
2007	1277	+1.83%
2006	1254	-3.39%
2005	1298	-0.46%

ECONOMIC CONDITION AND OUTLOOK:

In 2014, voters approved lights at Haupt Field, a new gym floor at Herma S. Simmons Elementary School, district-wide technology upgrades, Middle School Reroofing Project, and a Performing Arts Center at the High School. The Performing Arts Center opened in January 2017 thereby completing this project. The district’s free and reduced lunch population remained steady at 51%. We continue to pursue federal, state, and other grant sources to enhance programs and provide resources.

DISTRICT GOALS:

The following district-level goals have been developed for the 2016-2017 school year:

- 1) Increase pride in the District
- 2) Increase community outreach and improve communication throughout the District to allow for a positive student-centered environment
- 3) Plan for facility and infrastructure needs of the future and improve the maintenance and appearance of the current facilities
- 4) Continue fiscal responsibility by examining efficiencies, internal controls, and structure

PROGRESS TOWARD GOALS AND OBJECTIVES:

DISTRICT GOAL 1:

Increase pride in the District and foster a positive climate for both staff and students to assist them in attaining success.

- District Newsletter.
- District Website

DISTRICT GOAL 2:

Increase community outreach and improve communication to allow for a successful student-centered environment.

- Partnership with Education Foundation. “News on Deck” made available on Website; Cable Television Programming; Grandparents Day; Parental Workshops.
- Public Relations/Media Outreach – press releases; District Newsletter; automated Phone Service.
- PARCC parent meetings, Literacy Nights. Title 1 Nights.
- Exploration of partnerships with Rowan University.

DISTRICT GOAL 3:

To prepare and plan for a public referendum to fund facility maintenance and/or additions.

- All Bond Referendum projects have been completed (January 2017)

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, 2017, the District’s outstanding debt issues amount to \$18,447,000.

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, should board legal liability, theft insurance on property and contents, 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 meet 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 15-08, 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 Campisi
 Middle School Teacher – Kathryn Hallinan
 High School Teacher – Christina Tiesi

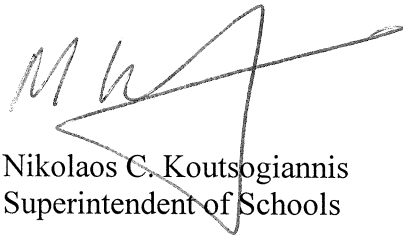
2. Grant Awards: The District was awarded the 21st Century Grant in the amount of \$250,000 21st Century Grant as well as a Preschool Expansion Grant in the amount of \$488,313.

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,



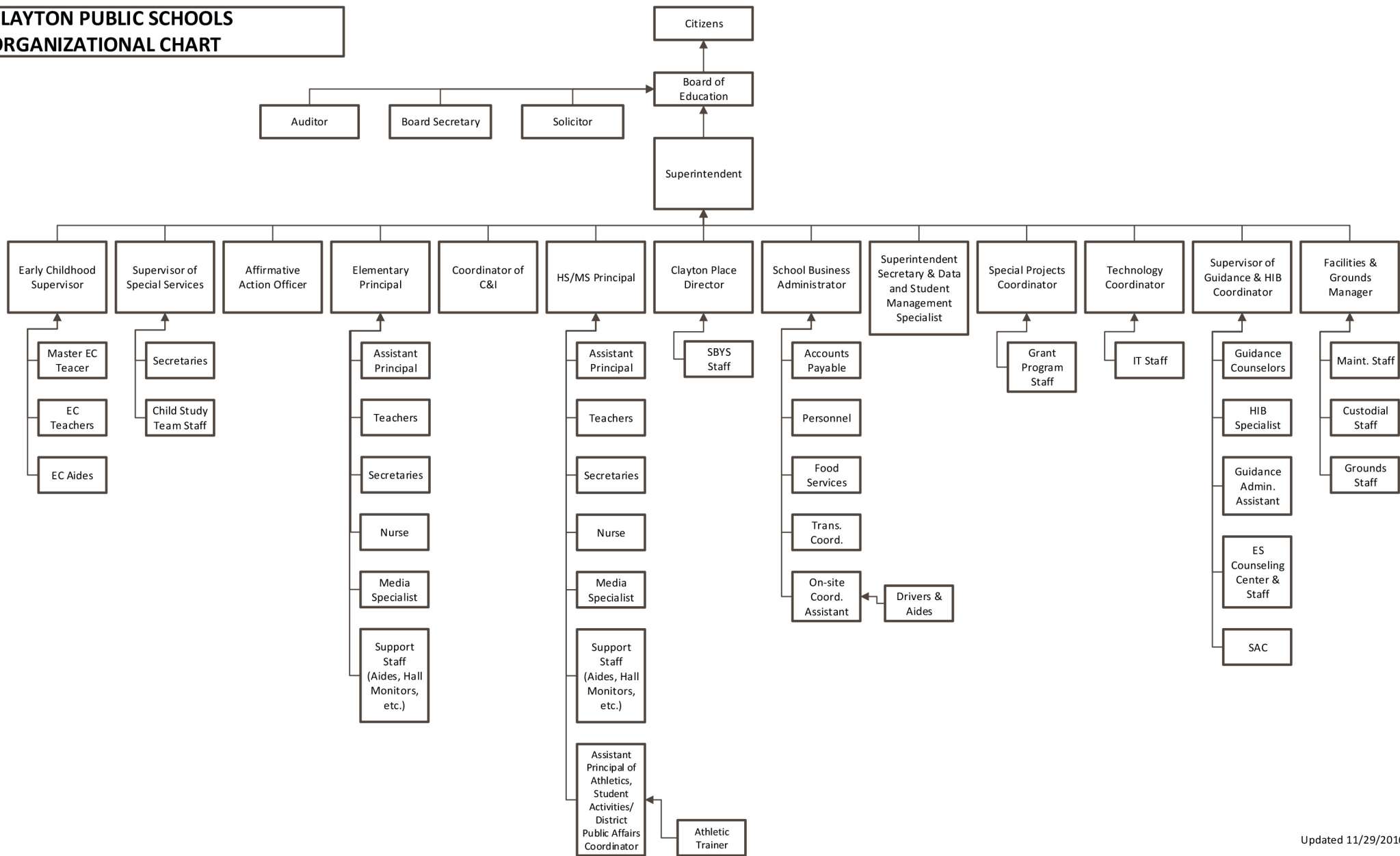
Nikolaos C. Koutsogiannis
Superintendent of Schools



Frances C. Adler
School Business Administrator/Board Secretary

Preparing Students for the Opportunities of Today and the Future

CLAYTON PUBLIC SCHOOLS ORGANIZATIONAL CHART



Updated 11/29/2016

CLAYTON BOARD OF EDUCATION

CLAYTON, NEW JERSEY

ROSTER OF OFFICIALS

As of June 30, 2017

January 2017 – December 2017

Members of the Board of Education	Term Expires
Anthony Grafton, President	2019
Milton "Bud" Reuter, III , Vice President	2017
Bailey Burnett	2017
Paul Connell	2018
Ronald Durham	2017
Robin Roche	2018
Stacey Weinert	2018
Scott Werkheiser	2019
Caite Wolak	2019

Nikolaos Koutsogiannis, Superintendent of Schools
Frances Adler, School Business Administrator/Board Secretary
Debbie Swietanski, Treasurer of School Funds

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

CONSULTANTS AND ADVISORS

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Audit Firm

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

Attorney

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

Official Depositories

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

BBB&T
114 North Main Street
Mullica Hill, NJ 08062

Special Counsel

Parker McCay
900 Midlantic Drive, Suite 300
Mt. Laurel, NJ 08054

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, 2017, 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.

26900

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Clayton School District, in the County of Gloucester, State of New Jersey, as of June 30, 2017, 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, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of the School District's contributions, 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 introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

26900

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 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

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Glen J. Walton

Glen J. Walton
Certified Public Accountant
Public School Accountant
No. 20CS0020500

Voorhees, New Jersey
November 27, 2017

**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, the standards applicable to 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, 2017, 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, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 entity'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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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

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, 2017

REQUIRED SUPPLEMENTARY INFORMATION
PART I

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The management's discussion and analysis of the Borough of Clayton School District (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017 and 2016. The intent of the discussion and analysis is to look at the School District's financial performance and review the notes to the basic financial statements to enhance the understanding of the School District's financial performance. It is recommended that the discussion and analysis be read in conjunction with a transmittal letter at the front of this financial report.

FINANCIAL HIGHLIGHTS

Financial Highlights for fiscal year 2017:

- The assets of the Borough of Clayton School District exceeded its liabilities at the close of the most recent fiscal year by \$11,105,534 (net position).
- The School District's total net position decreased by \$912,921. This decrease is primarily attributable to the Borough of Clayton School District's decrease in long-term liabilities.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$1,156,177, a decrease of \$3,892,331 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund had a deficit of \$567,188, which is a decrease of \$55,271 in comparison with the prior year.
- The Borough of Clayton School District's total debt decreased by \$605,000, as a result of payment of general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Government-Wide Statements

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

The two government-wide statements report the School District's net position and how they have changed. Net position is the difference between the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources and is one way to measure the School District's financial health or position. An increase or decrease in the School District's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health or position of the School District, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities* – The basic services, such as instruction for regular and special education, maintenance and operations, transportation and administration are included as government activities. Property taxes, state aid and fund balance appropriated finance most of these activities.
- *Business-type activities* – The School District charges fees to cover the costs of certain services such as food services.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on the significant funds, not the School District as a whole. Funds are used by the School District to keep track of specific sources of funding and spending on particular programs.

The School District has three kinds of funds:

- *Governmental funds* – The School District's basic services are included in governmental funds, which detail cash and other financial assets and also identify balances that remain at year-end. Governmental funds statements provide a short-term view to determine whether more or less financial resources can be spent in subsequent years.
- *Proprietary funds* – These funds represent charges or fees for such activities as food services.
- *Fiduciary funds* – The School District is the trustee for assets that belong to others. The student activities funds which include clubs, classes, athletic and scholarship funds are maintained in this fund. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. These funds are not included in the government-wide financial statements since the School District is not permitted to use these assets in the School District operation.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2016.

TABLE 1
Net Position

	June 30, 2017	June 30, 2016	Change	% Change
Assets:				
Current and Other Assets	\$ 1,761,514	\$ 7,011,172	\$ (5,249,658)	-74.88%
Capital Assets	34,446,254	31,371,859	3,074,395	9.80%
Total Assets	36,207,768	38,383,031	(2,175,263)	-5.67%
Deferred Outflows of Resources:				
Related to Pensions	2,418,372	966,960	1,451,412	100.00%
Total Deferred Outflows of Resources	2,418,372	966,960	1,451,412	100.00%
Liabilities:				
Long-Term Liabilities	25,677,282	24,109,007	1,568,275	6.50%
Other Liabilities	1,604,173	2,831,090	(1,226,917)	-43.34%
Total Liabilities	27,281,455	26,940,097	341,358	1.27%
Deferred Inflow of Resources - Related to Pensions	239,151	391,439	(152,288)	100.00%
Net Position:				
Net Investment in Capital Assets	15,999,254	12,319,859	3,679,395	29.87%
Restricted	1,012,146	4,958,988	(3,946,842)	-79.59%
Unrestricted (Deficit)	(5,905,866)	(5,260,392)	(645,474)	12.27%
Total Net Position	\$ 11,105,534	\$ 12,018,455	\$ (912,921)	-7.60%

Table 2 provides an illustration of the impact of the School District's Net Position for the implementation of GASB 68.

TABLE 2
Statement of Net Position - Effect of Pension Related Items

	June 30, 2017	June 30, 2016	Change	% Change
Deferred Outflows Related to Pensions	\$ 2,418,372	\$ 966,960	\$ 1,451,412	100.00%
Less: Net Pension Liability	(7,573,560)	(5,473,302)	(2,100,258)	38.37%
Less: Deferred Inflows Related to Pensions	(239,151)	(391,439)	152,288	-100.00%
	\$ (5,394,339)	\$ (4,897,781)	\$ (496,558)	10.14%

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONT'D)

Table 3 reflects changes in net position for fiscal years 2017 and 2016.

TABLE 3
Change in Net Position

Revenues:	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>	<u>% Change</u>
Program Revenues:				
Charges for Services	\$ 409,728	\$ 519,782	\$ (110,054)	-21.17%
Operating Grants and Contributions	3,097,399	3,152,415	(55,016)	-1.75%
General Revenues:				
Property Taxes	9,335,398	8,932,560	402,838	4.51%
Grants and Contributions	16,425,223	12,056,485	4,368,738	36.24%
Other	200,745	499,140	(298,395)	-59.78%
	<u>29,468,493</u>	<u>25,160,382</u>	<u>4,308,111</u>	<u>17.12%</u>
Expenses:				
Instruction:				
Regular	7,506,505	7,386,907	119,598	1.62%
Special Education	2,015,086	1,875,425	139,661	7.45%
Other Special Instruction	622,055	639,403	(17,348)	-2.71%
Student Services:				
Tuition	1,266,009	1,683,963	(417,954)	-24.82%
Student and Instruction Related	2,709,499	2,764,112	(54,613)	-1.98%
General Administrative Services	466,160	467,282	(1,122)	-0.24%
School Administrative Services	1,012,850	1,006,026	6,824	0.68%
Central Services	279,232	276,765	2,467	0.89%
Administrative Information Technology	125,496	100,457	25,039	24.93%
Plant Operations and Maintenance	1,519,818	1,564,456	(44,638)	-2.85%
Pupil Transportation	887,879	850,770	37,109	4.36%
Allocated and Unallocated Benefits	10,243,274	5,955,626	4,287,648	100.00%
Interest on Long-Term Debt	989,537	581,074	408,463	70.29%
Food Service	738,014	742,946	(4,932)	-0.66%
	<u>30,381,414</u>	<u>25,895,212</u>	<u>4,486,202</u>	<u>17.32%</u>
Increase (Decrease) in Net Position	(912,921)	(734,830)	(178,091)	0.24
Beginning Net Position	<u>12,018,455</u>	<u>12,753,285</u>	<u>(734,830)</u>	<u>-5.76%</u>
Ending Net Position	<u>\$ 11,105,534</u>	<u>\$ 12,018,455</u>	<u>\$ (912,921)</u>	<u>-7.60%</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONT'D)

Governmental Activities

In 2016-2017, Governmental Activities Revenues were \$28,721,013 or 97.46% of total revenues.

In 2015-2016, Governmental Activities Revenues were \$24,415,701 or 97.04% of total revenues.

In 2016-2017, General Revenues - Property Taxes of \$9,335,398 made up 32.50%, and General Revenues – Grants and Contributions not Restricted to Specific Programs of \$16,425,223 made up 57.19% of Governmental Activities Revenues.

In 2015-2016, General Revenues - Property Taxes of \$8,932,560 made up 36.59%, and General Revenues – Grants and Contributions not Restricted to Specific Programs of \$12,056,485 made up 49.38% of Governmental Activities Revenues.

In 2016-2017, the School District's Governmental Activities expenditures increased by \$4,491,134 or 17.86%.

Business-Type Activities

In 2016-2017 Business-Type Activities Revenues were \$747,480 or 2.54% of total revenues. In 2015-2016 Business-Type Activities Revenues were \$744,681 or 2.96% of total revenues.

Charges for Services for Business-Type Activities were \$224,722 in 2016-2017 compared to \$217,356 in 2015-2016, a 3.39% increase.

Operating Grants and Contributions for Business-Type Activities were \$522,543 in 2016-2017 compared to \$527,020 in 2015-2016, a 0.85% decrease.

Expenses for Business-Type Activities were \$738,014 in 2016-2017 compared to \$742,946 in 2015-2016, a 0.66% decrease.

General Fund Budgeting Highlights

The final budgetary basis revenue estimate was \$18,802,700, which was equal to the original budget.

The 2016-2017 General Fund Tax Levy was \$8,221,569, an increase of \$260,875 or 3.28% from the 2015-2016 General Fund Tax Levy of \$7,960,694.

During fiscal year 2017, the School District budgeted \$8,221,569 for property taxes (local tax levy) and \$10,035,618 for state aid revenues.

The School District also received \$606,887 and \$1,693,688 reimbursed T.P.A.F. Social Security Aid and On-behalf T.P.A.F. Medical, Non-Contributory Insurance and Pension Contributions, respectively. The Borough of Clayton School District's expenditures also include the reimbursed TPAF Social Security Aid and On-behalf T.P.A.F. Medical, Non-Contributory Insurance and Pension Contributions of \$606,887 and \$1,693,688 respectively, which contributes to an unfavorable expenditure variance for the fiscal year.

The final budgetary basis expenditure appropriation estimate was \$19,812,307, which was greater than the original budget.

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2017
 (Unaudited) (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONT'D)

Financial Analysis of the Government's Funds

Governmental Funds - As of the end of the current fiscal year, the School District's governmental funds reported combining ending fund balances of \$1,156,177, a decrease of \$3,892,331 in comparison with the prior year.

Of the combined ending fund balances of \$1,156,177, \$599,402 constitutes unassigned fund balance deficits. The remainder of fund balance of \$1,755,579 is restricted or assigned for various purposes.

Proprietary Funds - As of the end of the current fiscal year, the School District's proprietary fund had \$154,652 in unrestricted net position.

CAPITAL ASSETS

The Borough of Clayton School District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$15,978,669 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, buildings and improvements, and equipment. There was a net increase in the Borough of Clayton School District's investment in capital assets for the current fiscal year of 2.97%. The net increase was the result of the net effect of the 2017 asset additions, depreciation expense, and write-offs for the year. Table 4 reflects the capital assets.

TABLE 4
 Capital Assets

Capital Assets (Net of Depreciation):	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Land	\$ 510,670	\$ 510,670
Construction in Progress	-	5,270,269
Site Improvements	1,082,728	872,470
Building and Improvements	31,831,881	23,678,803
Equipment	<u>1,020,975</u>	<u>1,039,647</u>
 Total Capital Assets	 <u>\$ 34,446,254</u>	 <u>\$ 31,371,859</u>

Depreciation expense was \$1,185,370 for fiscal year ended 2017 and \$1,100,873 for fiscal year ended 2016.

DEBT ADMINISTRATION

Long-term Debt - At the end of the current fiscal year, the Borough of Clayton School District had total bonded debt outstanding of \$18,447,000. The entire Borough of Clayton School District's bonded debt is governmental as opposed to business-type. The 2017 adopted budget has an appropriation of \$605,000 representing the payment of the annual principal. The School Bond – Series 2010 will mature on September 1, 2034 and the School Bond – Series 2015 will mature on March 1, 2040.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)

FACTORS ON THE DISTRICT'S FUTURE

For the 2016-17 school year, the Borough of Clayton School District was able to sustain its budget through the township tax levy, federal aid, state aid and miscellaneous revenue sources. Approximately 32.50% of total revenue is from local tax levy and 57.20% of the Borough of Clayton School District's revenue is from federal and state aid (restricted and not restricted).

In conclusion, the Borough of Clayton Board of Education and Administration have committed themselves to financial excellence for many years. Additionally, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District will continue with sound fiscal management to meet the challenge of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Borough of Clayton School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Fran Adler, Business Administrator/Board Secretary at the Borough of Clayton School District, 350 E. Clinton Street, Clayton, New Jersey 08312.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BOROUGH OF CLAYTON SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 812,406	\$ 123,027	\$ 935,433
Receivables, net	586,989	23,857	610,846
Internal Balances	(3,885)	3,885	
Inventory		7,599	7,599
Restricted Assets:			
Capital Reserve Account - Cash	166,729		166,729
Restricted Cash and Cash Equivalents	40,907		40,907
Capital Assets, net (Note 6)	34,340,719	105,535	34,446,254
Total Assets	35,943,865	263,903	36,207,768
DEFERRED OUTFLOWS:			
Related to Pension (Note 10)	2,418,372		2,418,372
LIABILITIES:			
Accounts Payable	316,072	3,716	319,788
Payable to State Government	76,302		76,302
Unearned Revenue	264,066		264,066
Accrued Interest Payable	265,110		265,110
Noncurrent Liabilities (Note 7):			
Due within One Year	678,907		678,907
Due beyond One Year	25,677,282		25,677,282
Total Liabilities	27,277,739	3,716	27,281,455
DEFERRED INFLOWS:			
Related to Pension (Note 10)	239,151		239,151
NET POSITION:			
Net Investment in Capital Assets	15,893,719	105,535	15,999,254
Restricted for:			
Capital Projects	189,906		189,906
Other Purposes	822,240		822,240
Unrestricted (Deficit)	(6,060,518)	154,652	(5,905,866)
Total Net Position	\$ 10,845,347	\$ 260,187	\$ 11,105,534

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, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 7,506,505		\$ 707,575	\$ (6,798,930)		\$ (6,798,930)
Special Education	2,015,086	\$ 185,006	535,926	(1,294,154)		(1,294,154)
Other Instruction	622,055		36,298	(585,757)		(585,757)
Support Services:						
Tuition	1,266,009		367,578	(898,431)		(898,431)
Student and Instruction Related Services	2,709,499		768,930	(1,940,569)		(1,940,569)
General Administrative Services	466,160			(466,160)		(466,160)
School Administrative Services	1,012,850			(1,012,850)		(1,012,850)
Central Services	279,232			(279,232)		(279,232)
Administrative Information Technology	125,496			(125,496)		(125,496)
Plant Operations and Maintenance	1,519,818			(1,519,818)		(1,519,818)
Pupil Transportation	887,879			(887,879)		(887,879)
Unallocated Benefits	10,243,274		158,549	(10,084,725)		(10,084,725)
Interest on Long-Term Debt	989,537			(989,537)		(989,537)
Total Governmental Activities	29,643,400	185,006	2,574,856	(26,883,538)		(26,883,538)
Business-Type Activities:						
Food Service	738,014	224,722	522,543		\$ 9,251	9,251
Total Business-Type Activities	738,014	224,722	522,543		9,251	9,251
Total Government	\$ 30,381,414	\$ 409,728	\$ 3,097,399	(26,883,538)	9,251	(26,874,287)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				8,221,569		8,221,569
Property Taxes Levied for Debt Service				1,113,829		1,113,829
Federal and State Aid Not Restricted				16,425,223		16,425,223
Transportation Fees from other LEAs within State				12,834		12,834
Interest and Investment Earnings				2,701	215	2,916
Miscellaneous Income				184,995		184,995
Total General Revenues				25,961,151	215	25,961,366
Change in Net Position				(922,387)	9,466	(912,921)
Net Position -- July 1				11,767,734	250,721	12,018,455
Net Position -- June 30				\$ 10,845,347	\$ 260,187	\$ 11,105,534

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

FUND FINANCIAL STATEMENTS

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 767,357	\$ 45,498	\$ 40,458		\$ 853,313
Cash - Capital Reserve Account	166,729				166,729
Accounts Receivable					
State	82,033	4,175			86,208
Federal		428,030			428,030
Other	70,477	2,274			72,751
Interfund Receivable	157,892				157,892
Total Assets	\$ 1,244,488	\$ 479,977	\$ 40,458	\$ -	\$ 1,764,923
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 79,274	\$ 27,327			\$ 106,601
Interfund Payable		144,496	\$ 17,281		161,777
Payable to State Government		76,302			76,302
Unearned Revenue		264,066			264,066
Total Liabilities	79,274	512,191	17,281		608,746
Fund Balances:					
Restricted:					
Capital Reserve Account	166,729				166,729
Excess Surplus--Designated for Subsequent Year's Expenditures	221,167				221,167
Excess Surplus	601,073				601,073
Capital Projects			23,177		23,177
Assigned:					
Other Purposes	64,792				64,792
Subsequent Year's Expenditures	678,641				678,641
Unassigned (Deficit)	(567,188)	(32,214)			(599,402)
Total Fund Balances	1,165,214	(32,214)	23,177		1,156,177
Total Liabilities and Fund Balances	\$ 1,244,488	\$ 479,977	\$ 40,458	\$ -	

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 \$49,398,881, and the accumulated depreciation is \$15,058,162.

34,340,719

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.

(18,782,629)

Accrued interest payable

(265,110)

Net Pension Liability

(7,573,560)

Accounts Payable related to the April 1, 2018 Required PERS pension contribution that is not to be liquidated with current financial resources.

(209,471)

Deferred Outflows of Resources - Related to Pensions

2,418,372

Deferred Inflows of Resources - Related to Pensions

(239,151)

Net position of governmental activities

\$ 10,845,347

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Tax Levy	\$ 8,221,569			\$ 1,113,829	\$ 9,335,398
Tuition Charges	185,006				185,006
Interest	2,701				2,701
Transportation Charges	12,834				12,834
Unrestricted Miscellaneous Revenues	116,797				116,797
State Sources	12,319,725	\$ 703,093		173,229	13,196,047
Federal Sources	84,648	1,563,052			1,647,700
Local Sources	68,198	308,711			376,909
Total Revenues	21,011,478	2,574,856	-	1,287,058	24,873,392
EXPENDITURES:					
Current:					
Regular Instruction	6,096,758	707,575			6,804,333
Special Education Instruction	1,310,038	535,926			1,845,964
Other Special Instruction		36,298			36,298
Other Instruction	564,791				564,791
Support Services and Undistributed Costs:					
Tuition	898,431	367,578			1,266,009
Student and Instruction Related Services	1,755,059	776,495			2,531,554
General Administrative Services	466,160				466,160
School Administrative Services	919,611				919,611
Central Services	253,527				253,527
Administrative Information Technology	113,944				113,944
Plant Operations and Maintenance	1,379,909				1,379,909
Pupil Transportation	887,879				887,879
Unallocated Benefits	5,762,377	154,421			5,916,798
Debt Service:					
Principal				605,000	605,000
Interest and Other Charges	156,872			682,058	838,930
Capital Outlay	15,731	54,708	\$ 4,264,577		4,335,016
Total Expenditures	20,581,087	2,633,001	4,264,577	1,287,058	28,765,723
Excess (Deficiency) of Revenues over Expenditures	430,391	(58,145)	(4,264,577)	-	(3,892,331)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In		58,145			58,145
Operating Transfers Out	(58,145)				(58,145)
Total Other Financing Sources (Uses)	(58,145)	58,145	-	-	-
Net Change in Fund Balances	372,246	-	(4,264,577)	-	(3,892,331)
Fund Balance -- July 1	792,968	(32,214)	4,287,754	-	5,048,508
Fund Balance -- June 30	\$ 1,165,214	\$ (32,214)	\$ 23,177	\$ -	\$ 1,156,177

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	(3,892,331)
<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	\$	(1,185,370)
Capital Outlays		4,335,016
Capital Outlays not being depreciated		<u>(71,218)</u>
		3,078,428
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		605,000
<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>		
		(150,607)
<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>		
		(84,022)
<p>Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.</p>		
		<u>(478,855)</u>
Change in Net Position of Governmental Activities	\$	<u>(922,387)</u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT

Proprietary Funds
Statement of Net Position
June 30, 2017

	Business-Type Activities - <u>Enterprise Funds</u>
	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 123,027
Accounts Receivable:	
State	331
Federal	23,526
Interfund	3,885
Inventories	<u>7,599</u>
Total Current Assets	<u>158,368</u>
Noncurrent Assets:	
Equipment	349,288
Less Accumulated Depreciation	<u>243,753</u>
Total Noncurrent Assets	<u>105,535</u>
Total Assets	<u>263,903</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>3,716</u>
Total Current Liabilities	<u>3,716</u>
NET POSITION:	
Net Investment in Capital Assets	105,535
Unrestricted	<u>154,652</u>
Total Net Position	<u>\$ 260,187</u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 129,790
Daily Sales - Non-Reimbursable Programs	89,774
Special Functions	<u>5,158</u>
Total Operating Revenues	<u>224,722</u>
OPERATING EXPENSES:	
Salaries	258,796
Employee Benefits	42,284
Supplies and Materials	17,025
Cost of Sales - Reimbursable Programs	305,691
Cost of Sales - Non-Reimbursable Programs	44,486
Management Fee	53,671
Other Purchased Services	6,511
Depreciation	<u>9,550</u>
Total Operating Expenses	<u>738,014</u>
Operating Income (Loss)	<u>(513,292)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	6,931
Federal Sources:	
Healthy Hunger Free Kids Program	8,347
After School Snack	11,859
National School Lunch Program	298,761
School Breakfast Program	141,001
United States Department of Agriculture Commodities	55,644
Interest and Investment Revenue	<u>215</u>
Total Nonoperating Revenues	<u>522,758</u>
Change in Net Position	9,466
Total Net Position -- July 1	<u>250,721</u>
Total Net Position -- June 30	<u>\$ 260,187</u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 224,661
Payments to Employees	(258,796)
Payments for Employee Benefits	(42,284)
Payments to Suppliers	<u>(374,145)</u>
Net Cash Provided by (used for) Operating Activities	<u>(450,564)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	<u>471,889</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>471,889</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>(5,517)</u>
Net Cash Provided by (used for) Investing Activities	<u>(5,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>215</u>
Net Cash Provided by (used for) Investing Activities	<u>215</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,023
Cash and Cash Equivalents -- July 1	<u>107,004</u>
Cash and Cash Equivalents -- June 30	<u><u>\$ 123,027</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (513,292)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	9,550
Federal Commodities	55,644
(Increase) Decrease in Inventories	(2,405)
Increase (Decrease) in Other Current Liabilities	<u>(61)</u>
Total Adjustments	<u>62,728</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (450,564)</u></u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2017

	Private Purpose Trust Funds	Agency Funds	
	Scholarship <u>Trust</u>	Student <u>Activity</u>	<u>Payroll</u>
ASSETS:			
Cash and Cash Equivalents	\$ 2,869	\$ 183,956	\$ 21,619
Total Assets	<u>2,869</u>	<u>\$ 183,956</u>	<u>\$ 21,619</u>
LIABILITIES:			
Payable to Student Groups		\$ 183,956	
Payroll Deductions and Withholdings			<u>\$ 21,619</u>
Total Liabilities		<u>\$ 183,956</u>	<u>\$ 21,619</u>
NET POSITION:			
Held in Trust for Other Purposes	<u>\$ 2,869</u>		

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>	
	<u>Scholarship Trust</u>	
ADDITIONS:		
Investment Earnings		
Interest	\$	4
		<u>4</u>
Net Investment Earnings		<u>4</u>
Total Additions		<u>4</u>
DEDUCTIONS:		
Scholarship Payments		<u>500</u>
Total Deductions		<u>500</u>
Change in Net Position		(496)
Net Position -- July 1		<u>3,365</u>
Net Position -- June 30	\$	<u><u>2,869</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, 2017

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 Financial 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"). 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 Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades kindergarten through 12 at the School District's three schools. The Borough of Clayton School District has an approximate enrollment at June 30, 2017 of 1,447.

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.

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (cont'd)**

Based upon the application of these criteria, the School District has no component units, and is not a component unit of another governmental agency.

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Gloucester County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental fund:

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.

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, or from the general fund by way of transfer from capital outlay or the capital reserve account.

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.

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

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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District maintains the following major proprietary funds:

Enterprise Fund

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

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 of education. 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. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets / Budgetary Control (cont'd)**

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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments (cont'd)**

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.

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, 2017. The School District had no prepaid expenses for the fiscal year ended June 30, 2017.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures 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 as accounts receivable.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**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 acquisition 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>
Site Improvements	10-20 Years
Buildings and Improvements	20-50 Years
Equipment	5-15 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2017 and 2016 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**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, 2017, 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 School District uses the vesting method to calculate the compensated absences amount. 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. Expenditures are 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.

Pensions

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

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.

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

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.

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

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 expenditures are 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 expenditures are 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**

The School District implemented the following GASB Statements for the fiscal year ended June 30, 2017:

Statement No. 77, *Tax Abatement Disclosures*. This Statement provides financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The adoption of this Statement had no impact on the basic financial statements of the School District.

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this Statement had no impact on the basic financial statements of the School District.

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)**

Statement No. 82, Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement did not have a significant impact on the basic financial statements of the School District.

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 agency funds such as salary withholdings, 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.

As of June 30, 2017, the School District's bank balance of \$1,887,634 was exposed to custodial credit risk as follows:

Insured	\$	922,657
Insured under GUDPA		964,677
Uninsured/Uncollateralized		-
	\$	1,887,634

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.

Note 3: CAPITAL RESERVE ACCOUNT (CONT'D)

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance July 1, 2016	\$	166,479
Interest Earned		250
Withdrawals		<u>-</u>
Ending balance June 30, 2017	\$	<u>166,729</u>

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects at June 30, 2017 is \$4,287,754. The withdrawals from the capital reserve were for use in a Department of Education approved facilities projects, consistent with the School District's LRFP.

Note 4: ACCOUNTS RECEIVABLES

Accounts receivable at June 30, 2017 consisted of accounts (fees for services) and intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey. All receivables are considered collectible.

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	\$ 152,510	\$ 434,479	\$ 23,857	\$ 610,846
Total	<u>\$ 152,510</u>	<u>\$ 434,479</u>	<u>\$ 23,857</u>	<u>\$ 610,846</u>

Note 5: INVENTORY

Inventory recorded at June 30, 2017 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	\$	3,788
Supplies		<u>3,811</u>
	\$	<u>7,599</u>

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 510,670			\$ 510,670
Construction in Progress	5,270,269		\$ (5,270,269)	
Total Capital Assets, not being Depreciated	<u>5,780,939</u>	<u>-</u>	<u>-</u>	<u>510,670</u>
Capital Assets, being Depreciated:				
Site Improvements	1,737,781	\$ 291,741		2,029,522
Buildings and Improvements	35,594,374	9,069,459		44,663,833
Equipment	2,021,989	172,867		2,194,856
Total Capital Assets, being Depreciated	<u>39,354,144</u>	<u>9,534,067</u>		<u>48,888,211</u>
Less Accumulated Depreciation for:				
Site Improvement	(865,311)	(81,483)		(946,794)
Building and Improvements	(11,915,571)	(916,381)		(12,831,952)
Equipment	(1,091,910)	(187,506)		(1,279,416)
Total Accumulated Depreciation	<u>(13,872,792)</u>	<u>(1,185,370)</u>		<u>(15,058,162)</u>
Total Capital Assets, being Depreciated, Net	<u>25,481,352</u>	<u>8,348,697</u>		<u>33,830,049</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,262,291</u>	<u>\$ 8,348,697</u>	<u>\$ (5,270,269)</u>	<u>\$ 34,340,719</u>
Business-Type Activities:				
Capital Assets, being Depreciated:				
Equipment	\$ 343,771	\$ 5,517		\$ 349,288
Less Accumulated Depreciation for:				
Equipment	(234,203)	(9,550)		(243,753)
Total Business-Type Activities Capital Assets, Net	<u>\$ 109,568</u>	<u>\$ (4,033)</u>	<u>\$ -</u>	<u>\$ 105,535</u>

Note 6: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:

Instruction	\$ 762,430
Student & Instruction Related Services	167,860
General and Business Administrative Services	123,101
Plant Operations and Maintenance	<u>131,979</u>
Total Depreciation – Governmental Activities	<u>\$ 1,185,370</u>

Business-Type Activities:

Food Service	<u>\$ 9,550</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 9,550</u>

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	<u>\$ 19,052,000</u>		<u>\$ (605,000)</u>	<u>\$ 18,447,000</u>	<u>\$ 595,000</u>
Other Liabilities:					
Net Pension Liability	5,473,302	\$ 3,306,369	(1,206,111)	7,573,560	
Compensated Absences	<u>251,607</u>	<u>230,959</u>	<u>(146,937)</u>	<u>335,629</u>	<u>83,907</u>
Total Other Liabilities	<u>5,724,909</u>	<u>3,537,328</u>	<u>(1,353,048)</u>	<u>7,909,189</u>	<u>83,907</u>
Governmental Activity Long-term Liabilities	<u>\$ 24,776,909</u>	<u>\$ 3,537,328</u>	<u>\$ (1,958,048)</u>	<u>\$ 26,356,189</u>	<u>\$ 678,907</u>

The bonds payable are liquidated by the debt service fund, while net pension liability and compensated absences are liquidated by the general fund.

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>
2010	\$ 10,017,000	2017 to 2035	3.25-4.375%	\$ 9,017,000
2015	9,730,000	2018 to 2040	3.00-4.00%	<u>9,430,000</u>
				<u>\$ 18,447,000</u>

Note 7: LONG-TERM LIABILITIES (CONT'D)**Bonds Payable (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>
2018	\$ 595,000	\$ 662,825	\$ 1,257,825
2019	625,000	643,494	1,268,494
2020	650,000	622,338	1,272,338
2021	680,000	599,894	1,279,894
2022	710,000	576,344	1,286,344
2023-2027	4,040,000	2,475,494	6,515,494
2028-2032	5,015,000	1,664,075	6,679,075
2033-2037	4,557,000	688,731	5,245,731
2038-2040	1,575,000	123,375	1,698,375
	<u>\$ 18,447,000</u>	<u>\$ 8,056,570</u>	<u>\$ 26,503,570</u>

Bonds Authorized But Not Issued - As of June 30, 2017, the School District had no authorizations to issue additional bonded debt.

Compensated Absences – As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 15 for a description of the School District's policy.

Net Pension Liability – For details on the net pension liability, refer to note 10. The School District's annual required contribution to the Public Employees' Retirement System is budgeted and paid from the general fund on an annual basis

Note 8: SHORT-TERM OBLIGATIONS

State School Aid Anticipation Note - N.J.S.A. 18A:22-44.2 states that if a board of education of a school district is notified by the Commissioner of Education that one or more June State school aid payments will not be made until the following school budget year, and the district demonstrates through a written application to the Commissioner the need to borrow and the Commissioner approves that application, the board may borrow on or before June 30 of the current school budget year, but not earlier than June 8 of the current school budget year, a sum not exceeding the amount of the delayed State school aid payments, and may execute and deliver promissory notes therefor through private sale or delivery thereof. In accordance with this statute, on June 6, 2017, the School District issued a State School Aid Anticipation Note in the amount of \$483,313, at an annual interest rate of 3%, maturing on July 11, 2017. The State of New Jersey shall pay, on behalf of the School District, the required interest due on the note.

The following represents short-term debt activity for the fiscal year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
State School Aid Anticipation Note	\$ 483,313	\$ -	\$ 483,313	\$ -

Note 9: OPERATING LEASES

At June 30, 2017, the School District had operating lease agreements in effect for copy machines and postage machines. The present value of the future minimum rental payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 342,429
2019	339,181
2020	325,967
2021	219,302
2022	157,731
	<u>\$ 1,384,609</u>

Rental payments under operating leases for the fiscal year ended June 30, 2017 were \$302,493.

Note 10: 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 ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. 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
<http://www.state.nj.us/treasury/pensions>

General Information About the Pension Plans**Plan Descriptions**

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Note 10: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund 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.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in SPRS or PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000 annually.

Vesting and Benefit Provisions

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

The following represents the membership tiers for TPAF:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

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

Note 10: PENSION PLANS (CONT'D)**General Information About the Pension Plans (cont'd)****Vesting and Benefit Provisions (cont'd)**

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as noted above for TPAF.

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

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

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 School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

Note 10: PENSION PLANS (CONT'D)**General Information About the Pension Plans (cont'd)****Contributions (cont'd)**

Teachers' Pension and Annuity Fund (cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 7.72% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was \$642,775, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$610,442.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.36% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$227,174, and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$116,414.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. 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 contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2017, employee contributions totaled \$19,328, and the School District recognized pension expense, which equaled the required contributions, of \$10,542. There were no forfeitures during the fiscal year.

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

Teachers' Pension and Annuity Fund - At June 30, 2017, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)**

Teachers' Pension and Annuity Fund (cont'd) - The State's proportionate share of net pension liability, attributable to the School District is as follows:

School Districts Proportionate Share of Net Pension Liability	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	<u>63,491,764</u>
	<u>\$ 63,491,764</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. For the June 30, 2016 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2016, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2016 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.0807101768%, which was a decrease of 0.0001607815% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized \$1,691,889 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

Public Employees' Retirement System - At June 30, 2017, the School District reported a liability of \$7,573,560 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the School District's proportion was 0.0255715502%, which was an increase of 0.0011894116% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the School District recognized pension expense of \$706,015, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date.

Note 10: PENSION PLANS (CONT'D)Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

Public Employees' Retirement System (Cont'd) - At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences Between Expected and Actual Experience	\$ 140,845	\$ -
Changes of Assumptions	1,568,837	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	288,787	-
Changes in Proportion and Differences Between School District Contributions and Proportionate Share of Contribution	210,432	239,151
School District Contributions Subsequent to the Measurement Date	<u>209,471</u>	<u>-</u>
	<u>\$ 2,418,372</u>	<u>\$ 239,151</u>

\$209,471 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>PERS</u>
2018	\$ 428,855
2019	428,855
2020	500,185
2021	448,703
2022	<u>163,152</u>
	<u>\$ 1,969,750</u>

Note 10: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Public Employees' Retirement System (Cont'd) – The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2015	5.57	5.57

Note 10: PENSION PLANS (CONT'D)**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.50%	3.08%
Salary Increases:		
2012-2021	Varies Based on Experience	
Through 2026		1.65% - 4.15% Base on Age
Thereafter	Varies Based on Experience	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2012- June 30, 2015	July 1, 2011 – June 30, 2014

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

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

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2016 are summarized in the following tables:

Note 10: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>TPAF</u>		<u>Asset Class</u>	<u>PERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%	Cash	5.00%	0.87%
US Government Bonds	1.50%	1.29%	U.S. Treasuries	1.50%	1.74%
US Credit Bonds			Investment Grade		
	13.00%	2.76%	Credit	8.00%	1.79%
US Mortgages	2.00%	2.38%	Mortgages	2.00%	1.67%
US Inflation-Indexed Bonds	1.50%	1.41%	High Yield Bonds	2.00%	4.56%
US High Yield Bonds	2.00%	4.70%	Inflation-Indexed Bonds	1.50%	3.44%
US Equity Market	26.00%	5.14%	Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	5.91%	Developed Foreign Equities	13.25%	6.83%
Emerging Markets Equity	6.50%	8.16%	Emerging Market Equities	6.50%	9.95%
Private Real Estate Property	5.25%	3.64%	Private Equity	9.00%	12.40%
Timber			Hedge		
	1.00%	3.86%	Funds/Absolute		
Farmland	1.00%	4.39%	Return	12.50%	4.68%
Private Equity	9.00%	8.97%	Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	2.87%	Commodities	0.50%	5.45%
Hedge Funds – MultiStrategy	5.00%	3.70%	Global Debt ex U.S. REIT	5.00%	-0.25%
Hedge Funds – Equity Hedge	3.75%	4.72%			
Hedge Funds – Distressed	3.75%	3.49%			
	<u>100.00%</u>			<u>100.00%</u>	

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2016 were 3.22% and 3.98% for TPAF and PERS, respectively. For TPAF and PERS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029 for TPAF and 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 for TPAF and 2034 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 10: PENSION PLANS (CONT'D)**Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the School District is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 3.22%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability	<u>75,823,355</u>	<u>63,491,764</u>	<u>53,421,428</u>
	<u>\$ 75,823,355</u>	<u>\$ 63,491,764</u>	<u>\$ 53,421,428</u>

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
School District's Proportionate Share of the Net Pension Liability	<u>\$ 9,280,513</u>	<u>\$ 7,573,560</u>	<u>\$ 6,164,321</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS' respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/annrpts.shtml.

Note 11: SCHOOL EMPLOYEES HEALTH BENEFITS PROGRAM

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, 2016, there were 110,512 retirees receiving postemployment medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

The School Employees Health Benefits Program ("SEHBP") Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. Seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

Note 12: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, 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 in the fund financial statements for normal costs, post-retirement medical costs, non-contributory insurance, and long-term disability insurance were \$890,632, \$768,987, \$32,270 and \$1,799, respectively.

Note 13: 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, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Note 14: 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 15: 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, 2017, the liability for compensated absences reported on the government-wide statement of net position was \$335,629.

Note 16: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 157,892	
Special Revenue		\$ 144,496
Capital Projects		17,281
Food Service	3,885	
	<u>\$ 161,177</u>	<u>\$ 161,177</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2018, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Transfers:

<u>Transfer Out:</u>	<u>Transfer In: Special Revenue Fund</u>
General Fund	\$ 58,145
Total Transfers	<u>\$ 58,145</u>

The principal purpose of the fund transfer made during the fiscal year was for preschool education aid.

Note 17: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

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.

Note 18: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 19: COMMITMENTS

The School District had multiple construction projects ongoing as of the fiscal year ended June 30, 2017 that are to continue into the subsequent fiscal year(s). These projects, which are related to the capital projects fund, are as follows:

<u>Contract</u>	<u>Commitment Date</u>	<u>Amount Outstanding</u>
Clayton High School Auditorium Addition and Roof Replacement	9/1/2014	\$ 23,177

Note 20: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$567,188 in the general fund and \$32,214 in the special revenue fund as of June 30, 2017 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 \$599,402 is less than the June state aid payments.

Note 21: 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:

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, 2017 is \$601,073. Additionally, \$221,167 of excess fund balance generated during 2015-2016 has been restricted and designated for utilization in the 2017-2018 budget.

For Capital Reserve Account - As of June 30, 2017, the balance in the capital reserve account is \$166,729. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

Capital Projects Fund - On October 21, 2014, the School District issued \$9,730,000 of general obligation bonds pursuant to: (i) Chapter 24 of Title 18A of the New Jersey Statutes, as amended and supplemented ("School Bond Law") and (ii) resolution adopted by the Board on January 22, 2015. The Bonds were authorized by a proposal adopted by the Board on October 21, 2014 and approved by the voters of the School District at a special election held on December 9, 2014. The bond issuance was approved by the voters for the auditorium addition and roof replacement at Clayton High School and the gym floor replacement at Simmons Elementary School. As of June 30, 2017, the restricted fund balance amount was \$23,177.

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

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2018 \$678,641 of general fund balance at June 30, 2017.

Other Purposes - As of June 30, 2017, the School District had \$64,792 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, 2017, \$(567,188) of general fund balance was unassigned.

Note 21: FUND BALANCES (CONT'D)**UNASSIGNED (CONT'D)**

Special Revenue Fund - As of June 30, 2017, the fund balance of the special revenue fund was a deficit of \$32,214, 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 20, 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 \$32,214 is less than the last state aid payment.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 8,221,569		\$ 8,221,569	\$ 8,221,569	
Other Local Government Units	64,000		64,000	68,198	\$ 4,198
Tuition - LEAs w/in state	254,000		254,000	185,006	(68,994)
Interest	2,000		2,000	2,451	451
Unrestricted Misc. Revenues	150,000		150,000	116,797	(33,203)
Interest Earned on Capital Reserve	50		50	250	200
Transportation Fees - from other LEAs within State	11,546		11,546	12,834	1,288
Total - Local Sources	8,703,165	-	8,703,165	8,607,105	(96,060)
State Sources:					
School Choice Aid	141,455		141,455	141,455	
Equalization Aid	8,722,290		8,722,290	8,722,290	
Nonpublic Transportation Aid				8,469	8,469
Extraordinary Aid	60,000		60,000	43,081	(16,919)
Categorical Special Education Aid	742,641		742,641	742,641	
Professional Learning Community Aid	13,740		13,740	13,740	
Host District Support Aid	702		702	702	
Categorical Security Aid	180,975		180,975	180,975	
Categorical Transportation Aid	70,560		70,560	70,560	
Under Adequacy Aid	77,145		77,145	77,145	
Per Pupil Growth Aid	13,055		13,055	13,055	
PARCC Readiness Aid	13,055		13,055	13,055	
On-Behalf T.P.A.F. Pension Contributions (non-budgeted)				890,632	890,632
On-Behalf T.P.A.F. Non-Contributory Insurance (non-budgeted)				32,270	32,270
On-Behalf T.P.A.F. Long-Term Disability Insurance (non-budgeted)				1,799	1,799
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				768,987	768,987
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				606,887	606,887
Total - State Sources	10,035,618	-	10,035,618	12,327,743	2,292,125
Federal Sources:					
Medicaid Reimbursement	63,917		63,917	84,648	20,731
Total - Federal Sources	63,917	-	63,917	84,648	20,731
Total Revenues	18,802,700	-	18,802,700	21,019,496	2,216,796

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool / Kindergarten	\$ 343,896	\$ 9,817	\$ 353,713	\$ 353,712	\$ 1
Grades 1-5	1,736,341	94,779	1,831,120	1,831,118	2
Grades 6-8	1,326,773	(91,769)	1,235,004	1,233,984	1,020
Grades 9-12	1,603,938	39,766	1,643,704	1,639,462	4,242
Regular Programs - Home Instruction:					
Salaries of Teachers	17,000		17,000	15,192	1,808
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	90,050	(61,792)	28,258	26,060	2,198
Purchased Professional / Educational Services	523,337	85,198	608,535	564,898	43,637
Purchased Professional and Technical Services	26,001	20,230	46,231	45,010	1,221
Other Purchased Services	8,000		8,000	6,389	1,611
General Supplies	371,116	(35,051)	336,065	285,720	50,345
Textbooks	90,966		90,966	87,213	3,753
Other Objects	8,600		8,600	8,000	600
Total Regular Programs	<u>6,146,018</u>	<u>61,178</u>	<u>6,207,196</u>	<u>6,096,758</u>	<u>110,438</u>
Special Education - Instruction:					
Special Education					
Salaries of Teachers	<u>462,212</u>	<u>(462,212)</u>			
Total Special Education	<u>462,212</u>	<u>(462,212)</u>	-	-	-
Behavioral Disabilities					
Salaries of Teachers	79,619	73,399	153,018	153,018	
Purchased Services	16,882	45,577	62,459	46,955	15,504
General Supplies	<u>1,500</u>	<u>6,404</u>	<u>7,904</u>	<u>5,852</u>	<u>2,052</u>
Total Behavioral Disabilities	<u>98,001</u>	<u>125,380</u>	<u>223,381</u>	<u>205,825</u>	<u>17,556</u>
Multiple Disabilities					
Salaries of Teachers	103,000	5,566	108,566	108,566	
Other Salaries for Instruction		27,552	27,552	27,510	42
Purchased Services	18,425	20,150	38,575	36,262	2,313
General Supplies	<u>2,500</u>		<u>2,500</u>	<u>1,591</u>	<u>909</u>
Total Multiple Disabilities	<u>123,925</u>	<u>53,268</u>	<u>177,193</u>	<u>173,929</u>	<u>3,264</u>
Resource Room / Resource Center:					
Salaries of Teachers	561,910	326,131	888,041	873,826	14,215
Other Salaries for Instruction	<u>19,592</u>	<u>36,101</u>	<u>55,693</u>	<u>44,488</u>	<u>11,205</u>
Total Resource Room / Resource Center	<u>581,502</u>	<u>362,232</u>	<u>943,734</u>	<u>918,314</u>	<u>25,420</u>

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES (CONT'D):	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Current Expense (Cont'd)					
Home Instruction					
Salaries of Teachers		\$ 2,556	\$ 2,556	\$ 2,556	
Purchase Professional - Educational Services	\$ 8,000	1,416	9,416	9,414	\$ 2
Total Home Instruction	8,000	3,972	11,972	11,970	2
Total Special Education - Instruction	1,273,640	82,640	1,356,280	1,310,038	46,242
Basis Skills / Remedial - Instruction					
Salaries of Teachers	17,241	(17,241)			
Other Salaries		23,318	23,318	23,318	
Total Basis Skills / Remedial - Instruction	17,241	6,077	23,318	23,318	-
Bilingual Education - Instruction:					
Salaries of Teachers	51,289	372	51,661	51,660	1
Total Bilingual Education - Instruction	51,289	372.00	51,661	51,660	1
School Sponsored Cocurricular Activities - Instruction:					
Salaries	101,554	1,737	103,291	101,812	1,479
Purchased Services	4,000	170	4,170	4,068	102
Supplies and Materials	4,000	(335)	3,665	3,665	
Other Objects - Cocurricular	5,000	(1,500)	3,500	3,100	400
Total School Sponsored Cocurricular Activities - Instruction	114,554	72	114,626	112,645	1,981
School Sponsored Athletics - Instruction:					
Salaries	205,354	9,782	215,136	215,135	1
Purchased Services	67,829	(2,451)	65,378	65,378	
Supplies and Materials	32,275	(270)	32,005	32,005	
Other Objects	29,400	(1,073)	28,327	27,690	637
Total School Sponsored Athletics - Instruction	334,858	5,988	340,846	340,208	638
Instructional/Alternative Education Program - Instruction					
Salaries	31,010	5,950	36,960	36,960	
Total Instructional/Alternative Education Program - Instruction	31,010	5,950	36,960	36,960	-
Total Instruction	7,968,610	162,277	8,130,887	7,971,587	159,300

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES (CONT'D):	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Current Expense (Cont'd)					
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within State - Regular	\$ 45,000	\$ 13,717	\$ 58,717	\$ 46,021	\$ 12,696
Tuition to Other LEA's Within State - Special	113,857	3,600	117,457	32,434	85,023
Tuition To Cty Sch. - Reg	123,695	(9,582)	114,113	78,806	35,307
Tuition to CSSD & Reg. Day Schools	724,040	(155,093)	568,947	364,906	204,041
Tuition to Private Schools for the Disabled - Within State	449,176		449,176	358,565	90,611
Tuition - State Facilities	18,054		18,054	17,699	355
Total Undistributed Expenditures - Instruction	1,473,822	(147,358)	1,326,464	898,431	428,033
Undistributed Expenditures - Health Services:					
Salaries	104,960	(1,765)	103,195	99,084	4,111
Purchased Professional and Technical Services	15,700	8,747	24,447	23,278	1,169
Other Purchased Services	1,300		1,300	958	342
Supplies and Materials	3,700		3,700	2,292	1,408
Total Undistributed Expenditures - Health Services	125,660	6,982	132,642	125,612	7,030
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Salaries	153,021	(29,485)	123,536	114,417	9,119
Purchased Professional - Educational Services	61,526	64,246	125,772	111,661	14,111
Supplies and Materials	1,400		1,400	1,251	149
Total Undistributed Expenditures - Other Support Services - Students - Related Services	215,947	34,761	250,708	227,329	23,379
Undistributed Expenditures - Other Support Services - Students - Extraordinary:					
Salaries	72,678	(26,968)	45,710	45,599	111
Purchased Professional - Educational Services	95,909	(25,561)	70,348	69,299	1,049
Total Undistributed Expenditures - Other Support Services - Students - Extraordinary	168,587	(52,529)	116,058	114,898	1,160

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES (CONT'D):	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Current Expense (Cont'd)					
Undistributed Expenditures - Other Support Services -					
Students - Guidance:					
Salaries of Other Professional Staff	\$ 435,178	\$ 26,061	\$ 461,239	\$ 459,539	\$ 1,700
Salaries of Secretarial and Clerical Assistants	34,682	830	35,512	35,511	1
Purchased Professional - Educational Services	6,500		6,500	6,213	287
Other Purchased Professional and Technical Services	12,300	721	13,021	12,333	688
Other Purchased Services (400-500 series)	7,600	(2,582)	5,018	2,277	2,741
Supplies and Materials	4,824	28	4,852	4,514	338
Other objects	975		975	920	55
Total Undistributed Expenditures - Other Support Services -					
Students - Guidance	<u>502,059</u>	<u>25,058</u>	<u>527,117</u>	<u>521,307</u>	<u>5,810</u>
Undistributed Expenditures - Other Support Services -					
Students - Child Study Team:					
Salaries of Other Professional Staff	320,655	(2,134)	318,521	282,043	36,478
Salaries of Secretarial and Clerical Assistants	36,091	52	36,143	36,143	
Other Salaries	5,700		5,700	1,377	4,323
Purchased Professional - Educational Services	73,301		73,301	53,776	19,525
Other Purchased Professional and Technical Services	14,980		14,980	3,200	11,780
Other Purchased Services	16,611		16,611	15,240	1,371
Supplies and Materials	6,000		6,000	5,845	155
Other Objects	1,225		1,225	1,225	
Total Undistributed Expenditures - Other Support Services -					
Students - Child Study Team	<u>474,563</u>	<u>(2,082)</u>	<u>472,481</u>	<u>398,849</u>	<u>73,632</u>
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of Supervisor of Instruction	103,622	720	104,342	103,845	497
Other Salaries	107,408		107,408	103,871	3,537
Purchased Professional / Education Services	14,301		14,301	11,450	2,851
Other Purch Prof. and Tech. Services	12,000		12,000	11,824	176
Other Purchased Services	3,000	303	3,303	2,992	311
Supplies and Materials	1,605	100	1,705	1,565	140
Other Objects	3,225	(403)	2,822	2,412	410
Total Undistributed Expenditures - Improvement of Instruction Services	<u>245,161</u>	<u>720</u>	<u>245,881</u>	<u>237,959</u>	<u>7,922</u>

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES (CONT'D):	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Current Expense (Cont'd)					
Undistributed Expend. - Educational Media Services / Sch Library:					
Salaries	\$ 52,572		\$ 52,572	\$ 51,849	\$ 723
Salaries of Technology Coordinators	56,760		56,760	54,242	2,518
Purchased Professional and Technical Services	1,000		1,000		1,000
Other Purchased Services	3,500	\$ 345	3,845	2,400	1,445
Supplies and Materials	5,500		5,500	3,767	1,733
Total Undistributed Expend. - Educational Media Services / Sch Library	119,332	345	119,677	112,258	7,419
Undistributed Expenditures - Instructional Staff Training Services:					
Other Purchased Services	13,000	900	13,900	8,623	5,277
Supplies and Materials	10,000		10,000	8,224	1,776
Total Undistributed Expenditures - Instructional Staff Training Services	23,000	900	23,900	16,847	7,053
Undistributed Expenditures - Support Services - General Administration:					
Salaries	220,557	(16,509)	204,048	200,215	3,833
Legal Services	25,000	(1,304)	23,696	17,922	5,774
Audit Fees	28,000	500	28,500	28,500	
Architectural/Engineering Services	5,000	(1,501)	3,499		3,499
Other Purchased Professional Services	1,000	22,538	23,538	13,034	10,504
Purchased Technical Services	4,825	6,000	10,825	10,535	290
Communications / Telephone	103,386	(7,603)	95,783	67,508	28,275
BOE Other Purchased Services	3,200	(455)	2,745	2,176	569
Other Purchased Services	116,066	175	116,241	109,254	6,987
General Supplies	5,992		5,992	3,443	2,549
Miscellaneous Expenditures	16,339		16,339	13,573	2,766
Total Undistributed Expenditures - Support Services - General Admin	529,365	1,841	531,206	466,160	65,046
Undistributed Expenditures - Support Services - School Admin:					
Salaries of Principals / Assistant Principals	515,763	2,223	517,986	494,199	23,787
Salaries of Other Professional Staff	226,972	1,680	228,652	228,053	599
Salaries of Secretarial and Clerical Assistants	179,434	2,616	182,050	181,540	510
Other Purchased Services (400-500 series)	1,100		1,100	43	1,057
Supplies and Materials	10,000	(39)	9,961	7,456	2,505
Other Objects	5,120	3,300	8,420	8,320	100
Total Undistributed Expenditures - Support Services - School Admin.	938,389	9,780	948,169	919,611	28,558

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES (CONT'D):	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Current Expense (Cont'd)					
Undistributed Expenditures - Central Services					
Salaries	\$ 225,658	\$ (1,388)	\$ 224,270	\$ 224,270	
Purchased Professional Services	1,724	269	1,993	1,518	\$ 475
Purchased Technical Services	20,764	543	21,307	21,307	
Miscellaneous Purchased Services	500	(22)	478	364	114
Supplies and Materials	4,000	1,563	5,563	4,623	940
Other Object	1,090	356	1,446	1,445	1
Total Undistributed Expenditures - Central Services	253,736	1,321	255,057	253,527	1,530
Undistributed Expenditures - Admin. Info. Technology					
Salaries	74,516	3,712	78,228	78,124	104
Purchased Professional Services	2,100	550	2,650	2,650	
Purchased Technical Services	17,615	7,208	24,823	24,645	178
Other Purchased Services	1,860		1,860	1,432	428
Supplies and Materials	35,394	(26,691)	8,703	7,093	1,610
Total Undistributed Expenditures - Admin. Info. Technology	131,485	(15,221)	116,264	113,944	2,320
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	98,891	1,552	100,443	100,442	1
Cleaning, Repair and Maintenance Services	48,332	25,446	73,778	53,863	19,915
Other Purchased Services		250	250	200	50
General Supplies	30,168	(4,215)	25,953	25,941	12
Total Undistributed Expenditures - Required Maintenance for School Facilities	177,391	23,033	200,424	180,446	19,978
Undistributed Expenditures - Operation and Maintenance of Plant Services:					
Salaries	299,402	20,155	319,557	317,886	1,671
Salaries of Non-Instructional Aides	43,845	(26,428)	17,417	17,370	47
Cleaning, Repair and Maintenance Services	39,100	(10,805)	28,295	26,777	1,518
Other Purchased Services	33,435	(338)	33,097	33,097	
Insurance	63,819	4,264	68,083	68,083	
General Supplies	57,500	27,370	84,870	70,393	14,477
Energy (Natural Gas and Electricity)	554,108	1,966	556,074	518,247	37,827
Other Objects	185		185	100	85
Total Undistributed Expenditures - Operation and Maintenance of Plant Services	1,091,394	16,184	1,107,578	1,051,953	55,625
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	44,721	(17,478)	27,243	27,243	
Cleaning, Repair & Maintenance Services		13,918	13,918	10,393	3,525
General Supplies	31,000	(10,112)	20,888	20,883	5
Total Undistributed Expenditures - Care & Upkeep Grounds	75,721	(13,672)	62,049	58,519	3,530

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES (CONT'D):	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Current Expense (Cont'd)					
Undistributed Expenditures - Security					
Salaries	\$ 96,327	\$ (19,133)	\$ 77,194	\$ 76,241	\$ 953
Total Undistributed Expenditures - Security	96,327	(19,133)	77,194	76,241	953
Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	22,560	1,248	23,808	23,808	
Sal for Pupil Trans (Bet Home & Sch) - Reg.	188,697	(1,687)	187,010	166,070	20,940
Sal for Pupil Trans (Bet Home & Sch) - Sp Ed	32,591	(6,522)	26,069	16,645	9,424
Sal for Pupil Trans (Other than Bet. Home & Sch)	15,000	1,383	16,383	16,382	1
Sal for Pupil Trans (Bet Home & Sch) - NonPublic Sch	15,000	36,263	51,263	50,045	1,218
Other Purchased Professional / Technical Services	32,000	8,749	40,749	40,594	155
Cleaning, Repair and Maintenance Services	27,000	15,000	42,000	36,195	5,805
Lease Purchase Payments - School Buses	83,166	8,052	91,218	91,217	1
Contracted Services - Aid in Lieu of Payments - NonPub Sch	36,558	(9,378)	27,180	23,426	3,754
Contracted Services - (Other than Bet Home & Sch) - Vendors	12,000		12,000		12,000
Contracted Services - (Between Home and School) - Joint Agreement	117,620	(27,946)	89,674	86,191	3,483
Contracted Services (Special Education Students) - Joint Agreements	357,686	(48,661)	309,025	286,524	22,501
Contracted Services - Aid in Lieu of Payments	1,326	1,326	2,652	2,357	295
Miscellaneous Purchased Services - Transportation	18,520		18,520	14,909	3,611
Supplies and Materials	500	(325)	175		175
Transportation Supplies	71,351	(16,593)	54,758	31,798	22,960
Miscellaneous Expenditures	800	918	1,718	1,718	
Total Undistributed Expenditures - Student Transportation Services	1,032,375	(38,173)	994,202	887,879	106,323
Unallocated Benefits:					
Social Security Contributions	246,000		246,000	208,480	37,520
Other Retirement Contributions - Regular	241,575	18,905	260,480	246,221	14,259
Unemployment Compensation	47,831	18,000	65,831	65,830	1
Workman's Compensation	170,846	(4,264)	166,582	135,956	30,626
Health Benefits	2,950,969	(21,170)	2,929,799	2,684,300	245,499
Tuition Reimbursement	51,500	(19,255)	32,245	24,906	7,339
Other Employee Benefits	86,000	(14,288)	71,712	69,475	2,237
Total Unallocated Benefits	3,794,721	(22,072)	3,772,649	3,435,168	337,481

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

EXPENDITURES (CONT'D):	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
Current Expense (Cont'd)					
On-behalf T.P.A.F. Pension Contributions (non-budgeted)				\$ 890,632	\$ (890,632)
On-behalf T.P.A.F. Pension - Non-Contributory Insurance (non-budgeted)				32,270	(32,270)
On-Behalf T.P.A.F. Long-Term Disability Insurance (non-budgeted)				1,799	(1,799)
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				768,987	(768,987)
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				606,887	(606,887)
Total On-behalf Contributions				2,300,575	(2,300,575)
Total Undistributed Expenditures	\$ 11,469,035	\$ (189,315)	\$ 11,279,720	12,397,513	(1,117,793)
Total Current Expense	19,437,645	(27,038)	19,410,607	20,369,100	(958,493)
Capital Outlay:					
Interest Deposit to Capital Reserve					
Equipment:					
Grades 6-8		8,575	8,575		8,575
Grades 9-12		8,575	8,575		8,575
Undistributed Expenditures:					
Admin Information Technology		15,732	15,732	15,731	1
Grounds Equipment	12,751		12,751	12,750	1
Total Equipment	12,751	32,882	45,633	28,481	17,152
Facilities Acquisition and Construction Services					
Land and Improvements	165,000		165,000		165,000
Assessment for Debt Service on SDA Funding	156,872		156,872	156,872	
Total Facilities Acquisition and Construction Services	321,872	-	321,872	156,872	165,000
Total Capital Outlay	334,623	32,882	367,505	185,353	182,152
Transfer of Funds to Charter Schools	34,195		34,195	26,634	7,561
Total Expenditures	19,806,463	5,844	19,812,307	20,581,087	(768,780)

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Calculation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,003,763)	\$ (5,844)	\$ (1,009,607)	\$ 438,409	\$ 1,448,016
Other Financing Sources (Uses):					
Local Contribution - Transfer to Special Revenue Fund - Inclusion	(58,145)		(58,145)	(58,145)	
Total Other Financing Sources (Uses)	(58,145)	-	(58,145)	(58,145)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,061,908)	(5,843.63)	(1,067,752)	380,264	1,448,016
Fund Balances, July 1	1,727,380		1,727,380	1,727,380	-
Fund Balances, June 30	<u>\$ 665,472</u>	<u>\$ (5,844)</u>	<u>\$ 659,628</u>	<u>\$ 2,107,644</u>	<u>\$ 1,448,016</u>
Recapitulation:					
Restricted:					
Capital Reserve				\$ 166,729	
Excess Surplus				601,073	
Excess Surplus--Designated for Subsequent Year's Expenditures				221,167	
Assigned:					
Other Purposes				64,792	
Designated for Subsequent Year's Expenditures				678,641	
Unassigned				<u>375,242</u>	
				2,107,644	
Reconciliation to Governmental Funds Statements(GAAP):					
Last 16-17 State Aid Payment Not Recognized on GAAP Basis				<u>(942,430)</u>	
				<u>\$ 1,165,214</u>	

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	<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					
CCC Grant	\$ 286,990		\$ 286,990	\$ 286,989	\$ (1)
Other Local Grants		\$ 10,156	10,156		(10,156)
Preschool Tuition	18,000	9,568	27,568	26,225	(1,343)
Total - Local Sources	<u>304,990</u>	<u>19,724</u>	<u>324,714</u>	<u>313,214</u>	<u>(11,500)</u>
State Sources:					
NJ Non-Public Nursing	20,160	(180)	19,980	19,980	-
NJ Non-Public Textbook Aid	12,790	6	12,796	12,775	(21)
NJ Non-Public Technology	5,824	(52)	5,772	5,751	(21)
NJ Home Instruction		6,500	6,500	4,175	(2,325)
NJ Non-Public Security	5,600	5,500	11,100	11,100	-
Chapter 192 - Auxiliary Services	82,132	24,584	106,716	76,418	(30,298)
Chapter 193 - Handicapped Services	85,493	18,736	104,229	70,551	(33,678)
Preschool Education Aid	322,140	(1,343)	320,797	231,781	(89,016)
School Based Youth Service Program	228,704		228,704	228,321	(383)
Family Friendly Center		45,463	45,463	42,270	(3,193)
Total - State Sources	<u>762,843</u>	<u>99,214</u>	<u>862,057</u>	<u>703,122</u>	<u>(158,935)</u>
Federal Sources:					
Preschool Expansion Grant	557,135	21,008	578,143	512,501	(65,642)
Title I	357,785	112,706	470,491	446,468	(24,023)
Title IIA	35,061	14,005	49,066	47,619	(1,447)
Title III	11,292	8,683	19,975	8,989	(10,986)
I.D.E.I.A., Part B	289,949	120,630	410,579	405,502	(5,077)
I.D.E.I.A., Part B, Preschool Incentive	18,022	174	18,196	18,196	-
Race to the Top		132	132		(132)
IIS Grant		6,654	6,654		(6,654)
Mentoring Grant	250,000	87,078	337,078	263,003	(74,075)
Total - Federal Sources	<u>1,519,244</u>	<u>371,070</u>	<u>1,890,314</u>	<u>1,702,278</u>	<u>(188,036)</u>
Total Revenues	<u>2,587,077</u>	<u>490,008</u>	<u>3,077,085</u>	<u>2,718,614</u>	<u>(358,471)</u>

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 993,339	\$ (146,102)	\$ 847,237	\$ 789,486	\$ 57,751
Other Salaries for Instruction	144,350	(103,319)	41,031	36,298	4,733
Purchased Professional and Technical Services	119,891	97,225	217,116	214,079	3,037
Other Purchased Services	81,863	100,703	182,566	144,333	38,233
General Supplies	73,639	53,528	127,167	95,346	31,821
Tuition	307,971	59,607	367,578	367,578	-
Other Objects	2,500	7,316	9,816	5,034	4,782
Total Instruction	<u>1,723,553</u>	<u>68,958</u>	<u>1,792,511</u>	<u>1,652,154</u>	<u>140,357</u>
Support Services:					
Salaries Personal Services	439,471	133,050	572,521	516,162	56,359
Personal Services - Employee Benefits	137,880	201,798	339,678	291,836	47,842
Purchased Professional - Educational Services	231,175	61,516	292,691	216,968	75,723
Other Purchased Services (400-500 series)	10,608	6,166	16,774	7,099	9,675
Supplies and Materials	14,050	10,890	24,940	15,870	9,070
Other Objects	26,485	(2,370)	24,115	14,397	9,718
Total Support Services	<u>859,669</u>	<u>411,050</u>	<u>1,270,719</u>	<u>1,062,332</u>	<u>208,387</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	62,000	10,000	72,000	62,273	9,727
Total Facilities Acquisition and Construction Services	<u>62,000</u>	<u>10,000</u>	<u>72,000</u>	<u>62,273</u>	<u>9,727</u>
Total Expenditures	<u>2,645,222</u>	<u>490,008</u>	<u>3,135,230</u>	<u>2,776,759</u>	<u>358,471</u>
Other Financing Sources (Uses):					
Transfer from Operating Budget - Pre K	58,145	-	58,145	58,145	-
Total Outflows	<u>2,587,077</u>	<u>490,008</u>	<u>3,077,085</u>	<u>2,718,614</u>	<u>358,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Budget-to-GAAP Reconciliation
 For the Fiscal Year Ended June 30, 2017

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	\$ 21,019,496	\$ 2,718,614
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		(148,287)
Prior Year		4,529
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)	934,412	32,214
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>(942,430)</u>	<u>(32,214)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 21,011,478</u>	<u>\$ 2,574,856</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 20,581,087	\$ 2,776,759
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		(148,287)
Prior Year		4,529
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 20,581,087</u>	<u>\$ 2,633,001</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART III**

ACCOUNTING AND REPORTING FOR PENSIONS

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Four Plan Years

	Measurement Date Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0255715502%	0.0243821386%	0.0262924299%	0.0261298390%
School District's Proportionate Share of the Net Pension Liability	\$ 7,573,560	\$ 5,473,302	\$ 4,922,662	\$ 4,993,931
School District's Covered Payroll (Plan Measurement Period)	\$ 1,874,560	\$ 1,756,660	\$ 2,007,976	\$ 1,913,688
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	404.02%	311.57%	245.16%	260.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
 However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Contributions
 Public Employees' Retirement System (PERS)
 Last Four Fiscal Years

	Fiscal Year Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 209,471	\$ 227,174	\$ 209,621	\$ 216,751
Contributions in Relation to the Contractually Required Contribution	<u>(209,471)</u>	<u>(227,174)</u>	<u>(209,621)</u>	<u>(216,751)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 1,567,526	\$ 1,629,925	\$ 1,719,534	\$ 1,706,336
Contributions as a Percentage of School District's Covered Payroll	13.36%	13.94%	12.19%	12.70%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
 However, until a full 10-year trend is compiled, this presentation will only include information
 for those years for which information is available.

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Teachers' Pension and Annuity Fund (TPAF)
 Last Four Plan Years

	Measurement Date Ending June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the School District	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the School District	<u>63,491,764</u>	<u>51,113,899</u>	<u>42,254,253</u>	<u>39,378,966</u>
	<u>\$ 63,491,764</u>	<u>\$ 51,113,899</u>	<u>\$ 42,254,253</u>	<u>\$ 39,378,966</u>
School District's Covered Payroll (Plan Measurement Period)	\$ 9,829,000	\$ 9,408,144	\$ 9,437,536	\$ 9,068,600
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	645.96%	543.29%	447.73%	434.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
 However, until a full 10-year trend is compiled, this presentation will only include information
 for those years for which information is available.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Required Supplementary Information
Schedule of School District's Contributions
Teachers' Pension and Annuity Fund (TPAF)
Last Ten Fiscal Years

This schedule is not applicable.

The School District is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Notes to Required Supplementary Information - Part III
For the Fiscal Year Ended June 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

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, 2017

	Total	CCC Grant	Chapter 192			Chapter 193			Total Carried Forward
			Nonpublic Compensatory Education	Nonpublic E.S.L.	Nonpublic Transportation	Nonpublic Examination and Classification	Nonpublic Corrective Speech	Nonpublic Supplementary Instruction	
REVENUES:									
Federal Sources	\$ 1,702,278								\$ 1,702,278
State Sources	703,122		\$ 65,125	\$ 2,192	\$ 9,101	\$ 27,017	\$ 27,212	\$ 16,322	556,153
Local Sources	313,214	\$ 286,989							26,225
Total Revenues	\$ 2,718,614	\$ 286,989	\$ 65,125	\$ 2,192	\$ 9,101	\$ 27,017	\$ 27,212	\$ 16,322	\$ 2,284,656
EXPENDITURES:									
Instruction:									
Salaries of Teachers	\$ 789,486	\$ 63,165							\$ 726,321
Other Salaries for Instruction	36,298								36,298
Purchased Professional and Technical Services	214,079	123,192							90,887
Other Purchased Services	144,333								144,333
General Supplies	95,346	3,471							91,875
Tuition	367,578								367,578
Other Objects	5,034								5,034
Total Instruction	1,652,154	189,828	-	-	-	-	-	-	1,462,326
Support Services:									
Salaries Personal Services	516,162	90,086							426,076
Personal Services - Employee Benefits	291,836	6,075							285,761
Purchased Professional - Educational Services	216,968		\$ 65,125	\$ 2,192	\$ 9,101	\$ 27,017	\$ 27,212	\$ 16,322	69,999
Other Purchased Services (400-500 series)	7,099								7,099
Supplies and Materials	15,870								15,870
Other Objects	14,397	1,000							13,397
Total Support Services	1,062,332	97,161	65,125	2,192	9,101	27,017	27,212	16,322	818,202
Facilities Acquisition and Construction Services:									
Instructional Equipment	62,273								62,273
Total Facilities Acquisition and Construction Services	62,273	-	-	-	-	-	-	-	62,273
Total Expenditures	2,776,759	286,989	65,125	2,192	9,101	27,017	27,212	16,322	2,342,801
Other Financing Sources (Uses):									
Transfer from Operating Budget - Pre K	58,145								58,145
Total Outflows	2,718,614	286,989	65,125	2,192	9,101	27,017	27,212	16,322	2,284,656
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(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, 2017

	Total Carried <u>Forward</u>	Nonpublic <u>Textbooks</u>	Nonpublic <u>Nursing</u>	Nonpublic <u>Technology</u>	Nonpublic <u>Home Instruction</u>	Nonpublic <u>Security</u>	Preschool <u>Education Aid</u>	School Based Youth Service Program <u>Clayton Place</u>	Family Friendly <u>Center</u>	Total Brought <u>Forward</u>
REVENUES:										
Federal Sources	\$ 1,702,278									\$ 1,702,278
State Sources	556,153	\$ 12,775	\$ 19,980	\$ 5,751	\$ 4,175	\$ 11,100	\$ 231,781	\$ 228,321	\$ 42,270	-
Local Sources	26,225						26,225			-
Total Revenues	\$ 2,284,656	\$ 12,775	\$ 19,980	\$ 5,751	\$ 4,175	\$ 11,100	\$ 258,006	\$ 228,321	\$ 42,270	\$ 1,702,278
EXPENDITURES:										
Instruction:										
Salaries of Teachers	\$ 726,321						\$ 190,395			\$ 535,926
Other Salaries for Instruction	36,298									36,298
Purchased Professional and Technical Services	90,887			\$ 5,751	\$ 4,175					80,961
Other Purchased Services	144,333						71,048			73,285
General Supplies	91,875						2,559			89,316
Tuition	367,578									367,578
Other Objects	5,034									5,034
Total Instruction	1,462,326	-	-	5,751	4,175	-	264,002	-	-	1,188,398
Support Services:										
Salaries Personal Services	426,076						17,387	\$ 184,208	\$ 37,131	187,350
Personal Services - Employee Benefits	285,761						34,762	32,720	2,841	215,438
Purchased Professional - Educational Services	69,999	\$ 12,775	\$ 19,980			\$ 11,100				26,144
Other Purchased Services (400-500 series)	7,099									7,099
Supplies and Materials	15,870							2,205	978	12,687
Other Objects	13,397							9,188	1,320	2,889
Total Support Services	818,202	12,775	19,980	-	-	11,100	52,149	228,321	42,270	451,607
Facilities Acquisition and Construction Services:										
Instructional Equipment	62,273									62,273
Total Facilities Acquisition and Construction Services	62,273	-	-	-	-	-	-	-	-	62,273
Total Expenditures	2,342,801	12,775	19,980	5,751	4,175	11,100	316,151	228,321	42,270	1,702,278
Other Financing Sources (Uses):										
Transfer from Operating Budget - Pre K	58,145						58,145			
Total Outflows	2,284,656	12,775	19,980	5,751	4,175	11,100	258,006	228,321	42,270	1,702,278
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(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, 2017

	Total Carried Forward	Preschool Expansion	Title I Part A	Title II Part A	Title III	I.D.E.I.A. Part B Basic	I.D.E.I.A. Preschool	CCLC
REVENUES:								
Federal Sources	\$ 1,702,278	\$ 512,501	\$ 446,468	\$ 47,619	\$ 8,989	\$ 405,502	\$ 18,196	\$ 263,003
State Sources	-							
Local Sources	-							
Total Revenues	<u>\$ 1,702,278</u>	<u>\$ 512,501</u>	<u>\$ 446,468</u>	<u>\$ 47,619</u>	<u>\$ 8,989</u>	<u>\$ 405,502</u>	<u>\$ 18,196</u>	<u>\$ 263,003</u>
EXPENDITURES:								
Instruction:								
Salaries of Teachers	\$ 535,926	\$ 124,978	\$ 296,164	\$ 25,735				\$ 89,049
Other Salaries for Instruction	36,298		36,298					
Purchased Professional and Technical Services	80,961		14,141		\$ 6,500	\$ 56,120		4,200
Other Purchased Services	73,285	73,060						225
General Supplies	89,316	53,950	1,973		838			32,555
Tuition	367,578					349,382	\$ 18,196	
Other Objects	5,034							5,034
Total Instruction	<u>1,188,398</u>	<u>251,988</u>	<u>348,576</u>	<u>25,735</u>	<u>7,338</u>	<u>405,502</u>	<u>18,196</u>	<u>131,063</u>
Support Services:								
Salaries Personal Services	187,350	89,329	8,808	3,132	1,377			84,704
Personal Services - Employee Benefits	215,438	95,789	85,825	7,095				26,729
Purchased Professional - Educational Services	26,144	4,300		11,070	274			10,500
Other Purchased Services (400-500 series)	7,099	183						6,916
Supplies and Materials	12,687	6,337	3,259					3,091
Other Objects	2,889	2,302		587				
Total Support Services	<u>451,607</u>	<u>198,240</u>	<u>97,892</u>	<u>21,884</u>	<u>1,651</u>			<u>131,940</u>
Facilities Acquisition and Construction Services:								
Instructional Equipment	62,273	62,273						
Total Facilities Acquisition and Construction Services	<u>62,273</u>	<u>62,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,702,278</u>	<u>512,501</u>	<u>446,468</u>	<u>47,619</u>	<u>8,989</u>	<u>405,502</u>	<u>18,196</u>	<u>263,003</u>
Other Financing Sources (Uses):								
Transfer from Operating Budget - Pre K	-							
Total Outflows	<u>1,702,278</u>	<u>512,501</u>	<u>446,468</u>	<u>47,619</u>	<u>8,989</u>	<u>405,502</u>	<u>18,196</u>	<u>263,003</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
Special Revenue Fund
Preschool Education Aid Schedule - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction			
Salaries of Teachers	\$ 209,610	\$ 190,395	\$ 19,215
Other Purchased Services	82,351	71,048	11,303
Supplies	19,825	2,559	17,266
Other Objects	1,800	-	1,800
	<u>313,586</u>	<u>264,002</u>	<u>49,584</u>
Total instruction			
Support services			
Salaries Personal Services	17,387	17,387	-
Personal Services - Employee Benefits	77,337	34,762	42,575
	<u>94,724</u>	<u>52,149</u>	<u>42,575</u>
Total support services			
Total expenditures			
	<u>\$ 408,310</u>	<u>\$ 316,151</u>	<u>\$ 92,159</u>

Calculation of Budget and Carryover

Total Revised 2016-2017 Preschool Education Aid Allocation	\$ 322,140
Add: Actual ECPA Carryover (June 30, 2016)	15,265
Add: Budgeted Local Revenue	26,225
Add: Budgeted Transfer from the General Fund 2016-17	<u>58,145</u>
Total Preschool Education Aid Funds Available for 2016-17 Budget	421,775
Less: 2016-17 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	<u>(408,310)</u>
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2017	13,465
Add: 2016-17 Unexpended Preschool Education Aid	92,159
Less: 2016-17 Commissioner Approved Transfer to General Fund	<u>-</u>
2016-2017 Carryover -- Preschool Education Aid	<u>\$ 105,624</u>
2016-2017 Preschool Education Aid Carryover Budgeted in 2017-18	<u>\$ 15,264</u>

CAPITAL PROJECTS FUND

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Capital Projects Fund
 Summary Schedule of Project Expenditures
 For the Fiscal Year Ended June 30, 2017

<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Revised Budgetary Appropriations</u>	<u>GAAP Expenditures to Date</u>		<u>Unexpended Appropriations June 30, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Clayton High School Auditorium Addition and Roof Replacement	9/1/2014	\$ 9,015,046	\$ 4,727,292	\$ 4,264,577	\$ 23,177
Total		<u>\$ 9,015,046</u>	<u>\$ 4,727,292</u>	<u>\$ 4,264,577</u>	<u>\$ 23,177</u>
Restricted For:					
Encumbrances					\$ 14,035
Designated for Subsequent Years Expenditures					<u>9,142</u>
					<u>\$ 23,177</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Capital Projects Fund
 Summary Schedule of Revenue, Expenditure, and Change in Fund Balances
 For the Fiscal Year Ended June 30, 2017

Revenues and Other Financing Sources

State Sources - SDA Grant
 Bond Proceeds and Transfers
 Contribution from Private Source
 Transfer from Capital Reserve
 Transfer from Capital Outlay

Total Revenues

-

Expenditures and Other Financing Uses

Purchased Professional and Technical Services
 Land and Improvements
 Construction Services
 Equipment Purchases

\$ 71,047
 -
 4,109,323
 84,207

Total Expenditures

4,264,577

Excess (Deficiency) of Revenues Over (Under) Expenditures

(4,264,577)

Fund Balance - July 1

4,287,754

Fund Balance - June 30

\$ 23,177

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Capital Projects Fund
 Statement of Project Revenues, Expenditures, Project Balance and Project Status
 Clayton High School Auditorium Addition and Roof Replacement
 From Inception and for the Fiscal Year Ended June 30, 2017

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant			-	-
Bond Proceeds and Transfers	\$ 9,014,311		\$ 9,014,311	\$ 9,014,311
Contribution from Private Source	735		735	735
Transfer from Capital Reserve			-	-
Transfer from Capital Outlay			-	-
Total Revenues	<u>9,015,046</u>	<u>-</u>	<u>9,015,046</u>	<u>9,015,046</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	711,471	\$ 71,047	782,518	805,195
Land and Improvements			-	-
Construction Services	3,726,016	4,109,323	7,835,339	7,093,553
Equipment Purchases	289,805	84,207	374,012	1,116,298
Total Expenditures	<u>4,727,292</u>	<u>4,264,577</u>	<u>8,991,869</u>	<u>9,015,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 4,287,754</u>	<u>\$ (4,264,577)</u>	<u>\$ 23,177</u>	<u>\$ -</u>
Encumbered			\$ 14,035	
Designated for Subsequent Years Expenditures			<u>9,142</u>	
			<u>\$ 23,177</u>	
Additional Project Information:				
Project Number	0860-030-15-100			
Grant Date	N/A			
Bond Authorization Date	October 21, 2014			
Bonds Authorized	\$ 9,014,311			
Bonds Issued	\$ 9,014,311			
Original Authorized Cost	\$ 9,015,046			
Additional Authorized Cost	N/A			
Revised Authorized Cost	\$ 9,015,046			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	99%			
Original Target Completion Date	December 31, 2016			
Revised Target Completion Date	November 30, 2017			

PROPRIETARY FUNDS

BOROUGH OF CLAYTON SCHOOL DISTRICT

Proprietary Fund
Statement of Net Position
June 30, 2017

	Business-Type Activities - Enterprise Funds
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 123,027
Accounts Receivable:	
State	331
Federal	23,526
Interfund	3,885
Inventories	<u>7,599</u>
Total Current Assets	<u>158,368</u>
Noncurrent Assets:	
Equipment	349,288
Less Accumulated Depreciation	<u>243,753</u>
Total Noncurrent Assets	<u>105,535</u>
Total Assets	<u>263,903</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>3,716</u>
Total Current Liabilities	<u>3,716</u>
NET POSITION:	
Net Investment in Capital Assets	105,535
Unrestricted	<u>154,652</u>
Total Net Position	<u>\$ 260,187</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Proprietary Fund
 Statement of Revenues, Expenses and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 129,790
Daily Sales - Non-Reimbursable Programs	89,774
Special Functions	5,158
	224,722
Total Operating Revenues	
OPERATING EXPENSES:	
Salaries	258,796
Employee Benefits	42,284
Supplies and Materials	17,025
Cost of Sales - Reimbursable Programs	305,691
Cost of Sales - Non-Reimbursable Programs	44,486
Management Fee	53,671
Repair and Maintenance	6,511
Depreciation	9,550
	738,014
Total Operating Expenses	
Operating Income (Loss)	(513,292)
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	6,931
Federal Sources:	
Healthy Hunger Free Kids Program	8,347
After School Snack	11,859
National School Lunch Program	298,761
School Breakfast Program	141,001
United States Department of Agriculture Commodities	55,644
Interest and Investment Revenue	215
	522,758
Total Nonoperating Revenues	
Change in Net Position	9,466
Total Net Position -- July 1	250,721
Total Net Position -- June 30	\$ 260,187

BOROUGH OF CLAYTON SCHOOL DISTRICT
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 224,661
Payments to Employees	(258,796)
Payments for Employee Benefits	(42,284)
Payments to Suppliers	<u>(374,145)</u>
Net Cash Provided by (used for) Operating Activities	<u>(450,564)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	<u>471,889</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>471,889</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>(5,517)</u>
Net Cash Provided by (used for) Investing Activities	<u>(5,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>215</u>
Net Cash Provided by (used for) Investing Activities	<u>215</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,023
Cash and Cash Equivalents -- July 1	<u>107,004</u>
Cash and Cash Equivalents -- June 30	<u><u>\$ 123,027</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (513,292)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	9,550
Federal Commodities	55,644
(Increase) Decrease in Inventories	(2,405)
Increase (Decrease) in Other Current Liabilities	<u>(61)</u>
Total Adjustments	<u>62,728</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (450,564)</u></u>

FIDUCIARY FUNDS

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2017

	Private Purpose Trust Funds	Agency Funds		Total
	Scholarship Trust	Student Activity	Payroll	
ASSETS:				
Cash and Cash Equivalents	\$ 2,869	\$ 183,956	\$ 21,619	\$ 208,444
Total Assets	<u>2,869</u>	<u>\$ 183,956</u>	<u>\$ 21,619</u>	<u>208,444</u>
LIABILITIES:				
Payable to Student Groups		\$ 183,956		183,956
Payroll Deductions and Withholdings			\$ 21,619	21,619
Total Liabilities		<u>\$ 183,956</u>	<u>\$ 21,619</u>	<u>205,575</u>
NET POSITION:				
Held in Trust for Other Purposes	<u>2,869</u>			<u>2,869</u>
Total Net Position	<u>\$ 2,869</u>			<u>\$ 208,444</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Funds	
		Scholarship Trust
ADDITIONS:		
Investment Earnings		
Interest	\$	4
Net Investment Earnings		4
Total Additions		4
DEDUCTIONS:		
Scholarship Payments		500
Total Deductions		500
Change in Net Position		(496)
Net Position-- July 1		3,365
Net Position -- June 30	\$	2,869

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Herma Simmons Elementary School	\$ 10,138	\$ 16,382	\$ 16,180	\$ 10,340
Clayton High School	<u>151,586</u>	<u>350,659</u>	<u>328,629</u>	<u>173,616</u>
Total All Schools	<u>\$ 161,724</u>	<u>\$ 367,041</u>	<u>\$ 344,809</u>	<u>\$ 183,956</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 40,126	\$ 12,925,543	\$ 12,944,050	\$ 21,619
Total Assets	<u>\$ 40,126</u>	<u>\$ 12,925,543</u>	<u>\$ 12,944,050</u>	<u>\$ 21,619</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 40,126	\$ 12,925,543	\$ 12,944,050	\$ 21,619
Total Liabilities	<u>\$ 40,126</u>	<u>\$ 12,925,543</u>	<u>\$ 12,944,050</u>	<u>\$ 21,619</u>

LONG-TERM DEBT

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Serial Bonds
 For the Fiscal Year Ended June 30, 2017

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Serial Bonds:									
School Bond - Series 2010	1/28/10	\$ 10,017,000	9/1/17	\$ 325,000	3.250%	\$ 9,322,000		\$ 305,000	\$ 9,017,000
			9/1/18	340,000	3.500%				
			9/1/19	355,000	3.750%				
			9/1/20	370,000	3.750%				
			9/1/21	390,000	3.750%				
			9/1/22	410,000	3.750%				
			9/1/23	430,000	4.000%				
			9/1/24	450,000	4.000%				
			9/1/25	475,000	4.000%				
			9/1/26	495,000	4.000%				
			9/1/27	520,000	4.000%				
			9/1/28	545,000	4.000%				
			9/1/29	575,000	4.000%				
			9/1/30	600,000	4.000%				
			9/1/31	630,000	4.125%				
			9/1/32	665,000	4.250%				
9/1/33	695,000	4.375%							
9/1/34	747,000	4.375%							
School Bond - Series 2015	3/18/15	9,730,000	3/1/18	270,000	3.000%	9,730,000		300,000	9,430,000
			3/1/19	285,000	3.000%				
			3/1/20	295,000	3.000%				
			3/1/21	310,000	3.000%				
			3/1/22	320,000	3.125%				
			3/1/23	330,000	3.125%				
			3/1/24	340,000	3.125%				
			3/1/25	355,000	3.125%				
			3/1/26	370,000	3.125%				
			3/1/27	385,000	3.125%				
			3/1/28	400,000	3.125%				
			3/1/29	415,000	3.125%				
			3/1/30	430,000	3.125%				
			3/1/31	445,000	3.125%				
			3/1/32	455,000	3.125%				
			3/1/33	465,000	3.125%				
3/1/34	480,000	3.250%							
3/1/35	490,000	3.250%							
3/1/36	500,000	3.250%							
3/1/37	515,000	3.375%							
3/1/38	525,000	3.500%							
3/1/39	525,000	4.000%							
3/1/40	525,000	4.000%							
						<u>\$ 19,052,000</u>	<u>\$ -</u>	<u>\$ 605,000</u>	<u>\$ 18,447,000</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,113,829	_____	\$ 1,113,829	\$ 1,113,829	_____ -
State Sources:					
Debt Service Aid Type II	173,229	_____	173,229	173,229	_____
Total Revenues	<u>1,287,058</u>	_____	<u>1,287,058</u>	<u>1,287,058</u>	_____ -
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	682,063	\$ (5)	682,058	682,058	_____ -
Redemption of Principal	605,000	_____	605,000	605,000	_____ -
Total Regular Debt Service	<u>1,287,063</u>	<u>(5)</u>	<u>1,287,058</u>	<u>1,287,058</u>	_____ -
Total Expenditures	<u>1,287,063</u>	<u>(5)</u>	<u>1,287,058</u>	<u>1,287,058</u>	_____ -
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5)	5			
Fund Balance, July 1	<u>5</u>	<u>(5)</u>			
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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

	<u>Fiscal Year Ending June 30,</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities										
Net Investment in Capital Assets	\$ 15,893,719	\$ 12,210,291	\$ 8,425,051	\$ 17,126,337	\$ 17,369,817	\$ 16,944,785	\$ 13,399,931	\$ (1,288,491)	\$ 7,719,147	\$ 7,555,524
Restricted	1,012,146	4,958,988	9,898,712	1,687,656	2,081,430	1,709,166	6,436,824	1,929,955	2,796,666	1,907,329
Unrestricted (Deficit)	(6,060,518)	(5,401,545)	(5,819,464)	(501,567)	(833,979)	(737,000)	(625,526)	17,993,256	(824,687)	(455,947)
Total Governmental Activities Net Position	\$ 10,845,347	\$ 11,767,734	\$ 12,504,299	\$ 18,312,426	\$ 18,617,268	\$ 17,916,951	\$ 19,211,229	\$ 18,634,720	\$ 9,691,126	\$ 9,006,906
Business-type Activities										
Net Investment in Capital Assets	\$ 105,535	\$ 109,568	\$ 46,885	\$ 57,215	\$ 71,852	\$ 148,799	\$ 64,418	\$ 30,263	\$ 30,667	\$ 18,987
Restricted										
Unrestricted	154,652	141,153	202,101	207,846	130,965	89,777	155,553	172,716	110,739	73,759
Total Business-type Activities Net Position	\$ 260,187	\$ 250,721	\$ 248,986	\$ 265,061	\$ 202,817	\$ 238,576	\$ 219,971	\$ 202,979	\$ 141,406	\$ 92,746
District-wide										
Net Investment in Capital Assets	\$ 15,999,254	\$ 12,319,859	\$ 8,471,936	\$ 17,183,552	\$ 17,441,669	\$ 17,093,584	\$ 13,464,349	\$ (1,258,228)	\$ 7,749,814	\$ 7,574,511
Restricted	1,012,146	4,958,988	9,898,712	1,687,656	2,081,430	1,709,166	6,436,824	1,929,955	2,796,666	1,953,062
Unrestricted (Deficit)	(5,905,866)	(5,260,392)	(5,617,363)	(293,721)	(703,014)	(647,223)	(469,973)	18,165,972	(713,948)	(382,188)
Total District-wide Net Position	\$ 11,105,534	\$ 12,018,455	\$ 12,753,285	\$ 18,577,487	\$ 18,820,085	\$ 18,155,527	\$ 19,431,200	\$ 18,837,699	\$ 9,832,532	\$ 9,145,385

For the fiscal year ended June 30, 2015, the School District adopted GASBS No's. 68 and 71, which required the School District to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 7,506,505	\$ 7,386,907	\$ 7,361,734	\$ 9,418,124	\$ 8,895,815	\$ 8,511,190	\$ 7,249,196	\$ 7,896,392	\$ 7,464,236	\$ 7,033,982
Special Education	2,015,086	1,875,425	1,546,903	2,245,943	2,125,994	2,320,908	1,860,147	1,274,326	747,639	766,099
Other Special Education									283,056	200,215
Other Instruction	622,055	639,403	757,159	865,437	691,470	869,407	794,398	923,740	742,056	744,318
Nonpublic School Programs								2,015	6,250	3,425
Support Services:										
Tuition	1,266,009	1,683,963	1,374,384	1,012,585	1,412,073	1,638,314	1,780,612	1,871,665	1,364,551	1,048,060
Student & Instruction Related Services	2,709,499	2,764,112	2,607,540	3,374,956	3,778,608	3,916,950	4,004,377	3,792,332	3,146,104	2,952,633
Non-Public Programs										
General Administrative Services	466,160	467,282	463,038	427,067	384,920	453,296	400,642	946,867	944,063	994,427
School Administrative Services	1,012,850	1,006,026	1,009,556	1,905,491	1,862,950	1,767,181	1,489,295	1,005,419	952,499	1,006,827
Central Services	279,232	276,765	262,968							
Administrative Information Technology	125,496	100,457	114,762							
Plant Operations and Maintenance	1,519,818	1,564,456	1,553,580	2,244,318	2,081,648	2,112,102	1,661,055	1,693,575	1,707,377	1,647,113
Pupil Transportation	887,879	850,770	879,291	800,164	822,445	880,756	667,844	1,121,077	997,656	889,532
Special Schools										
Charter Schools										
Unallocated Benefits	10,243,274	5,955,626	5,898,914							
Interest on Long-term Debt	989,537	581,074	474,777	420,347	384,664	471,521	513,331	340,271	151,258	170,210
Unallocated Depreciation										
Total Governmental Activities Expenses	29,643,400	25,152,266	24,304,606	22,714,432	22,440,587	22,941,625	20,420,897	20,867,679	18,506,745	17,456,841
Business-type Activities:										
Food Service	738,014	742,946	649,704	553,581	654,518	553,477	489,561	481,895	485,421	464,795
Total Business-type Activities Expense	738,014	742,946	649,704	553,581	654,518	553,477	489,561	481,895	485,421	464,795
Total District Expenses	\$ 30,381,414	\$ 25,895,212	\$ 24,954,310	\$ 23,268,013	\$ 23,095,105	\$ 23,495,102	\$ 20,910,458	\$ 21,349,574	\$ 18,992,166	\$ 17,921,636

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Changes in Net Position
 Last Ten Fiscal Years (accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30.									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)	\$ 185,006	\$ 302,426	\$ 377,792	\$ 383,352	\$ 416,185	\$ 94,911	\$ 287,198	\$ 289,875	\$ 290,646	\$ 247,893
Operating Grants and Contributions	2,574,856	2,625,395	2,219,717	1,977,892	2,428,089	2,419,161	2,378,471	2,551,827	1,826,929	2,173,047
Total Governmental Activities Program Revenues	<u>2,759,862</u>	<u>2,927,821</u>	<u>2,597,509</u>	<u>2,361,244</u>	<u>2,844,274</u>	<u>2,514,072</u>	<u>2,665,669</u>	<u>2,841,702</u>	<u>2,117,575</u>	<u>2,420,940</u>
Business-type activities:										
Charges for services										
Food Service	224,722	217,356	213,244	193,346	197,050	202,169	209,021	221,730	250,604	260,217
Operating Grants and Contributions	522,543	527,020	420,019	422,236	416,185	369,750	296,873	321,148	283,136	245,764
Total Business-type Activities Program Revenues	<u>747,265</u>	<u>744,376</u>	<u>633,263</u>	<u>615,582</u>	<u>613,235</u>	<u>571,919</u>	<u>505,894</u>	<u>542,878</u>	<u>533,740</u>	<u>505,981</u>
Total District Program Revenues	<u>\$ 3,507,127</u>	<u>\$ 3,672,197</u>	<u>\$ 3,230,772</u>	<u>\$ 2,976,826</u>	<u>\$ 3,457,509</u>	<u>\$ 3,085,991</u>	<u>\$ 3,171,563</u>	<u>\$ 3,384,580</u>	<u>\$ 2,651,315</u>	<u>\$ 2,926,921</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (26,883,538)	\$ (22,224,445)	\$ (21,707,097)	\$ (20,353,188)	\$ (19,596,313)	\$ (20,427,473)	\$ (17,755,228)	\$ (18,025,977)	\$ (16,389,170)	\$ (15,035,901)
Business-type Activities	9,251	1,430	(16,441)	62,001	(35,930)	18,442	16,513	60,983	48,319	41,186
Total District-wide Net Expense	<u>\$ (26,874,287)</u>	<u>\$ (22,223,015)</u>	<u>\$ (21,723,538)</u>	<u>\$ (20,291,187)</u>	<u>\$ (19,632,243)</u>	<u>\$ (20,409,031)</u>	<u>\$ (17,738,715)</u>	<u>\$ (17,964,994)</u>	<u>\$ (16,340,851)</u>	<u>\$ (14,994,715)</u>

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Changes in Net Position
 Last Ten Fiscal Years (accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30.									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 8,221,569	\$ 7,960,694	\$ 7,711,155	\$ 7,559,956	\$ 7,411,722	\$ 7,164,595	\$ 6,942,151	\$ 6,783,799	\$ 6,563,869	\$ 6,437,878
Taxes Levied for Debt Service	1,113,829	971,866	847,062	692,859	924,356	902,701	865,594	381,857	363,846	533,555
Federal & State Aid not Restricted	16,425,223	12,056,485	11,782,620	11,322,732	11,358,679	10,862,334	10,120,489	9,400,298	9,712,650	8,296,587
State Aid Restricted	12,834	50,911	279,744	288,728	303,406	302,671	303,589	10,344,088	339,528	514,373
Tuition Received							50,479	9,444	2,842	15,730
Transportation				17,749	24,501	24,863	4,519	8,174		
Investment Earnings	2,701	2,689	4,353	249	4,884	1,789	23,405	22,548	29	37
Miscellaneous Income	184,995	445,235	267,967	166,073	269,082	181,213	100,212	19,363	90,626	71,447
Transfers						(306,971)	(78,701)			
Total Governmental Activities	25,961,151	21,487,880	20,892,901	20,048,346	20,296,630	19,133,195	18,331,737	26,969,571	17,073,390	15,869,607
Business-type Activities:										
Investment Earnings	215	305	366	243	171	163	479	590	341	1,203
Transfers										
Total Business-type Activities	215	305	366	243	171	163	479	590	341	1,203
Total District-wide	\$ 25,961,366	\$ 21,488,185	\$ 20,893,267	\$ 20,048,589	\$ 20,296,801	\$ 19,133,358	\$ 18,332,216	\$ 26,970,161	\$ 17,073,731	\$ 15,870,810
Change in Net Position										
Governmental Activities	\$ (922,387)	\$ (736,565)	\$ (814,196)	\$ (304,842)	\$ 700,317	\$ (1,294,278)	\$ 576,509	\$ 8,943,594	\$ 684,220	\$ 833,706
Business-type Activities	9,466	1,735	(16,075)	62,244	(35,759)	18,605	16,992	61,573	48,660	42,389
Total District	\$ (912,921)	\$ (734,830)	\$ (830,271)	\$ (242,598)	\$ 664,558	\$ (1,275,673)	\$ 593,501	\$ 9,005,167	\$ 732,880	\$ 876,095

For the fiscal year ended June 30, 2016, the School District adopted GASBS No's 68 and 71, which required the School District to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2016 are shown as originally reported and have not been restated for this adoption.

Source: District Records

BOROUGH OF CLAYTON SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)
Unaudited

	<u>Fiscal Year Ending June 30,</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund										
Restricted	\$ 1,732,402	\$ 1,304,885	\$ 1,509,348	\$ 2,066,924	\$ 1,938,673	\$ 1,571,848	\$ 1,058,520	\$ 2,611,214	\$ 2,635,794	\$ 1,792,190
Unassigned (Deficit)	(567,188)	(511,917)	(526,824)	(551,601)	(547,140)	(469,797)	(366,965)	(486,322)	(460,629)	(62,306)
Total General Fund	\$ 1,165,214	\$ 792,968	\$ 982,524	\$ 1,515,323	\$ 1,391,533	\$ 1,102,051	\$ 691,555	\$ 2,124,892	\$ 2,175,165	\$ 1,729,884
All Other Governmental Funds										
Restricted	\$ 23,177	\$ 4,287,754	\$ 8,458,233	\$ 1,002			\$ 950,225	\$ 531,781		
Unassigned (Deficit), Reported in:										
Special Revenue Fund	(32,214)	(32,214)	(29,913)	(28,379)	\$ (32,134)	\$ (32,270)	(29,336)	(29,336)	\$ (28,035)	\$ (54,016)
Capital Projects Fund							4,433,999	18,461,133	160,872	160,872
Debt Service Fund					171,221	170,220	22,506	22,506		
Total All Other Governmental Funds	\$ (9,037)	\$ 4,255,540	\$ 8,428,320	\$ (27,377)	\$ 139,087	\$ 137,950	\$ 5,377,394	\$ 18,986,084	\$ 132,837	\$ 106,856

Source: District Records

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years (modified accrual basis of accounting)
 Unaudited

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Tax Levy	\$ 9,335,398	\$ 8,932,560	\$ 8,558,217	\$ 8,252,815	\$ 8,336,078	\$ 8,067,296	\$ 7,807,745	\$ 7,165,656	\$ 6,927,715	\$ 6,971,433
Tuition Charges	185,006	302,426	377,792	383,352	416,185	94,991	50,479	9,444	2,842	15,730
Interest Earnings	2,701	2,689	4,353	249	4,884	1,789	23,405	22,548	29	37
Transportation	12,834	50,911		17,749	24,501	24,863	4,519	8,174		
Miscellaneous	116,797	379,597	203,640	100,571	200,551	128,824	94,958	19,267	90,626	71,447
State Sources	13,196,047	12,760,433	12,770,481	12,327,266	12,450,970	11,349,260	11,116,550	20,165,718	11,246,353	10,286,271
Federal Sources	1,647,700	1,574,175	1,174,334	957,312	1,575,292	1,917,386	1,886,646	2,415,053	5,000	2,373
Local Sources	376,909	412,910	401,593	370,276	132,443	62,938	13,104	5,317	918,400	943,256
Total Revenue	24,873,392	24,415,701	23,490,410	22,409,590	23,140,904	21,647,347	20,997,406	29,811,177	19,190,965	18,290,547
Expenditures										
Instruction										
Regular Instruction	6,804,333	6,813,283	6,768,507	6,173,593	6,052,303	5,296,670	5,094,612	6,009,874	5,681,334	5,158,749
Special Education Instruction	1,845,964	1,746,289	1,430,636	1,529,854	1,496,740	1,513,907	1,329,185	1,013,298	560,303	543,935
Other Special Instruction	36,298	43,865	76,519						249,157	184,807
Other Instruction	564,791	540,442	620,557	556,400	462,640	531,689	545,581	684,759	556,119	530,902
Adult/Continuing Education Programs								1,494	4,684	
Support Services:										
Tuition	1,266,009	1,683,963	1,374,384	1,012,585	1,412,073	1,638,314	1,780,612	1,871,665	1,364,551	1,048,060
Student & Instruction Related Services	2,523,989	2,578,251	2,449,209	2,384,489	2,805,669	2,824,922	3,059,845	3,023,022	2,502,017	2,294,381
General Administrative&BusinessServices	466,160	467,282	463,038	427,067	384,918	453,296	400,642	458,106	491,325	493,616
School Administrative Services	919,611	912,954	920,437	906,008	907,994	797,524	760,027	745,306	707,509	714,853
Other Administrative Services	367,471	342,324	344,386	319,055	338,444	283,201	262,799	243,796	222,506	212,433
Plant Operations and Maintenance	1,367,159	1,419,722	1,416,437	1,442,898	1,392,761	1,291,662	1,140,787	1,255,429	1,279,559	1,172,392
Pupil Transportation	887,879	850,770	879,291	800,164	822,445	880,756	667,844	831,042	777,650	649,323
Unallocated Employee Benefits	5,916,798	5,865,653	5,857,860	5,473,022	5,272,964	4,671,624	4,288,414	3,894,281	3,366,129	3,587,981
Capital Outlay	4,355,331	4,541,373	1,568,443	275,323	274,573	5,064,852	14,352,137	1,444,632	253,486	153,360
Debt Service:										
Principal	605,000	295,000	725,000	715,000	767,000	745,000	625,000	600,000	550,000	870,000
Interest and Other Charges	838,930	676,866	402,808	436,806	459,761	482,878	544,183	136,360	153,374	177,928
Total Expenditures	28,765,723	28,778,037	25,297,512	22,452,264	22,850,285	26,476,295	34,851,668	22,213,064	18,719,703	17,792,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,892,331)	(4,362,336)	(1,807,102)	(42,674)	290,619	(4,828,948)	(13,854,262)	7,598,113	471,262	497,827
Other Financing Sources (Uses)										
Capital Leases (Non-budgeted)										
Bond Proceeds			9,730,000					10,017,096		
Transfers In	58,145	58,145	65,788		772	172,009	105,572	22,548	29	37
Transfers Out	(58,145)	(58,145)	(65,788)		(772)	(172,009)	(105,572)	(22,548)	(29)	(37)
Total Other Financing Sources (Uses)	-	-	9,730,000	-	-	-	-	10,017,096	-	-
Net Change in Fund Balances	\$ (3,892,331)	\$ (4,362,336)	\$ 7,922,898	\$ (42,674)	\$ 290,619	\$ (4,828,948)	\$ (13,854,262)	\$ 17,615,209	\$ 471,262	\$ 497,827
Debt Service as a Percentage of Noncapital Expenditures	5.9%	4.0%	4.8%	5.2%	5.4%	5.7%	5.7%	3.5%	3.8%	5.9%
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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Refunds									\$ 13,258	\$ 17,495
Interest on Investments	\$ 2,701	\$ 2,689	\$ 4,353	\$ 249	\$ 4,112	\$ 1,789	\$ 8,114	\$ 15,976	15,120	26,257
Miscellaneous	184,995	445,235	203,640	100,571	200,551	128,824	92,098	3,291	300	5,695
Rentals									900	
Tuition Refunds									41,093	
Tuition	185,006	302,426	377,792	383,352	416,185	94,991	50,479	9,444	2,842	13,980
Transportation Fees	12,834	50,911		17,749	24,501	24,863	4,519	8,174	14,637	2,000
	<u>\$ 385,536</u>	<u>\$ 801,261</u>	<u>\$ 585,785</u>	<u>\$ 501,921</u>	<u>\$ 645,349</u>	<u>\$ 250,467</u>	<u>\$ 155,210</u>	<u>\$ 36,885</u>	<u>\$ 88,150</u>	<u>\$ 65,427</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 June 30,	Vacant Land	Residential	Farm Reg.	Ofarm	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)
2017	\$ 8,863,900	\$ 403,208,600	\$ 1,494,800	\$ 234,200	\$ 27,678,400	\$ 11,261,600	\$ 12,483,800	\$ 465,225,300	\$ 257,500	\$ 1,167,008	\$ 466,392,308	\$ 467,027,459	\$ 2.055
2016	8,559,900	398,756,200	1,742,300	277,200	28,300,100	11,551,800	12,483,800	461,671,300	288,400	1,167,265	462,838,565	462,909,460	2.017
2015	10,480,800	394,604,900	2,009,900	299,100	28,899,300	11,604,100	13,254,700	461,142,800	252,800	1,159,167	462,301,767	458,708,482	1.932
2014	11,952,300	392,213,400	1,961,700	276,900	29,976,300	11,951,200	13,174,700	461,506,500	399,800	1,118,939	462,625,439	478,836,275	1.850
2013	13,299,600	392,831,800	2,824,500	361,200	29,108,900	12,275,400	14,141,900	464,843,300		1,156,928	466,000,228	485,974,721	1.771
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	13,852,500	11,957,000	6,222,700	287,882,262		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	525,465,827	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	11,967,800	6,222,700	281,403,900	404,325	669,812	282,073,712	503,948,291	2.521

(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

GASB 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.

Source: Municipal Tax Assessor

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 <u>June 30,</u>	District Direct Rate			Overlapping Rates				Total Direct and Overlapping <u>Tax Rate</u>
	<u>Basic Rate (1)</u>	General Obligation Debt <u>Service (2)</u>	Total Direct School <u>Tax Rate</u>	Library <u>District</u>	Clayton <u>Borough</u>	Open <u>Spaces</u>	County of <u>Gloucester</u>	
2017	\$ 1.809	\$ 0.246	\$ 2.055	\$ 0.048	\$ 0.992	\$ 0.041	\$ 0.634	\$ 3.770
2016	1.776	0.241	2.017	0.049	0.992	0.041	0.631	3.730
2015	1.722	0.210	1.932	0.046	0.992	0.041	0.609	3.620
2014	1.670	0.180	1.850	0.047	0.959	0.042	0.596	3.494
2013	1.662	0.149	1.771	0.045	0.925	0.043	0.586	3.370
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

(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

<u>Taxpayer</u>	2017			2008		
	<u>Taxable Assessed Value</u>	Rank	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	Rank	<u>% of Total District Net Assessed Value</u>
Fernmoor Homes at Clayton LLC	\$ 8,469,300	1	23.70%	N/A		N/A
Berk Cohen Assoc. at Rustic Village	8,301,400	2	23.23%	N/A		N/A
Aleris Light Gauge Products, Inc.	6,941,900	3	19.43%	N/A		N/A
Realmarq Development LLC	3,238,300	4	9.06%	N/A		N/A
Silver Lake Assoc.	3,034,600	5	8.49%	N/A		N/A
Rite Aide of NJ Inc.	1,263,600	6	3.54%	N/A		N/A
Verizon Comm Inc	1,167,008	7	3.27%	N/A		N/A
American Stores Com LLC	1,125,200	8	3.15%	N/A		N/A
825 Delsea Dr. c/o Robson Goldberg	1,105,000	9	3.09%	N/A		N/A
Saiwood Corporation	1,089,700	10	3.05%	N/A		N/A
Total	<u>\$ 35,736,008</u>		<u>100.00%</u>			

Source: Municipal Tax Assessor
Information for 2008 is not available

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Property Tax Levies and Collections
 Last Ten Fiscal Years
 Unaudited

Fiscal Year <u>Ended June 30,</u>	School Taxes Levied for the <u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (1)</u>		Collections in <u>Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2017	\$ 9,335,398	\$ 9,335,398	100.00%	-
2016	8,932,559	8,932,559	100.00%	-
2015	8,558,217	8,558,217	100.00%	-
2014	8,252,815	8,252,815	100.00%	-
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%	-

(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 Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		<u>Total District</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
	<u>General Obligation Bonds (1)</u>	<u>Certificates of Participation</u>	<u>Capital Leases</u>	<u>Bond Anticipation Notes (BANs)</u>	<u>Capital Leases</u>				
2017	\$ 18,447,000	-	-	-	-	\$ 18,447,000	NA	NA	
2016	19,052,000	-	-	-	-	19,052,000	NA	NA	
2015	19,347,000	-	-	-	-	19,347,000	NA	NA	
2014	10,342,000	-	-	-	-	10,342,000	NA	NA	
2013	11,057,000	-	-	-	-	11,057,000	NA	NA	
2012	11,824,000	-	-	-	-	11,824,000	NA	NA	
2011	12,569,000	-	-	-	-	12,569,000	NA	NA	
2010	13,194,000	-	-	-	-	13,194,000	NA	NA	
2009	3,777,000	-	-	-	-	3,777,000	NA	NA	
2008	4,327,000	-	-	-	-	4,327,000	NA	NA	

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

(1) Includes Early Retirement Incentive Plan (ERIP) refunding

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

Source: District CAFR Exhibits I-1, I-2

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years
 Unaudited

<u>General Bonded Debt Outstanding</u>					
<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>
2017	\$ 18,447,000	-	\$ 18,447,000	3.96%	NA
2016	19,052,000	-	19,052,000	4.12%	NA
2015	19,347,000	-	19,347,000	4.18%	NA
2014	10,342,000	-	10,342,000	2.22%	NA
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

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 June 30, 2017
 Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Clayton	\$ 8,680,640	100.00%	\$ 8,680,640
Other debt			
County of Gloucester	228,443,500	1.79%	<u>4,097,137</u>
Subtotal, overlapping debt			12,777,777
Borough of Clayton School District Direct Debt			<u>18,747,000</u>
Total direct and overlapping debt			<u><u>\$ 31,524,777</u></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 2017

	Equalized valuation basis	
	2016	\$ 460,887,791
	2015	459,763,509
	2014	<u>456,575,485</u>
	[A]	<u>\$ 1,377,226,785</u>
	Average equalized valuation of taxable property	[A/3] \$ 459,075,595
	Debt limit (4% of average equalization value) (1)	[B] \$ 18,363,024
	Total Net Debt Applicable to Limit	[C] <u>18,447,000</u>
	Legal Debt Margin	[B-C] <u><u>\$ (83,976)</u></u>

	Fiscal Year									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit	\$ 18,363,024	\$ 18,614,706	\$ 18,968,056	\$ 19,677,673	\$ 17,669,809	\$ 18,050,239	\$ 18,214,012	\$ 17,902,134	\$ 17,056,883	\$ 15,431,533
Total net debt applicable to limit	<u>18,447,000</u>	<u>19,052,000</u>	<u>19,347,000</u>	<u>10,342,000</u>	<u>11,057,000</u>	<u>11,824,000</u>	<u>12,569,000</u>	<u>13,194,000</u>	<u>2,133,256</u>	<u>2,382,333</u>
Legal debt margin	<u><u>\$ (83,976)</u></u>	<u><u>\$ (437,294)</u></u>	<u><u>\$ (378,944)</u></u>	<u><u>\$ 9,335,673</u></u>	<u><u>\$ 6,612,809</u></u>	<u><u>\$ 6,226,239</u></u>	<u><u>\$ 5,645,012</u></u>	<u><u>\$ 4,708,134</u></u>	<u><u>\$ 14,923,627</u></u>	<u><u>\$ 13,049,200</u></u>
Total net debt applicable to the limit as a percentage of debt limit	100.46%	102.35%	102.00%	52.56%	62.58%	65.51%	69.01%	73.70%	12.51%	15.44%

(1) Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

Source: Abstract of Ratables 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

June 30, Year	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2017	8,614	\$ 420,354,586	\$ 48,799	6.1%
2016	8,493	395,799,279	46,603	7.9%
2015	8,307	375,218,883	45,169	7.1%
2014	8,216	368,635,488	44,868	8.5%
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

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

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</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	1,607	3	N/A	N/A		N/A
Rowan University	1,483	4	N/A	N/A		N/A
County of Gloucester	1,384	5	N/A	N/A		N/A
Missa Bay, LLC	950	6	N/A	N/A		N/A
Monroe Township School District	804	7	N/A	N/A		N/A
U.S. Foodservices	725	8	N/A	N/A		N/A
Exxon Mobile Research & Engineering	540	9	N/A	N/A		N/A
LaBrea Bakery	525	10	N/A	N/A		N/A
	<u>11,518</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 2008 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction										
Regular	93	93	93	93	99	78	77	87	87	86
Special education	20	20	20	20	26	22	22	18	18	14
Other special education										
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Tuition										
Student & instruction related services	47	47	47	47	36	36	36	26	26	26
General administrative services	2	2	2	2	2	2	2	4	4	4
School administrative services	12	12	12	12	12	12	12	11	11	11
Business administrative services	5	5	5	5	3	3	3	3	3	3
Plant operations and maintenance	14	14	14	14	12	12	10	10	10	10
Pupil transportation	10	10	10	10	12	12	12	5	5	5
Special Schools										
Food Service (custodians only)	2	1	1		2					
Child Care										
Total	205	204	204	202	204	177	174	164	164	158

Source: District Personnel Records

BOROUGH OF CLAYTON SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years
Unaudited

<u>Fiscal</u>	<u>Enrollment</u>	<u>Operating Expenditures (1)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (2)</u>	<u>Pupil/Teacher Ratio</u>			<u>Average Daily Enrollment (ADE) (3)</u>	<u>Average Daily Attendance (ADA) (3)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
						<u>Elementary</u>	<u>Middle School</u>	<u>High School</u>				
2017	1,447	\$ 22,966,462	\$ 15,872	-1.21%	128	11.6:1	13.0:1	9.1:1	1,432	1,369	0.00%	95.60%
2016	1,448	23,264,798	16,067	2.94%	128	11.6:1	13.0:1	9.1:1	1,432	1,369	0.00%	95.60%
2015	1,448	22,601,261	15,609	3.86%	128	11.6:1	13.0:1	9.1:1	1,432	1,369	1.71%	95.60%
2014	1,399	21,025,135	15,029	-3.81%	120	12.4:1	12.9:1	9.6:1	1,392	1,346	4.91%	96.70%
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%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012*</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>District Building</u>										
<u>Elementary</u>										
E. S. Simmons Elementary										
Square Feet	95,421	95,421	95,421	95,421	95,421	95,421	96,191	96,191	96,191	96,191
Capacity (students)	763	763	763	763	763	763	638	638	638	638
Enrollment	735	743	757	733	719	724	787	787	778	765
<u>High School/Middle School</u>										
Clayton Middle School										
Square Feet	143,910	126,080	126,080	126,080	126,080	126,080	98,092	98,092	98,092	98,092
Capacity (students)	868	868	868	868	868	868	800	500	617	617
Enrollment	712	708	691	666	665	646	545	525	534	524

Number of Schools at June 30, 2017

Elementary = 1

High/Middle School= 1

Other = 1 (Performing Arts Center Added to High School Campus 1/1/17)

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

<u>* School Facilities</u>	<u>Project # (s)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Clayton Middle/Clayton High School	N/A	\$ 102,854	\$ 86,283	\$ 96,633	\$ 111,013	\$ 104,688	\$ 103,567	\$ 96,080	\$ 121,107	\$ 89,224	\$102,750
Clayton Elementary School	N/A	<u>77,592</u>	<u>65,091</u>	<u>73,136</u>	<u>88,664</u>	<u>78,976</u>	<u>53,098</u>	<u>64,081</u>	<u>61,959</u>	<u>71,698</u>	<u>82,791</u>
Total School Facilities		<u>180,446</u>	<u>151,374</u>	<u>169,769</u>	<u>199,677</u>	<u>183,664</u>	<u>156,665</u>	<u>160,161</u>	<u>183,066</u>	<u>160,922</u>	<u>185,541</u>
Other Facilities											
Grand Total		<u>\$ 180,446</u>	<u>\$ 151,374</u>	<u>\$ 169,769</u>	<u>\$ 199,677</u>	<u>\$ 183,664</u>	<u>\$ 156,665</u>	<u>\$ 160,161</u>	<u>\$ 183,066</u>	<u>\$ 160,922</u>	<u>\$ 185,541</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, 2017

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Property & Auto Physical Damage/Boiler & Machinery	\$ 42,176,993	\$ 1,000
E Commercial Umbrella Liability		
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 (2)	2,000,000	
Student Accident Insurance CAT (3)	1,000,000	
Student Accident Base (4)	25,000	
Surety Bonds (5)		
Treasurer	200,000	
Board Secretary/Business Administrator	20,000	

- (1) Utica National Insurance Company
- (2) NJ School Board's Association Insurance Group
- (3) Arch Insurance Company
- (4) United State Fire Insurance Company
- (5) RLI Surety

Source: District Records

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

INDEPENDENT AUDITOR'S 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, in the County of Gloucester, State of New Jersey, compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance, and State of New Jersey Circular 15-08-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, in the County of Gloucester, State of New Jersey, 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.

Opinion on Each Major Federal and State Program

In our opinion, the Borough of Clayton School District, in the County of Gloucester, State of New Jersey, 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, 2017.

Report on Internal Control Over Compliance

Management of the Borough of Clayton School District, in the County of Gloucester, State of New Jersey, 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 each 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 for each major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of New Jersey Circular 15-08-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, 2017

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor / Program Title	Federal CFDA Number	Federal FAIN Number	Pass-through Entity Identifying Number	Program or Award Amount	Grant Period		Balance June 30, 2016	Unearned Revenue
					From	To		
General Fund:								
U.S. Department of Education								
Passed-through State Department of Education:								
Medical Assistance Program (Medicaid)								
Special Education Medicaid Incentive (SEMI)	93.778	1605NJ5MAP	N/A	\$ 84,648	7-1-2016	6-30-2017		
Total U.S. Department of Education							-	
Total General Fund							-	
Special Revenue Fund:								
U.S. Department of Education								
Passed-through State Department of Education:								
E.S.S.A.:								
Title I, Part A Carryover	84.010A	S010A150030	NCLB086016	497,358	7-1-2015	6-30-2016	\$ (120,571)	
Title I, Part A	84.010A	S010A150030	NCLB086017	470,492	7-1-2016	6-30-2017		
Total Title I, Part A							(120,571)	
Title II, Part A Carryover	84.281A	S367A150029	NCLB086016	55,975	7-1-2015	6-30-2016	(11,806)	
Title II, Part A	84.281A	S367A150029	NCLB086017	49,066	7-1-2016	6-30-2017		
Total Title II, Part A							(11,806)	
Title III Carryover	84.365A	S365A150030	NCLB086016	14,989	7-1-2015	6-30-2016	(4,729)	
Title III	84.365A	S365A150030	NCLB086017	19,975	7-1-2016	6-30-2017		
Total Title III							(4,729)	
I.D.E.A. Part B:								
Special Education Cluster:								
Basic Regular Carryover	84.027	H027A150100	FT169016	412,107	7-1-2015	6-30-2016	(49,450)	
Basic Regular	84.027	H027A150100	FT169017	410,579	7-1-2016	6-30-2017		
ARRA	84.391	H027A150100	FT169014	383,354	7-1-2009	8-31-2011	(1,801)	
Preschool Incentive Carryover	84.173	H173A150114	PS169016	18,022	7-1-2015	6-30-2016	(8,260)	
Preschool Incentive	84.173	H173A150114	PS169017	18,196	7-1-2016	6-30-2017		
Total I.D.E.A. Part B Special Education Cluster							(59,511)	
21st Century Community Learning Centers Program	84.287C	N/A	NGO-15-EK32-H05	250,000	9-1-2015	8-31-2016	(44,038)	
21st Century Community Learning Centers Program	84.287C	N/A	NGO-15-EK32-H05	250,000	9-1-2016	8-31-2017		
Total 21st Century Community Learning Centers Program							(44,038)	
Local Capacity Building Project	84.027A	N/A	N/A	200,000	10-01-2002	9-30-2004	(14,320)	
Preschool Expansion Grant	84.419B	S419B150020	17000010	578,143	7-1-2016	6-30-2017	(16,509)	
Total U.S. Department of Education							(271,484)	
Total Special Revenue Fund							(271,484)	
Enterprise Fund:								
U.S. Department of Agriculture								
Passed-through State Department of Education:								
Child Nutrition Cluster:								
Food Distribution Program	10.550	1616NJ304N1099	N/A	54,205	7-1-2015	6-30-2016		\$ 1,457
Food Distribution Program	10.550	1616NJ304N1099	N/A	55,644	7-1-2016	6-30-2017		
National School Lunch Program	10.555	1616NJ304N1099	N/A	304,979	7-1-2015	6-30-2016	(17,080)	
National School Lunch Program	10.555	1616NJ304N1099	N/A	298,761	7-1-2016	6-30-2017		
Healthy Hunger Free Kids Act	10.555	1616NJ304N1099	N/A	8,316	7-1-2015	6-30-2016	(459)	
Healthy Hunger Free Kids Act	10.555	1616NJ304N1099	N/A	8,347	7-1-2016	6-30-2017		
Special Milk Program	10.556	1616NJ304N1099	N/A	247	7-1-2015	6-30-2016	(10)	
After School Snack Program	10.555	1616NJ304N1099	N/A	3,206	7-1-2015	6-30-2016	(227)	
After School Snack Program	10.555	1616NJ304N1099	N/A	11,859	7-1-2016	6-30-2017		
School Breakfast Program	10.553	1616NJ304N1099	N/A	148,876	7-1-2015	6-30-2016	(10,684)	
School Breakfast Program	10.553	1616NJ304N1099	N/A	141,001	7-1-2016	6-30-2017		
Total Child Nutrition Cluster							(28,460)	1,457
Total Enterprise Fund							(28,460)	1,457
Total Federal Financial Assistance							\$ (299,944)	\$ 1,457

The accompanying Notes to Financial Statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Cash Received	Budgetary Expenditures			Passed Through to Subrecipients	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2017		Due to Grantor at June 30, 2017
	Pass-through Funds	Direct Funds	Total Budgetary Expenditures				(Accounts Receivable)	Unearned Revenue	
\$ 84,648	\$ 84,648		\$ 84,648						
84,648	84,648		84,648						
84,648	84,648		84,648						
120,571									
246,235	446,468		446,468				\$ (200,233)		
366,806	446,468		446,468				(200,233)		
11,806							-		
34,525	47,619		47,619				(13,094)		
46,331	47,619		47,619				(13,094)		
4,728					\$ 1		-		
8,159	8,989		8,989				(830)		
12,887	8,989		8,989		1		(830)		
49,450							-		
367,127	405,502		405,502				(38,375)		
8,260							(1,801)		
18,196	18,196		18,196				-		
443,033	423,698		423,698				(40,176)		
127,734	83,095		83,095					\$ 601	
120,807	179,908		179,908				(59,101)		
248,541	263,003		263,003				(59,101)	601	
							(14,320)		
428,700	512,501		512,501		34		(100,276)		
1,546,298	1,702,278		1,702,278		35		(428,030)	601	
1,546,298	1,702,278		1,702,278		35		(428,030)	601	
55,644	1,457		1,457						
17,080	55,644		55,644						
283,827	298,761		298,761				(14,934)		
459									
8,347	8,347		8,347						
10									
227									
11,408	11,859		11,859				(451)		
10,684									
132,860	141,001		141,001				(8,141)		
520,546	517,069		517,069				(23,526)		
520,546	517,069		517,069				(23,526)		
\$ 2,151,492	\$ 2,303,995	\$ -	\$ 2,303,995	\$ -	\$ 35	\$ -	\$ (451,556)	\$ 601	\$ -

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2017

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Required Match	Grant Period		Balance at June 30, 2016	
				From	To	Unearned Revenue / Accounts Receivable	Due to Grantor
General Fund:							
New Jersey Department of Education:							
Current Expense:							
State Aid - Public Cluster:							
Equalization Aid	16-495-034-5120-078	\$ 8,683,487		7-1-2015	6-30-2016	\$ (818,295)	
Equalization Aid	17-495-034-5120-078	8,722,290		7-1-2016	6-30-2017		
School Choice	16-495-034-5120-068	96,785		7-1-2015	6-30-2016	(9,678)	
School Choice	17-495-034-5120-068	141,455		7-1-2016	6-30-2017		
Security Aid	16-495-034-5120-084	171,822		7-1-2015	6-30-2016	(17,182)	
Security Aid	17-495-034-5120-084	180,975		7-1-2016	6-30-2017		
Special Education Aid	16-495-034-5120-089	728,613		7-1-2015	6-30-2016	(72,861)	
Special Education Aid	17-495-034-5120-089	742,641		7-1-2016	6-30-2017		
Under Adequacy Aid	16-495-034-5120-083	77,145		7-1-2015	6-30-2016	(7,714)	
Under Adequacy Aid	17-495-034-5120-083	77,145		7-1-2016	6-30-2017		
PARCC Readiness Aid	16-495-034-5120-098	13,055		7-1-2015	6-30-2016	(1,306)	
PARCC Readiness Aid	17-495-034-5120-098	13,055		7-1-2016	6-30-2017		
Per Pupil Growth Aid	16-495-034-5120-097	13,055		7-1-2015	6-30-2016	(1,306)	
Per Pupil Growth Aid	17-495-034-5120-097	13,055		7-1-2016	6-30-2017		
Professional Learning Community Aid	17-495-034-5120-101	13,740		7-1-2016	6-30-2017		
Host District Aid	17-495-034-5120-102	702		7-1-2016	6-30-2017		
Total State Aid - Public Cluster:						(928,342)	-
State Aid - Transportation:							
Transportation Aid	16-495-034-5120-014	60,696		7-1-2015	6-30-2016	(6,070)	
Transportation Aid	17-495-034-5120-014	70,560		7-1-2016	6-30-2017		
Nonpublic Transportation Aid	16-495-034-5120-014	10,048		7-1-2015	6-30-2016	(10,048)	
Nonpublic Transportation Aid	17-495-034-5120-014	8,469		7-1-2016	6-30-2017		
Total State Aid - Transportation:						(16,118)	-
Extraordinary Special Education Aid Costs							
Extraordinary Special Education Aid Costs	16-100-034-5120-473	93,064		7-1-2015	6-30-2016	(93,064)	
Extraordinary Special Education Aid Costs	17-100-034-5120-473	43,081		7-1-2016	6-30-2017		
Total Extraordinary Aid						(93,064)	-
Reimbursed T.P.A.F. Social Security							
Reimbursed T.P.A.F. Social Security	16-495-034-5095-002	623,203		7-1-2015	6-30-2016	(31,087)	
Reimbursed T.P.A.F. Social Security	17-495-034-5095-002	606,887		7-1-2016	6-30-2017		
Total Reimbursed T.P.A.F. Social Security						(31,087)	-
Total General Fund						(1,068,611)	-
Special Revenue Fund:							
New Jersey Department of Education							
Nonpublic Aid:							
Nursing Services	17-100-034-5120-373	19,980		7-1-2016	6-30-2017		
Textbook Aid (Ch. 194)	16-100-034-5120-064	12,790		7-1-2015	6-30-2016	\$ 259	
Textbook Aid (Ch. 194)	17-100-034-5120-064	12,796		7-1-2016	6-30-2017		
Technology Initiative Aid	16-400-034-5120-373	5,824		7-1-2015	6-30-2016	25	
Technology Initiative Aid	17-400-034-5120-373	5,772		7-1-2016	6-30-2017		
Auxiliary Services (Ch. 192)							
Compensatory Education	16-100-034-5120-067	78,681		7-1-2015	6-30-2016	11,593	
English as a Second Language	16-100-034-5120-067	3,451		7-1-2015	6-30-2016	1,726	
Transportation	16-100-034-5120-067	10,842		7-1-2015	6-30-2016	1,702	
Auxiliary Services (Ch. 192)							
Compensatory Education	17-100-034-5120-067	90,476		7-1-2016	6-30-2017		
English as a Second Language	17-100-034-5120-067	3,654		7-1-2016	6-30-2017		
Transportation	17-100-034-5120-067	12,586		7-1-2016	6-30-2017		
Handicapped Services (Ch. 193)							
Supplemental Instruction	16-100-034-5120-068	16,931		7-1-2015	6-30-2016		298
Corrective Speech	16-100-034-5120-068	45,148		7-1-2015	6-30-2016		16,306
Examination and Classification	16-100-034-5120-068	21,312		7-1-2015	6-30-2016		341
Handicapped Services (Ch. 193)							
Supplemental Instruction	17-100-034-5120-068	18,833		7-1-2016	6-30-2017		
Corrective Speech	17-100-034-5120-068	45,059		7-1-2016	6-30-2017		
Examination and Classification	17-100-034-5120-068	40,337		7-1-2016	6-30-2017		
Security Aid	17-100-034-5120-509	11,100		7-1-2016	6-30-2017		
Home Instruction	N/A	7,608		7-1-2015	6-30-2016	(7,608)	
Home Instruction	N/A	4,175		7-1-2016	6-30-2017		
Total Nonpublic Aid:						(7,608)	32,250
Preschool Education Aid	16-495-034-5120-086	322,140	\$ 85,712	7-1-2015	6-30-2016	(32,214)	
Preschool Education Aid	17-495-034-5120-086	322,140	84,370	7-1-2016	6-30-2017		
Total Preschool Education Aid						(32,214)	
Subtotal Special Revenue Fund - State Department of Education						(39,822)	32,250
State Department of Human Services							
School Based Youth Service Program	14CTHP	228,704		7-1-2013	6-30-2014		1,115
School Based Youth Service Program	15CTHP	236,396		7-1-2014	6-30-2015		1,459
School Based Youth Service Program	16CTHP	236,396		7-1-2015	6-30-2016		3
School Based Youth Service Program	17CTHP	228,704		7-1-2016	6-30-2017		
Family Friendly	14CTHP	45,463		7-1-2013	6-30-2014		3,645
Family Friendly	15CTHP	45,463		7-1-2014	6-30-2015		4,032
Family Friendly	16CTHP	45,463		7-1-2015	6-30-2016		2,613
Family Friendly	17CTHP	45,463		7-1-2016	6-30-2017		
Subtotal Special Revenue Fund - State Department of Human Services						-	12,867
Total Special Revenue Fund						(39,822)	45,117
Enterprise Fund:							
New Jersey Department of Agriculture							
Child Nutrition Cluster:							
National School Lunch Program (State Share)	16-100-010-3360-067	7,191		7-1-2015	6-30-2016	(387)	
National School Lunch Program (State Share)	17-100-010-3360-067	6,931		7-1-2016	6-30-2017		
Total Enterprise Fund						(387)	-
Total State Financial Assistance subject to Major Program Determination for State Single Audit						\$ (1,108,820)	\$ 45,117
Total State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:							
General Fund (Non-Cash Assistance):							
New Jersey Department of the Treasury:							
On-behalf T.P.A.F. Pension Contributions - Normal Cost	495-034-5094-002	890,632		7-1-2016	6-30-2017		
On-behalf T.P.A.F. Pension Contributions - Non-Contributory Insurance	495-034-5094-004	32,270		7-1-2016	6-30-2017		
On-behalf T.P.A.F. Pension Contributions - Long-Term Disability Insurance	495-034-5094-004	1,799		7-1-2016	6-30-2017		
On-behalf T.P.A.F. Pension Contributions - Post Retirement Medical	495-034-5094-001	768,987		7-1-2016	6-30-2017		
Total General Fund (Non-Cash Assistance)						-	-
Total State Financial Assistance						\$ (1,108,820)	\$ 45,117

The accompanying Notes to the Financial Statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Carryover/ (Walkover) Amount	Cash Received	Total Budgetary Expenditures	Passed Through to Subrecipients	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2017			Memo	
						Accounts Receivable	Unearned Revenue	Due to Grantor	Budgetary Receivable 6/30/2017	Cumulative Total Expenditures
	\$ 818,295									
	7,905,193	\$ 8,722,290				\$ (817,097)			\$ (817,097)	\$ 8,722,290
	9,678					-				
	127,310	141,455				(14,145)			(14,145)	141,455
	17,182					-				
	162,877	180,975				(18,098)			(18,098)	180,975
	72,861					-				
	668,377	742,641				(74,264)			(74,264)	742,641
	7,714					-				
	69,431	77,145				(7,714)			(7,714)	77,145
	1,306					-				
	11,749	13,055				(1,306)			(1,306)	13,055
	1,306					-				
	11,749	13,055				(1,306)			(1,306)	13,055
	12,966	13,740				(1,374)			(1,374)	13,740
	632	702				(70)			(70)	702
-	9,898,026	9,905,058	-	-	-	(935,374)	-	-	(935,374)	9,905,058
	6,070									
	63,504	70,560				(7,056)			(7,056)	70,560
	10,048					-				
	8,469					(8,469)				8,469
-	79,622	79,029	-	-	-	(15,525)	-	-	(7,056)	79,029
	93,064									
	43,081					(43,081)				43,081
-	93,064	43,081	-	-	-	(43,081)	-	-		43,081
	31,087									
	576,404	606,887				(30,483)				606,887
-	607,491	606,887	-	-	-	(30,483)	-	-		606,887
-	10,678,203	10,634,055	-	-	-	(1,024,463)	-	-	(942,430)	10,634,055
	19,980	19,980			\$ (259)					
	12,796	12,775			(25)			\$ 21		
	5,772	5,751						21		
	309,892				(11,593)					
					(1,726)					
					(1,702)					
	90,476	65,125						25,351		
	3,654	2,192			(298)			1,462		
	12,586	9,101			(16,306)			3,485		
					(341)					
	18,833	16,322						2,511		
	45,059	27,212						17,847		
	40,337	27,017						13,320		
	11,100	11,100								
	7,608									
	4,175					(4,175)				
	268,201	200,750			(32,250)	(4,175)		64,018		
\$ 15,265	32,214	15,265				(32,214)	\$ 105,624		(32,214)	15,265
	374,296	300,886								300,886
15,265	406,510	316,151				(32,214)	105,624		(32,214)	316,151
15,265	674,711	516,901			(32,250)	(36,389)	105,624	64,018	(32,214)	316,151
					(1,115)			1,459		
								3		
	228,704	228,321			(3,645)			383		
								4,032		
	45,463	42,270						2,613		
								3,193		
	274,167	270,591	-	-	(4,760)	-		11,683		
15,265	948,878	787,492	-	-	(37,010)	(36,389)	105,624	75,701	(32,214)	316,151
	387									
	6,600	6,931				(331)				6,931
-	6,987	6,931	-	-	-	(331)	-	-		6,931
\$ 15,265	\$ 11,634,068	\$ 11,428,478	\$ -	\$ -	\$ (37,010)	\$ (1,061,183)	\$ 105,624	\$ 75,701	\$ (974,644)	\$ 10,957,137
	890,632	890,632								
	32,270	32,270								
	1,799	1,799								
	768,987	768,987								
-	1,693,688	1,693,688	-	-	-	-	-	-		
\$ 15,265	\$ 13,327,756	\$ 13,122,166	\$ -	\$ -	\$ (37,010)	\$ (1,061,183)	\$ 105,624	\$ 75,701	\$ (974,644)	\$ 10,957,137

BOROUGH OF CLAYTON SCHOOL DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2017

Note 1: BASIS OF PRESENTATION

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. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. 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. Because these schedules present only a selected portion of the operations of the School District, it is not intended to and does not present the financial position and changes in operations of the School District.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 enterprise 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 these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

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 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 \$(8,018) for the general fund and \$(143,758) for the special revenue fund. The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$(143,758) 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	\$ 84,648	\$ 10,634,055	\$ 10,718,703
Special Revenue	1,563,052	703,093	2,266,145
Food Service	517,069	6,931	524,000
Total Awards and Financial Assistance	\$ <u>2,164,769</u>	\$ <u>11,344,079</u>	\$ <u>13,508,848</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 2015-2016.

Note 6: REIMBURSED AND ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2017 the School District was the recipient of federal and state assistance that represented either a reimbursement to the School District or payments made on-behalf of the School District. Revenues and expenditures reported under the federal food distribution program represent the current year value received and the current year distribution, respectively, of American-grown United States Department of Agriculture foods utilized in the School District's food service program. 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. Lastly, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs, non-contributory insurance and post-retirement medical costs, and long-term disability insurance related to TPAF members.

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, 2017

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? ___ yes x no

 Significant deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? ___ yes x no

 Significant deficiency(ies) identified? ___ yes x none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? ___ yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
		Child Nutrition Cluster:
10.553	171NJ304N1099	School Breakfast Program
10.555	171NJ304N1099	National School Lunch Program
10.555	171NJ304N1099	National School Lunch Program - HHFKA
10.555	171NJ304N1099	After School Snack
10.556	171NJ304N1099	Special Milk Program
10.550	171NJ304N1099	Food Distribution Program

Dollar threshold used to determine Type A programs \$ 750,000

Auditee qualified as low-risk auditee? x yes ___ no

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? ___ yes x no

Identification of major programs:

GMIS Number(s)

Name of State Program

 495-034-5120-078

 495-034-5120-089

 495-034-5120-084

 495-034-5120-068

 495-034-5095-083

 495-034-5120-098

 495-034-5120-097

 495-034-5120-101

 495-034-5120-102

State Aid Public:

 Equalization Aid

 Special Education

 Security Aid

 School Choice

 Under Adequacy Aid

 PARCC Readiness Aid

 Per Pupil Growth Aid

 Professional Learning Community Aid

 Host District Support Aid

Dollar threshold used to determine Type A programs \$ _____ 750,000

Auditee qualified as low-risk auditee? x yes ___ no

BOROUGH OF CLAYTON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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 Administration and 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, 2017

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

No current year findings.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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 State of New Jersey Circular 15-08-OMB.

No current year findings.

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

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*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

No prior year findings.

FEDERAL AWARDS

No prior year findings.

STATE FINANCIAL ASSISTANCE PROGRAMS

No prior year findings.

