

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



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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INTRODUCTORY SECTION

Nikolaos C. Koutsogiannis
Superintendent of Schools



Frances C. Adler
Business Administrator

February 6, 2019

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, 2018. 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 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 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 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 2017-2018 In-District Students Enrollment was 1443, which is about a quarter of one-percent lower than the previous year.

STUDENT ENROLLMENT:

FISCAL YEAR	STUDENT ENROLLMENT	% CHANGE
2018	1443	-0.28%
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%

ECONOMIC CONDITION AND OUTLOOK:

No new bond referendums were passed. We do expect an increase in enrollment due to the new Veteran’s Housing, Camp Salute as well as the continued sales in the Emerson Green Community. Our free and reduced lunch population remained steady at approximately 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 2017-2018 school year:

- 1) Develop a 3-year District strategic plan by June 2018.
- 2) To apply and submit an application for Green Sustainability by June 2018 and work towards certification by January 2019.
- 3) Develop an evaluation tool to accurately assess the resources that support implementation of our District curriculum by June 2018.
- 4) Create and develop opportunities for adult programming throughout the 2017-2018 school year.

PROGRESS TOWARD GOALS AND OBJECTIVES:

DISTRICT GOAL 1: Develop a 3-year District strategic plan by June 2018.

- We held 3 public sessions and created an on-line survey to gather information. (October, November, December)
- We held 3 writing sessions. (January, February)
- In the Spring of 2018 we developed a final draft, and it was presented to the Board of Education at the May meeting.

- In June the final plan was presented to the Board of Education for approval.

DISTRICT GOAL 2: To apply and submit an application for Green Sustainability by June 2018 and work towards certification by January 2019.

- The Green Team sent in the initial application for review in January.
- The revised application was sent in March with the final application sent in June. We will not know if we are approved until January of 2019.
- In the Summer of 2018 the District Green Team received Bronze Certification.

DISTRICT GOAL 3: Develop an evaluation tool to accurately assess the resources that support implementation of our District curriculum by June 2018.

- A curriculum evaluation tool has been created and was shared with the District Curriculum Committee on January 23, 2018. It has been used to evaluate several education programs throughout the school year.

DISTRICT GOAL 4: Create and develop opportunities for adult programming throughout the 2017-2018 school year.

- October – Internet Safety Class for parents
- November – Fulton Bank Home Buyers Workshop
- December – Nutrition Class for parents of Preschool students
- February – Behavior Management Class for Preschool parents; Furniture painting class
- April – Canvas Painting class; Military Opportunity Day
- May – Raising a Reader parent class

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, 2018, the District's outstanding debt issues amount to \$17,852,000.

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

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 contests, as well as fidelity bonds.

OTHER INFORMATION:

Independent Audit: An annual audit by independent certified public accountants is required by State Statutes. The accounting firm of Bowman & 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 Uniform Guidance and State of New Jersey Circular 15-08 OMB, 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 – Dawn Smith
 Middle School Teacher – Lisa Brodack
 High School Teacher – Tracy Moore

- 2. New Grant Awards: Special Olympics Play Unified Grant \$4,000

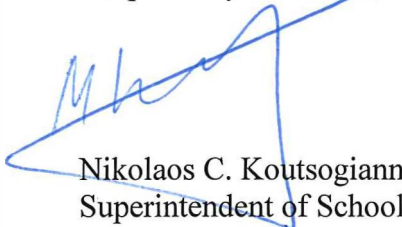
 Sustainable Jersey Health & Wellness School Gardens Grant
 \$4,000


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.

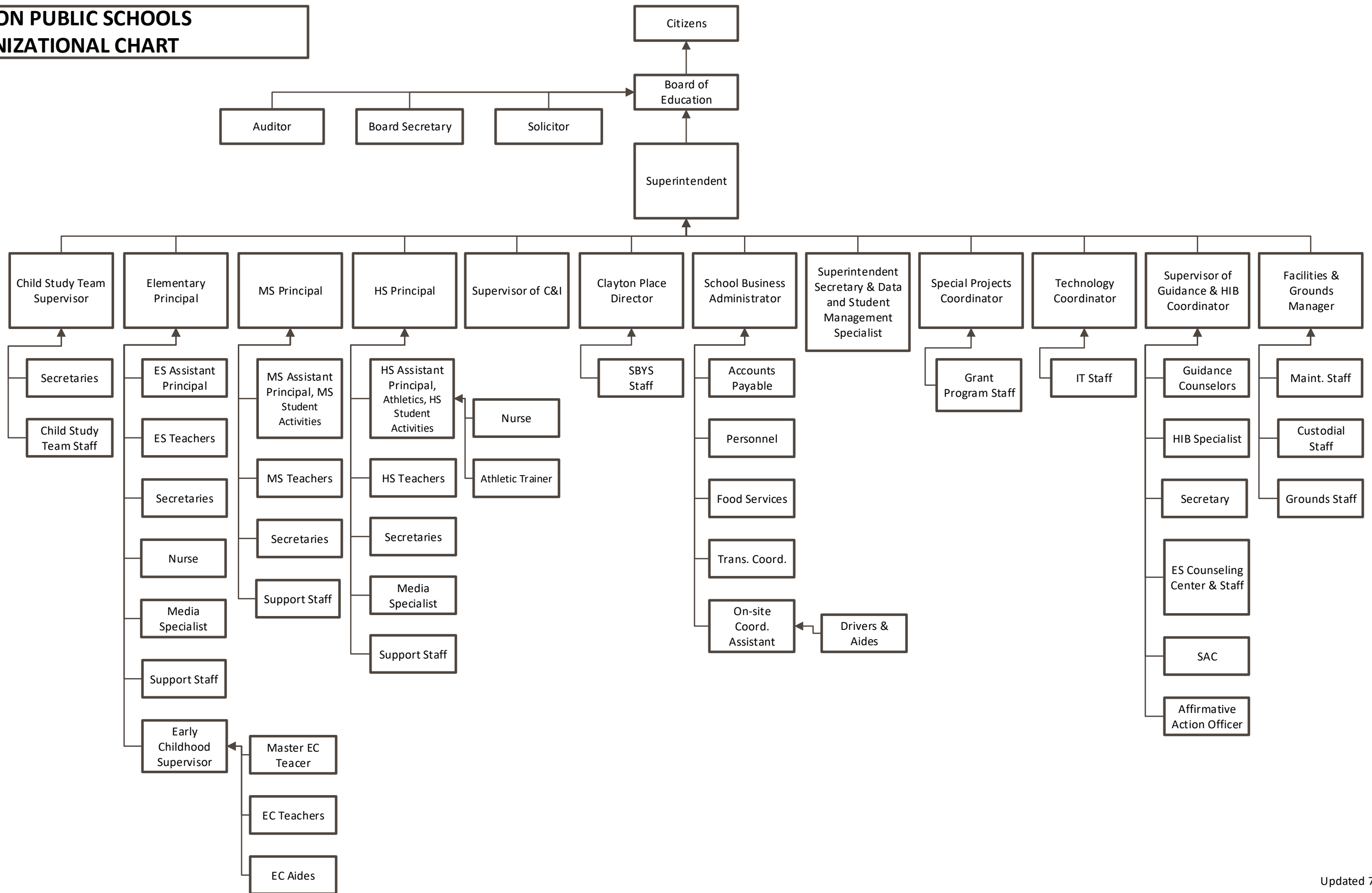
This report could not have been accomplished without the cooperation of the accounting staff of the school district and the administration.

Respectfully submitted,


Nikolaos C. Koutsogiannis
Superintendent of Schools


Frances C. Adler
School Business Administrator/Board Secretary

CLAYTON PUBLIC SCHOOLS ORGANIZATIONAL CHART



CLAYTON BOARD OF EDUCATION
CLAYTON, NEW JERSEY

ROSTER OF OFFICIALS

As of June 30, 2018

January 2018 – December 2018

Members of the Board of Education	Term Expires
Anthony Grafton, President	2019
Ron Durham, Vice President	2020
Bailey Burnett	2018
Paul Connell	2018
Jeremiah Long	2020
Robin Roche	2018
Stacey Ryan	2018
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

BB&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, 2018, 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle required the School District to recognize a revenue and expense on the government-wide statement of activities for the State's proportionate share of the postemployment expense associated with the School District. The related disclosures for the implementation of this new accounting pronouncement are included in note 10 in the notes to financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the School District's proportionate share of the net pension liability, schedule of the School District's pension contributions, and schedule of changes in the School District's total OPEB liability and related ratios, 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*, respectively, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Clayton School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Clayton School District's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



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

Voorhees, New Jersey
February 6, 2019

**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, 2018, 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 February 6, 2019. Our report on the financial statements included an emphasis of matter paragraph describing the adoption of new accounting principles.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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
February 6, 2019

REQUIRED SUPPLEMENTARY INFORMATION
PART I

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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, 2018 and 2017. 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 2018:

- During the fiscal year ended June 30, 2018, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The notes to the financial statements provide a more thorough discussion of the implementation of this GASB Statement and the effects to the financial statements.
- The assets of the Borough of Clayton School District exceeded its liabilities at the close of the most recent fiscal year by \$10,141,214 (net position).
- The School District's total net position decreased by \$964,320. 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 \$1,121,205, a decrease of \$34,972.
- At the end of the current fiscal year, unassigned fund balance for the general fund had a deficit of \$498,069, which is a decrease of \$69,119 in comparison with the prior year.
- The Borough of Clayton School District's total debt decreased by \$595,000, 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.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Cont'd)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

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.

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, 2018
(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 2018 and 2017.

TABLE 1
Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current and Other Assets	\$ 1,605,865	\$ 1,761,514	\$ (155,649)	-8.84%
Capital Assets	33,615,018	34,446,254	(831,236)	-2.41%
Total Assets	35,220,883	36,207,768	(986,885)	-2.73%
Deferred Outflows of Resources:				
Related to Pensions	1,610,749	2,418,372	(807,623)	100.00%
Total Deferred Outflows of Resources	1,610,749	2,418,372	(807,623)	100.00%
Liabilities:				
Long-Term Liabilities	23,236,046	25,677,282	(2,441,236)	-9.51%
Other Liabilities	1,695,374	1,604,173	91,201	5.69%
Total Liabilities	24,931,420	27,281,455	(2,350,035)	-8.61%
Deferred Inflow of Resources - Related to Pensions	1,758,998	239,151	1,519,847	100.00%
Net Position:				
Net Investment in Capital Assets	15,160,229	15,999,254	(839,025)	-5.24%
Restricted	934,619	1,012,146	(77,527)	-7.66%
Unrestricted (Deficit)	(5,953,634)	(5,905,866)	(47,768)	0.81%
Total Net Position	\$ 10,141,214	\$ 11,105,534	\$ (964,320)	-8.68%

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>% Change</u>
Deferred Outflows Related to Pensions	\$ 1,610,749	\$ 2,418,372	\$ (807,623)	100.00%
Less: Net Pension Liability	(5,263,586)	(7,573,560)	2,309,974	-30.50%
Less: Deferred Inflows Related to Pensions	(1,758,998)	(239,151)	(1,519,847)	-100.00%
	\$ (5,411,835)	\$ (5,394,339)	\$ (17,496)	0.32%

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Cont'd)

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

Table 3 reflects changes in net position for fiscal years 2018 and 2017.

TABLE 3
Change in Net Position

Revenues:	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>	<u>% Change</u>
Program Revenues:				
Charges for Services	\$ 437,801	\$ 409,728	\$ 28,073	6.85%
Operating Grants and Contributions	7,895,897	6,207,312	1,688,585	27.20%
General Revenues:				
Property Taxes	9,588,371	9,335,398	252,973	2.71%
Grants and Contributions	13,270,811	16,425,223	(3,154,412)	-19.20%
Other	337,746	200,745	137,001	68.25%
Total Revenues	<u>31,530,626</u>	<u>32,578,406</u>	<u>(1,047,780)</u>	<u>-3.22%</u>
Expenses:				
Instruction:				
Regular	8,179,123	7,506,505	672,618	8.96%
Special Education	1,993,424	2,015,086	(21,662)	-1.07%
Other Special Instruction	696,709	622,055	74,654	12.00%
Student Services:				
Tuition	1,687,761	1,266,009	421,752	33.31%
Student and Instruction Related	2,984,981	2,709,499	275,482	10.17%
General Administrative Services	490,636	466,160	24,476	5.25%
School Administrative Services	939,519	1,012,850	(73,331)	-7.24%
Central Services	317,920	279,232	38,688	13.86%
Administrative Information Technology	120,593	125,496	(4,903)	-3.91%
Plant Operations and Maintenance	1,541,896	1,519,818	22,078	1.45%
Pupil Transportation	839,399	887,879	(48,480)	-5.46%
Unallocated Benefits	11,141,478	13,353,187	(2,211,709)	100.00%
Interest on Long-Term Debt	812,537	989,537	(177,000)	-17.89%
Food Service	748,970	738,014	10,956	1.48%
Total Expenses	<u>32,494,946</u>	<u>33,491,327</u>	<u>(996,381)</u>	<u>-2.98%</u>
Increase (Decrease) in Net Position	<u>(964,320)</u>	<u>(912,921)</u>	<u>(51,399)</u>	<u>0.06</u>
Beginning Net Position	<u>11,105,534</u>	<u>12,018,455</u>	<u>(912,921)</u>	<u>-7.60%</u>
Ending Net Position	<u>\$ 10,141,214</u>	<u>\$ 11,105,534</u>	<u>\$ (964,320)</u>	<u>-8.68%</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited) (Cont'd)

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

Governmental Activities

In 2017-2018, Governmental Activities Revenues were \$30,806,039 or 97.70% of total revenues.

In 2016-2017, Governmental Activities Revenues were \$31,830,926 or 97.71% of total revenues.

The \$1,024,887 decrease in Governmental Activities Revenues from FY 2016-2017 to FY 2017-2018 was mainly related to the implementation of GASB 75.

In 2017-2018, General Revenues - Property Taxes of \$9,588,371 made up 31.12%, and General Revenues – Grants and Contributions not Restricted to Specific Programs of \$13,270,811 made up 43.08% of Governmental Activities 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 2017-2018, the School District's Governmental Activities expenditures decreased by \$1,007,337 or 3.08%. This decrease was related to Unallocated Benefits due to the GASB 75 OPEB Expense decreasing \$998,985 from 2016-2017.

Business-Type Activities

In 2017-2018 Business-Type Activities Revenues were \$724,587 or 2.30% of total revenues. In 2016-2017 Business-Type Activities Revenues were \$747,480 or 2.54% of total revenues.

Charges for Services for Business-Type Activities were \$242,594 in 2017-2018 compared to \$224,722 in 2016-2017, a 7.95% increase.

Operating Grants and Contributions for Business-Type Activities were \$481,748 in 2017-2018 compared to \$522,543 in 2016-2017, a 7.81% decrease.

Expenses for Business-Type Activities were \$748,970 in 2017-2018 compared to \$738,014 in 2016-2017, a 1.48% increase.

General Fund Budgeting Highlights

The final budgetary basis revenue estimate was \$19,405,919, which was greater than the original budget.

The 2017-2018 General Fund Tax Levy was \$8,439,514, an increase of \$217,945 or 2.65% from the 2016-2017 General Fund Tax Levy was \$8,221,569.

During fiscal year 2018, the School District budgeted \$8,439,514 for property taxes (local tax levy) and \$10,368,407 for state aid revenues.

The School District also received \$634,141 and \$2,056,399 reimbursed T.P.A.F. Social Security Aid and On-behalf T.P.A.F. Medical, Non-Contributory Insurance, Long-Term Disability Insurance and Pension Contributions, respectively. The Borough of Clayton School District's expenditures also include the reimbursed T.P.A.F. Social Security Aid and On-behalf T.P.A.F. Medical, Non-Contributory Insurance, Long-Term Disability Insurance and Pension Contributions of \$634,141 and \$2,056,399 respectively, which contributes to an unfavorable expenditure variance for the fiscal year.

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2018
 (Unaudited) (Cont'd)

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

General Fund Budgeting Highlights (cont'd)

The final budgetary basis expenditure appropriation estimate was \$20,477,274, which was greater than the original budget.

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 \$1,121,205, a decrease of \$34,972 in comparison with the prior year.

Of the combined ending fund balances of \$1,121,205, \$542,966 constitutes unassigned fund balance deficits. The remainder of fund balance of \$1,664,171 is restricted or assigned for various purposes.

Proprietary Fund - As of the end of the current fiscal year, the School District's proprietary fund had \$142,577 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, 2018 amounts to \$33,615,018 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, buildings and improvements, and equipment. There was a net decrease in the Borough of Clayton School District's investment in capital assets for the current fiscal year of 5.24%. The net decrease was the result of the net effect of the 2018 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, 2018</u>	<u>June 30, 2017</u>
Land	\$ 510,670	\$ 510,670
Site Improvements	1,008,374	1,082,728
Building and Improvements	30,833,236	31,831,881
Equipment	<u>1,262,738</u>	<u>1,020,975</u>
 Total Capital Assets	 <u>\$ 33,615,018</u>	 <u>\$ 34,446,254</u>

Depreciation expense was \$1,358,082 for fiscal year ended 2018 and \$1,185,370 for fiscal year ended 2017.

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 \$17,852,000. The entire Borough of Clayton School District's bonded debt is governmental as opposed to business-type. The 2018 adopted budget has an appropriation of \$595,000 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, 2018
(Unaudited) (Cont'd)

FACTORS ON THE DISTRICT'S FUTURE

For the 2017-18 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 31.10% of total revenue is from local tax levy and 43.10% 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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 703,435	\$ 115,473	\$ 818,908
Receivables, net	438,031	20,965	458,996
Internal Balances	(3,885)	3,885	
Inventory		6,128	6,128
Restricted Assets:			
Capital Reserve Account - Cash	160,527		160,527
Restricted Cash and Cash Equivalents	161,306		161,306
Capital Assets, net (Note 6)	33,521,791	93,227	33,615,018
Total Assets	34,981,205	239,678	35,220,883
DEFERRED OUTFLOWS:			
Related to Pension (Note 9)	1,610,749		1,610,749
LIABILITIES:			
Accounts Payable	360,002	3,874	363,876
Payable to State Government	33,062		33,062
Unearned Revenue	172,490		172,490
Accrued Interest Payable	257,950		257,950
Noncurrent Liabilities (Note 7):			
Due within One Year	867,996		867,996
Due beyond One Year	23,236,046		23,236,046
Total Liabilities	24,927,546	3,874	24,931,420
DEFERRED INFLOWS:			
Related to Pension (Note 9)	1,758,998		1,758,998
NET POSITION:			
Net Investment in Capital Assets	15,067,002	93,227	15,160,229
Restricted for:			
Capital Projects	160,527		160,527
Other Purposes	774,092		774,092
Unrestricted (Deficit)	(6,096,211)	142,577	(5,953,634)
Total Net Position	\$ 9,905,410	\$ 235,804	\$ 10,141,214

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, 2018

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	\$ 8,179,123		\$ 721,339	\$ (7,457,784)		\$ (7,457,784)
Special Education	1,993,424	\$ 195,207	480,750	(1,317,467)		(1,317,467)
Other Instruction	696,709		35,224	(661,485)		(661,485)
Support Services:						
Tuition	1,687,761		354,613	(1,333,148)		(1,333,148)
Student and Instruction Related Services	2,984,981		888,767	(2,096,214)		(2,096,214)
General Administrative Services	490,636			(490,636)		(490,636)
School Administrative Services	939,519			(939,519)		(939,519)
Central Services	317,920			(317,920)		(317,920)
Administrative Information Technology	120,593			(120,593)		(120,593)
Plant Operations and Maintenance	1,541,896			(1,541,896)		(1,541,896)
Pupil Transportation	839,399			(839,399)		(839,399)
Unallocated Benefits	11,141,478		4,933,456	(6,208,022)		(6,208,022)
Interest on Long-Term Debt	812,537			(812,537)		(812,537)
Total Governmental Activities	31,745,976	195,207	7,414,149	(24,136,620)		(24,136,620)
Business-Type Activities:						
Food Service	748,970	242,594	481,748		\$ (24,628)	(24,628)
Total Business-Type Activities	748,970	242,594	481,748		(24,628)	(24,628)
Total Government	\$ 32,494,946	\$ 437,801	\$ 7,895,897	(24,136,620)	(24,628)	(24,161,248)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				8,439,514		8,439,514
Property Taxes, Levied for Debt Service				1,148,857		1,148,857
Federal and State Aid Not Restricted				13,270,811		13,270,811
Transportation Fees from other LEAs within State				4,916		4,916
Interest and Investment Earnings				4,019	245	4,264
Miscellaneous Income				335,705		335,705
Loss on Disposal of Capital Assets				(7,139)		(7,139)
Total General Revenues and Loss on Disposal of Capital Assets				23,196,683	245	23,196,928
Change in Net Position				(939,937)	(24,383)	(964,320)
Net Position -- July 1				10,845,347	260,187	11,105,534
Net Position -- June 30				\$ 9,905,410	\$ 235,804	\$ 10,141,214

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 703,435	\$ 144,195	\$ 17,111		\$ 864,741
Cash - Capital Reserve Account	160,527				160,527
Accounts Receivable					
State	142,619	743			143,362
Federal		190,290			190,290
Other	104,379				104,379
Interfunds Receivable	170,138				170,138
Total Assets	\$ 1,281,098	\$ 335,228	\$ 17,111	\$ -	\$ 1,633,437
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 127,679	\$ 4,978			\$ 132,657
Interfunds Payable		156,912	\$ 17,111		174,023
Payable to State Government		33,062			33,062
Unearned Revenue		172,490			172,490
Total Liabilities	127,679	367,442	17,111		512,232
Fund Balances:					
Restricted:					
Capital Reserve Account	160,527				160,527
Excess Surplus--Designated for Subsequent Year's Expenditures	601,073				601,073
Excess Surplus	173,019				173,019
Assigned:					
Other Purposes	83,158				83,158
Subsequent Year's Expenditures	646,394				646,394
Unassigned (Deficit)	(510,752)	(32,214)			(542,966)
Total Fund Balances	1,153,419	(32,214)	-		1,121,205
Total Liabilities and Fund Balances	\$ 1,281,098	\$ 335,228	\$ 17,111	\$ -	

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 \$49,920,374, and the accumulated depreciation is \$16,398,583.

33,521,791

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.

(18,840,456)

Accrued interest payable

(257,950)

Net Pension Liability

(5,263,586)

Accounts Payable related to the April 1, 2019 Required PERS pension contribution that is not to be liquidated with current financial resources.

(227,345)

Deferred Outflows of Resources - Related to Pensions

1,610,749

Deferred Inflows of Resources - Related to Pensions

(1,758,998)

Net position of governmental activities

\$ 9,905,410

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Tax Levy	\$ 8,439,514			\$ 1,148,857	\$ 9,588,371
Tuition Charges	195,207				195,207
Interest	4,019				4,019
Transportation Charges	4,916				4,916
Unrestricted Miscellaneous Revenues	266,424				266,424
State Sources	13,101,376	\$ 739,814		108,968	13,950,158
Federal Sources	60,467	1,633,908			1,694,375
Local Sources	69,281	345,280			414,561
Total Revenues	22,141,204	2,719,002	-	1,257,825	26,118,031
EXPENDITURES:					
Current:					
Regular Instruction	6,717,042	721,339			7,438,381
Special Education Instruction	1,318,908	538,895			1,857,803
Other Special Instruction		35,224			35,224
Other Instruction	599,808				599,808
Support Services and Undistributed Costs:					
Tuition	1,333,148	354,613			1,687,761
Student and Instruction Related Services	1,923,828	863,329			2,787,157
General Administrative Services	490,636				490,636
School Administrative Services	851,918				851,918
Central Services	288,277				288,277
Administrative Information Technology	109,349				109,349
Plant Operations and Maintenance	1,398,129				1,398,129
Pupil Transportation	937,162				937,162
Unallocated Benefits	6,172,652	238,309			6,410,961
Debt Service:					
Principal				595,000	595,000
Interest and Other Charges	156,872			662,825	819,697
Capital Outlay	497,677	25,438	\$ 23,177		546,292
Total Expenditures	22,795,406	2,777,147	23,177	1,257,825	26,853,555
Excess (Deficiency) of Revenues over Expenditures	(654,202)	(58,145)	(23,177)	-	(735,524)
OTHER FINANCING SOURCES (USES):					
Assets Acquired Under Capital Leases	700,552				700,552
Operating Transfers In		58,145			58,145
Operating Transfers Out	(58,145)				(58,145)
Total Other Financing Sources (Uses)	642,407	58,145	-	-	700,552
Net Change in Fund Balances	(11,795)	-	(23,177)	-	(34,972)
Fund Balance -- July 1	1,165,214	(32,214)	23,177	-	1,156,177
Fund Balance -- June 30	<u>\$ 1,153,419</u>	<u>\$ (32,214)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121,205</u>

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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	(34,972)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<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	\$	(1,358,081)
Capital Outlays		<u>546,292</u>
		(811,789)
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.		595,000
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. (+)		7,160
Assets acquired under capital leases do not effect the statement of net position, however, are reported as a financing source in the governmental funds.		(700,552)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the statement of activities.		97,763
The net effect of various miscellaneous transactions involving capital assets (I.e., disposals and donations) is to decrease net position		(7,139)
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 (+).		(50,038)
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.		<u>(35,370)</u>
Change in Net Position of Governmental Activities	\$	<u>(939,937)</u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT

Proprietary Fund
Statement of Net Position
June 30, 2018

	Business-Type Activities - <u>Enterprise Fund</u>
	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 115,473
Accounts Receivable:	
State	301
Federal	20,664
Interfund	3,885
Inventories	<u>6,128</u>
Total Current Assets	<u>146,451</u>
Noncurrent Assets:	
Equipment	353,558
Less Accumulated Depreciation	<u>260,331</u>
Total Noncurrent Assets	<u>93,227</u>
Total Assets	<u>239,678</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>3,874</u>
Total Current Liabilities	<u>3,874</u>
NET POSITION:	
Net Investment in Capital Assets	93,227
Unrestricted	<u>142,577</u>
Total Net Position	<u>\$ 235,804</u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 122,320
Daily Sales - Non-Reimbursable Programs	111,300
Special Functions	<u>8,974</u>
Total Operating Revenues	<u>242,594</u>
OPERATING EXPENSES:	
Salaries	281,948
Employee Benefits	40,685
Supplies and Materials	19,209
Cost of Sales - Reimbursable Programs	277,349
Cost of Sales - Non-Reimbursable Programs	55,222
Management Fee	53,487
Other Purchased Services	4,492
Depreciation	<u>16,578</u>
Total Operating Expenses	<u>748,970</u>
Operating Income (Loss)	<u>(506,376)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	6,877
Federal Sources:	
Healthy Hunger Free Kids Program	7,749
After School Snack	13,392
National School Lunch Program	282,627
School Breakfast Program	122,662
United States Department of Agriculture Commodities	48,441
Interest and Investment Revenue	<u>245</u>
Total Nonoperating Revenues	<u>481,993</u>
Change in Net Position	(24,383)
Total Net Position -- July 1	<u>260,187</u>
Total Net Position -- June 30	<u>\$ 235,804</u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 242,752
Payments to Employees	(281,948)
Payments for Employee Benefits	(40,685)
Payments to Suppliers	<u>(359,847)</u>
Net Cash Provided by (used for) Operating Activities	<u>(439,728)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	<u>436,199</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>436,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>(4,270)</u>
Net Cash Provided by (used for) Investing Activities	<u>(4,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>245</u>
Net Cash Provided by (used for) Investing Activities	<u>245</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,554)
Cash and Cash Equivalents -- July 1	<u>123,027</u>
Cash and Cash Equivalents -- June 30	<u>\$ 115,473</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (506,376)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	16,578
Federal Commodities	48,441
(Increase) Decrease in Inventories	1,471
Increase (Decrease) in Other Current Liabilities	<u>158</u>
Total Adjustments	<u>66,648</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (439,728)</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, 2018

	Private Purpose Trust Fund	<u>Agency Funds</u>	
	<u>Scholarship Trust</u>	<u>Student Activity</u>	<u>Payroll</u>
ASSETS:			
Cash and Cash Equivalents	\$ 2,774	\$ 197,163	\$ 24,817
Total Assets	<u>2,774</u>	<u>\$ 197,163</u>	<u>\$ 24,817</u>
LIABILITIES:			
Payable to Student Groups		\$ 197,163	
Payroll Deductions and Withholdings			<u>\$ 24,817</u>
Total Liabilities		<u>\$ 197,163</u>	<u>\$ 24,817</u>
NET POSITION:			
Held in Trust for Other Purposes	<u>\$ 2,774</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, 2018

	Private Purpose Trust Fund
	Scholarship Trust
ADDITIONS:	
Investment Earnings	
Interest	\$ 5
Net Investment Earnings	5
Total Additions	5
DEDUCTIONS:	
Scholarship Payments	100
Total Deductions	100
Change in Net Position	(95)
Net Position -- July 1	2,869
Net Position -- June 30	\$ 2,774

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, 2018

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

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, 2018 of 1,436.

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 Fund - Private-purpose trust fund is 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 fund:

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 internal/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, 2018. The School District had no prepaid expenses for the fiscal year ended June 30, 2018.

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 and postemployment benefit plans.

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, 2018 and 2017 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, 2018, 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, 2018:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of this Statement required the School District to recognize a revenue and expense on the government-wide statement of activities for the State's proportionate share of the postemployment expense associated with the School District. In addition, the School District was required to include additional note disclosures (see note 10) and required supplementary information related to postemployment benefits.

Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). 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 Accounting Pronouncements (Cont'd)**

The GASB has issued the following Statements that will become effective for the School District for fiscal years ending after June 30, 2018:

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the School District in the fiscal year ending June 30, 2020. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the School District.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the School District in the fiscal year ending June 30, 2021. Management is currently evaluating whether or not this Statement will have an 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, 2018, the School District's bank balance of \$2,205,390 was exposed to custodial credit risk as follows:

Insured	\$	847,442
Insured under GUDPA		1,357,948
Uninsured/Uncollateralized		-
	\$	2,205,390

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of \$105 on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2017	\$	166,729
Increased by:		
Budgeted Increase in Capital Reserve		
Transfer per June 12, 2018 Resolution	80,000	
Interest Earnings	<u>267</u>	
		<u>80,267</u>
		246,996
Decreased by:		
Withdrawals		<u>86,469</u>
Ending Balance, June 30, 2018	<u>\$</u>	<u>160,527</u>

The June 30, 2018 LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 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, 2018 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.

Note 4: ACCOUNTS RECEIVABLES (CONT'D)

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

	<u>Governmental Funds</u>		<u>Total Governmental Activities</u>	<u>Proprietary Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>		<u>Food Service Fund</u>	<u>Total Business- Type Activities</u>	
Federal Awards		\$ 190,290	\$ 190,290	\$ 20,664	\$ 20,664	\$ 396,712
State Awards	\$ 142,619	743	143,362	301	301	143,663
Other	104,379		104,379			104,379
Total	\$ 246,998	\$ 191,033	\$ 438,031	\$ 20,965	\$ 20,965	\$ 644,754

Note 5: INVENTORY

Inventory recorded at June 30, 2018 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	\$ 3,533
Supplies	<u>2,595</u>
	<u>\$ 6,128</u>

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2018</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 510,670			\$ 510,670
Total Capital Assets, not being Depreciated	510,670	-	-	510,670
Capital Assets, being Depreciated:				
Site Improvements	2,029,522			2,029,522
Buildings and Improvements	44,663,833	\$ 41,017		44,704,850
Equipment	2,194,856	505,275	\$ (24,799)	2,675,333
Total Capital Assets, being Depreciated	48,888,211	546,292	(24,799)	49,409,705
Less Accumulated Depreciation for:				
Site Improvement	(946,794)	(74,354)		(1,021,148)
Building and Improvements	(12,831,952)	(1,039,662)		(13,871,614)
Equipment	(1,279,416)	(244,065)	17,660	(1,505,822)
Total Accumulated Depreciation	(15,058,162)	(1,358,081)	17,660	(16,398,584)
Total Capital Assets, being Depreciated, Net	33,830,049	(811,789)	(7,139)	33,011,121
Governmental Activities Capital Assets, Net	<u>\$ 34,340,719</u>	<u>\$ (811,789)</u>	<u>\$ (7,139)</u>	<u>\$ 33,521,791</u>
Business-Type Activities:				
Capital Assets, being Depreciated:				
Equipment	\$ 349,288	\$ 4,270		\$ 353,558
Less Accumulated Depreciation for:				
Equipment	(243,753)	(16,578)		(260,331)
Total Business-Type Activities Capital Assets, Net	<u>\$ 105,535</u>	<u>\$ (12,308)</u>	<u>\$ -</u>	<u>\$ 93,227</u>

Note 6: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:

Instruction	\$ 888,001
Student & Instruction Related Services	197,824
General and Business Administrative Services	128,489
Plant Operations and Maintenance	<u>143,767</u>
Total Depreciation – Governmental Activities	<u>\$ 1,358,081</u>

Business-Type Activities:

Food Service	<u>\$ 16,578</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 16,578</u>

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in long-term obligations:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 18,447,000		\$ (595,000)	\$ 17,852,000	\$ 625,000
Other Liabilities:					
Net Pension Liability	7,573,560	\$ 1,867,396	(4,177,370)	5,263,586	
Obligations under Capital Lease		700,552	(97,763)	602,789	146,579
Compensated Absences	<u>335,629</u>	<u>218,799</u>	<u>(168,761)</u>	<u>385,667</u>	<u>96,417</u>
Total Other Liabilities	<u>7,909,189</u>	<u>2,786,747</u>	<u>(4,443,894)</u>	<u>6,252,042</u>	<u>242,996</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 26,356,189</u>	<u>2,786,747</u>	<u>\$ (5,038,894)</u>	<u>\$ 24,104,042</u>	<u>\$ 867,996</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	2018 to 2035	3.50-4.375%	\$ 8,692,000
2015	9,730,000	2019 to 2040	3.00-4.00%	<u>9,160,000</u>
				<u>\$ 17,852,000</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>
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	740,000	551,344	1,291,344
2024-2028	4,220,000	2,327,782	6,547,782
2029-2033	5,225,000	1,477,725	6,702,725
2034-2038	3,952,000	531,825	4,483,825
2039-2040	1,050,000	63,000	1,113,000
	<u>\$ 17,852,000</u>	<u>\$ 7,393,746</u>	<u>\$ 25,245,746</u>

Bonds Authorized But Not Issued - As of June 30, 2018, the School District had no authorizations to issue additional bonded debt.

Obligation under Capital Lease - The School District is leasing bus equipment totaling \$700,552 under a capital lease. The capital lease is for a term of five years. Capital leases are depreciated in a manner consistent with the School District's depreciation policy for owned assets. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2018.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 146,579	\$ 11,151	\$ 157,730
2020	149,291	8,440	157,731
2021	152,053	5,678	157,731
2022	154,866	2,865	157,731
	<u>\$ 602,789</u>	<u>\$ 28,134</u>	<u>\$ 630,923</u>

Compensated Absences – As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 14 for a description of the School District's policy.

Net Pension Liability – For details on the net pension liability, refer to note 9. 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: OPERATING LEASES

At June 30, 2018, 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>
2019	\$ 400,029
2020	400,029
2021	272,026
2022	231,792
	<u>\$ 1,303,876</u>

Rental payments under operating leases for the fiscal year ended June 30, 2018 were \$392,429.

Note 9: 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, required supplementary information and detailed information about the PERS and TPAF plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>

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.

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.

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)**

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 New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (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 \$5,000.00 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 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 years or more 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.

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

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Public Employees' Retirement System (Cont'd) - The membership tiers for PERS are the same as previously noted 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 with 25 years or more service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. For fiscal year 2017, 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*.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 10.47% 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, 2018 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, 2017, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2018 was \$921,350, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$652,891.

Note 9: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Contributions (Cont'd)**

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 7.34% in State fiscal year 2018. 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) was 10%. Employer 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, 2018 was 14.59% 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, 2017, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$209,471, and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$120,348.

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, 2018, employee contributions totaled \$16,454, and the School District recognized pension expense, which equaled the required contributions, of \$8,975. 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, 2018, 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.

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>53,321,111</u>
	<u>\$ 53,321,111</u>

Note 9: 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 net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. For the June 30, 2017 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, 2017, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2017 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.0820500629%, which was an increase of 0.0013398861% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized \$2,054,299 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, 2017 measurement date.

Public Employees' Retirement System - At June 30, 2018, the School District reported a liability of \$5,263,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. 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, 2017 measurement date, the School District's proportion was 0.0226114570%, which was a decrease of 0.0029600932% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School District recognized pension expense of \$248,349, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date.

Note 9: 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, 2018, 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	\$ 123,939	\$ -
Changes of Assumptions	1,060,431	1,056,543
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	35,841	-
Changes in Proportion and Differences Between School District Contributions and Proportionate Share of Contribution	163,193	702,455
School District Contributions Subsequent to the Measurement Date	<u>227,345</u>	<u>-</u>
	<u>\$ 1,610,749</u>	<u>\$ 1,758,998</u>

\$227,345 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2019. 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>
2019	\$ (10,905)
2020	52,168
2021	(6,214)
2022	(244,280)
2023	<u>(166,363)</u>
	<u>\$ (375,594)</u>

Note 9: 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	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
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	-
June 30, 2017	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, 2016	5.57	5.57
June 30, 2017	5.48	5.48

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.25%	2.25%
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	7.00%	7.00%
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 (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Note 9: PENSION PLANS (CONT'D)Actuarial Assumptions (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rates used to measure the total pension liability at June 30, 2017 were 4.25% and 5.00% 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 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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. The State employer contributed 40% of the actuarially determined amount for TPAF and PERS and the local employers contributed 100% of the actuarially determined amount for PERS. 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 2036 for TPAF and 2040 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 for TPAF and 2040 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 9: 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, 2017, 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 4.25%, 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 (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability	<u>65,723,215</u>	<u>55,321,111</u>	<u>46,751,812</u>
	<u>\$ 65,723,215</u>	<u>\$ 55,321,111</u>	<u>\$ 46,751,812</u>

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, 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 (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
School District's Proportionate Share of the Net Pension Liability	<u>\$ 6,529,835</u>	<u>\$ 5,263,586</u>	<u>\$ 4,208,643</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's 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 <http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN****General Information about the OPEB Plan**

Plan Description and Benefits Provided - The State Health Benefit Local Education Retired Employees Plan (the "OPEB Plan") is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 - *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the "Division") and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publically available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

Employees Covered by Benefit Terms - At June 30, 2018, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active plan members	223,747
Inactive plan members or beneficiaries currently receiving benefits	142,331
Inactive plan members entitled to but not yet receiving benefit payments	<u>-</u>
	<u>366,078</u>

Total Non-Employer OPEB Liability

The State of New Jersey, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to the OPEB Plan for qualified retired TPAF, PERS, PFRS and ABP participants. The School District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the School District as of June 30, 2018 was \$46,521,379. Since the OPEB liability associated with the School District is 100% attributable to the State, the OPEB liability will be referred to as the total Non-Employer OPEB Liability.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

The total Non-Employer OPEB Liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total Non-Employer OPEB Liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. For the June 30, 2017 measurement date, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the School District was 0.0867291502%, which was a decrease of 0.0001794170% from its proportion measured as of June 30, 2016.

Actuarial Assumptions and Other Inputs - The actuarial assumptions and other inputs vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2016 used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases –

	<u>TPAF/ABP (1)</u>	<u>PERS (2)</u>	<u>PFRS (2)</u>
Through 2026	1.55% - 4.55%	2.15% - 4.15%	2.10% - 8.98%
Thereafter	2.00% - 5.45%	3.15% - 5.15%	3.10% - 9.98%

(1) – Based on years of service

(2) – Based on age

Inflation Rate - 2.50%.

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

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

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

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

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

Changes in the Total Non-Employer OPEB Liability - The below table summarizes the State's proportionate share of the change in the Total Non-Employer OPEB Liability associated with the School District:

Balance at June 30, 2017		\$	50,260,775
Changes for the year:			
Service cost	\$	2,097,019	
Interest cost		1,477,512	
Changes in assumptions		(6,276,071)	
Gross benefit payments		(1,077,534)	
Member contributions		39,678	
Net changes			<u>(3,739,396)</u>
Balance at June 30, 2018		\$	<u>46,521,379</u>

There were no changes in benefit terms between the June 30, 2016 measurement date and the June 30, 2017 measurement date.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% for the June 30, 2016 measurement date to 3.58% for the June 30, 2017 measurement date.

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate - The State's proportionate share of the total Non-Employer OPEB Liability as of June 30, 2017, associated with the School District, using a discount rate of 3.58%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used is as follows:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 55,224,233</u>	<u>\$ 46,521,379</u>	<u>\$ 39,618,192</u>

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Healthcare Cost Trend Rates - The State's proportionate share of the total Non-Employer OPEB Liability as of June 30, 2017, associated with the School District, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	1% Increase	Healthcare Cost Trend Rates	1% Increase
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 38,259,337</u>	<u>\$ 46,521,379</u>	<u>\$ 57,493,274</u>

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Non-Employer OPEB Liability - For the fiscal year ended June 30, 2018, the School District recognized \$2,917,080 in OPEB expense and revenue, in the government-wide financial statements, for the State's proportionate share of the OPEB Plan's OPEB Expense, associated with the School District. This expense and revenue was based on the OPEB Plan's June 30, 2017 measurement date.

In accordance with GASBS No. 75, the School District's proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the School District. However, at June 30, 2018, the State's proportionate share of the total Non-Employer OPEB Liability's deferred outflows of resources and deferred inflows of resources, associated with School District, from the following sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	-	\$ 81,989
Changes of assumptions or other inputs	-	<u>5,501,897</u>
	<u>\$ -</u>	<u>\$ 5,583,886</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability, associated with the School District, will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	
2019	\$ (653,851)
2020	(653,851)
2021	(653,851)
2022	(653,851)
2023	(653,851)
Thereafter	<u>(2,314,631)</u>
	<u>\$ (5,583,886)</u>

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2018, 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 \$1,218,575, \$806,152, \$29,572 and \$2,100, respectively.

Note 12: 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 13: 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 14: 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, 2018, the liability for compensated absences reported on the government-wide statement of net position was \$395,141.

Note 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 170,138	
Special Revenue		\$ 156,912
Capital Projects		17,111
Food Service	3,885	
	<u>\$ 174,023</u>	<u>\$ 174,023</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2019, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Interfund 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 16: 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 17: 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 18: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$498,069 in the general fund and \$32,214 in the special revenue fund as of June 30, 2018 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 \$530,283 is less than the June state aid payments.

Note 19: 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, 2018 is \$173,019. Additionally, \$601,073 of excess fund balance generated during 2016-2017 has been restricted and designated for utilization in the 2018-2019 budget.

For Capital Reserve Account - As of June 30, 2018, the balance in the capital reserve account is \$160,527. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

ASSIGNED

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

General Fund

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2019 \$646,394 of general fund balance at June 30, 2018.

Other Purposes - As of June 30, 2018, the School District had \$83,158 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Note 19: FUND BALANCES (CONT'D)**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, 2018, \$(510,752) of general fund balance was unassigned.

Special Revenue Fund - As of June 30, 2018, 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 18, 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, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 8,439,514		\$ 8,439,514	\$ 8,439,514	
Other Local Government Units	66,500		66,500	69,281	\$ 2,781
Tuition - LEAs w/in state	175,970		175,970	195,207	19,237
Interest				3,769	3,769
Unrestricted Misc. Revenues	305,000	\$ 100	305,100	266,424	(38,676)
Interest Earned on Capital Reserve	100	(100)		250	250
Transportation Fees - from other LEAs within State	12,000		12,000	4,916	(7,084)
Total - Local Sources	8,999,084	-	8,999,084	8,979,361	(19,723)
State Sources:					
School Choice Aid	141,455		141,455	141,455	
Equalization Aid	8,722,290	332,789	9,055,079	9,055,079	
Nonpublic Transportation Aid				14,790	14,790
Extraordinary Aid	60,000		60,000	113,801	53,801
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)				1,218,575	1,218,575
On-Behalf T.P.A.F. Non-Contributory Insurance (non-budgeted)				29,572	29,572
On-Behalf T.P.A.F. Long-Term Disability Insurance (non-budgeted)				2,100	2,100
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				806,152	806,152
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				634,141	634,141
Total - State Sources	10,035,618	332,789	10,368,407	13,127,538	2,759,131
Federal Sources:					
Medicaid Reimbursement	38,428		38,428	60,467	22,039
Total - Federal Sources	38,428	-	38,428	60,467	22,039
Total Revenues	19,073,130	332,789	19,405,919	22,167,366	2,761,447

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool / Kindergarten	\$ 373,610		\$ 373,610	\$ 372,814	\$ 796
Grades 1-5	1,822,147	\$ 7,100	1,829,247	1,824,699	4,548
Grades 6-8	1,292,098	(11,910)	1,280,188	1,270,907	9,281
Grades 9-12	1,770,480	(48,184)	1,722,296	1,712,879	9,417
Regular Programs - Home Instruction:					
Salaries of Teachers	17,000		17,000	16,844	156
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	53,850	(53,850)			
Purchased Professional / Educational Services	560,888	151,883	712,771	707,263	5,508
Purchased Professional and Technical Services	39,101		39,101	28,771	10,330
Other Purchased Services	6,500		6,500	700	5,800
General Supplies	246,997	(5,014)	241,983	238,872	3,111
Textbooks	154,075	(13,103)	140,972	138,507	2,465
Other Objects	8,600	(4,000)	4,600	4,280	320
Total Regular Programs	6,345,346	22,922	6,368,268	6,316,536	51,732
Behavioral Disabilities					
Salaries of Teachers	153,838	2,501	156,339	156,338	1
Purchased Services	62,459	(10,000)	52,459	47,000	5,459
General Supplies	6,500	(4,000)	2,500	1,091	1,409
Total Behavioral Disabilities	222,797	(11,499)	211,298	204,429	6,869
Multiple Disabilities					
Salaries of Teachers	108,557	48,590	157,147	157,147	
Other Salaries for Instruction	834	1,060	1,894	1,894	
Purchased Services	58,280	27,695	85,975	63,530	22,445
General Supplies	5,000	1,400	6,400	5,688	712
Total Multiple Disabilities	172,671	78,745	251,416	228,259	23,157
Resource Room / Resource Center:					
Salaries of Teachers	861,781	14,249	876,030	831,891	44,139
Other Salaries for Instruction	37,965		37,965	37,854	111
Total Resource Room / Resource Center	899,746	14,249	913,995	869,745	44,250

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd)					
Home Instruction					
Salaries of Teachers	\$ 1,000	\$ 2,820	\$ 3,820	\$ 3,820	
Purchase Professional - Educational Services	7,000	5,656	12,656	12,655	\$ 1
Total Home Instruction	8,000	8,476	16,476	16,475	1
Total Special Education - Instruction	1,303,214	89,971	1,393,185	1,318,908	74,277
Basis Skills / Remedial - Instruction					
Salaries of Teachers	17,241	(9,178)	8,063	2,749	5,314
Other Salaries	24,018		24,018	24,018	
Total Basis Skills / Remedial - Instruction	41,259	(9,178)	32,081	26,767	5,314
Bilingual Education - Instruction:					
Salaries of Teachers	77,467	(12,786)	64,681	64,568	113
Total Bilingual Education - Instruction	77,467	(12,786.00)	64,681	64,568	113
School Sponsored Cocurricular Activities - Instruction:					
Salaries	122,997	(6,096)	116,901	113,550	3,351
Purchased Services	5,100		5,100	2,940	2,160
Supplies and Materials	4,400	(1,120)	3,280	3,280	
Other Objects - Cocurricular	5,000	(456)	4,544	4,215	329
Total School Sponsored Cocurricular Activities - Instruction	137,497	(7,672)	129,825	123,985	5,840
School Sponsored Athletics - Instruction:					
Salaries	214,151	10,951	225,102	225,102	
Purchased Services	70,394	(1,705)	68,689	68,037	652
Supplies and Materials	32,525	(2,672)	29,853	29,643	210
Other Objects	32,750	(3,188)	29,562	29,213	349
Total School Sponsored Athletics - Instruction	349,820	3,386	353,206	351,995	1,211
Instructional/Alternative Education Program - Instruction					
Salaries	27,400	5,093	32,493	32,493	
Total Instructional/Alternative Education Program - Instruction	27,400	5,093	32,493	32,493	
Total Instruction	8,282,003	91,736	8,373,739	8,235,252	138,487

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd)					
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within State - Regular	\$ 54,600	\$ (19,025)	\$ 35,575	\$ 35,401	\$ 174
Tuition to Other LEA's Within State - Special	136,607	(30,876)	105,731	105,731	
Tuition To Cty Sch. - Reg	93,600	(13,973)	79,627	77,220	2,407
Tuition to CSSD & Reg. Day Schools	572,180	45,400	617,580	613,840	3,740
Tuition to Private Schools for the Disabled - Within State	483,268	(1,715)	481,553	476,181	5,372
Tuition - State Facilities	24,775		24,775	24,775	
Total Undistributed Expenditures - Instruction	1,365,030	(20,189)	1,344,841	1,333,148	11,693
Undistributed Expenditures - Health Services:					
Salaries	115,001	(1,700)	113,301	110,071	3,230
Purchased Professional and Technical Services	21,917		21,917	18,111	3,806
Other Purchased Services	1,300		1,300	1,300	
Supplies and Materials	3,500	302	3,802	3,045	757
Total Undistributed Expenditures - Health Services	141,718	(1,398)	140,320	132,527	7,793
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Salaries	137,854	(1,642)	136,212	133,412	2,800
Purchased Professional - Educational Services	63,962	34,074	98,036	98,036	
Supplies and Materials	1,400	1,700	3,100	3,100	
Total Undistributed Expenditures - Other Support Services - Students - Related Services	203,216	34,132	237,348	234,548	2,800
Undistributed Expenditures - Other Support Services - Students - Extraordinary:					
Salaries	46,967		46,967	46,967	
Purchased Professional - Educational Services	60,909	1,642	62,551	62,550	1
Total Undistributed Expenditures - Other Support Services - Students - Extraordinary	107,876	1,642	109,518	109,517	1

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd)					
Undistributed Expenditures - Other Support Services -					
Students - Guidance:					
Salaries of Other Professional Staff	\$ 512,347	\$ 105	\$ 512,452	\$ 501,510	\$ 10,942
Salaries of Secretarial and Clerical Assistants	36,805	(325)	36,480	33,653	2,827
Purchased Professional - Educational Services	6,200	1,300	7,500	7,225	275
Other Purchased Professional and Technical Services	15,556	(300)	15,256	12,350	2,906
Other Purchased Services (400-500 series)	10,600	475	11,075	6,661	4,414
Supplies and Materials	13,240	(4,300)	8,940	1,727	7,213
Other objects	975		975	920	55
	<u>595,723</u>	<u>(3,045)</u>	<u>592,678</u>	<u>564,046</u>	<u>28,632</u>
Total Undistributed Expenditures - Other Support Services -					
Students - Guidance	<u>595,723</u>	<u>(3,045)</u>	<u>592,678</u>	<u>564,046</u>	<u>28,632</u>
Undistributed Expenditures - Other Support Services -					
Students - Child Study Team:					
Salaries of Other Professional Staff	277,480	44,135	321,615	309,853	11,762
Salaries of Secretarial and Clerical Assistants	37,479	10	37,489	37,489	
Other Salaries	2,700		2,700	1,798	902
Purchased Professional - Educational Services	73,302	43,761	117,063	116,931	132
Other Purchased Professional and Technical Services	8,000	48	8,048	7,388	660
Other Purchased Services	16,611	1,362	17,973	17,697	276
Supplies and Materials	6,000		6,000	4,900	1,100
Other Objects	1,225	(820)	405	354	51
	<u>422,797</u>	<u>88,496</u>	<u>511,293</u>	<u>496,410</u>	<u>14,883</u>
Total Undistributed Expenditures - Other Support Services -					
Students - Child Study Team	<u>422,797</u>	<u>88,496</u>	<u>511,293</u>	<u>496,410</u>	<u>14,883</u>
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of Supervisor of Instruction	105,920	840	106,760	106,640	120
Other Salaries	72,348	13,907	86,255	82,646	3,609
Purchased Professional / Education Services	54,800	(2,402)	52,398	48,598	3,800
Other Purch Prof. and Tech. Services	12,000	2,402	14,402	14,402	
Other Purchased Services	3,000		3,000	50	2,950
Supplies and Materials	4,500	3,000	7,500	7,235	265
Other Objects	2,140		2,140	1,990	150
	<u>254,708</u>	<u>17,747</u>	<u>272,455</u>	<u>261,561</u>	<u>10,894</u>
Total Undistributed Expenditures - Improvement of Instruction Services					

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd)					
Undistributed Expend. - Educational Media Services / Sch Library:					
Salaries	\$ 51,041	\$ 3,128	\$ 54,169	\$ 45,432	\$ 8,737
Salaries of Technology Coordinators	64,200	(194)	64,006	62,730	1,276
Purchased Professional and Technical Services	1,000		1,000		1,000
Other Purchased Services	4,500		4,500	4,005	495
Supplies and Materials	5,750		5,750	4,919	831
Total Undistributed Expend. - Educational Media Services / Sch Library	126,491	2,934	129,425	117,086	12,339
Undistributed Expenditures - Instructional Staff Training Services:					
Other Purchased Services	9,000		9,000	8,133	867
Supplies and Materials	2,501		2,501		2,501
Total Undistributed Expenditures - Instructional Staff Training Services	11,501	-	11,501	8,133	3,368
Undistributed Expenditures - Support Services - General Administration:					
Salaries	209,413	800	210,213	209,379	834
Legal Services	24,500	(2,229)	22,271	19,924	2,347
Audit Fees	28,500	700	29,200	29,200	
Architectural/Engineering Services	5,000	(2,000)	3,000		3,000
Other Purchased Professional Services	1,530	22,200	23,730	23,728	2
Purchased Technical Services	4,825	(3)	4,822	4,585	237
Communications / Telephone	89,726	(6,146)	83,580	77,616	5,964
BOE Other Purchased Services	3,200	27	3,227	3,211	16
Other Purchased Services	107,730	3,977	111,707	107,423	4,284
General Supplies	5,992	(1,610)	4,382	4,206	176
Miscellaneous Expenditures	16,339		16,339	11,364	4,975
Total Undistributed Expenditures - Support Services - General Admin	496,755	15,716	512,471	490,636	21,835
Undistributed Expenditures - Support Services - School Admin:					
Salaries of Principals / Assistant Principals	492,176	15,879	508,055	501,533	6,522
Salaries of Other Professional Staff	234,050	(74,554)	159,496	147,160	12,336
Salaries of Secretarial and Clerical Assistants	188,502	1,950	190,452	189,911	541
Other Purchased Services (400-500 series)	1,100		1,100	152	948
Supplies and Materials	10,000		10,000	7,892	2,108
Other Objects	6,620	820	7,440	5,270	2,170
Total Undistributed Expenditures - Support Services - School Admin.	932,448	(55,905)	876,543	851,918	24,625

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

EXPENDITURES (CONT'D):	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Current Expense (Cont'd)					
Undistributed Expenditures - Central Services					
Salaries	\$ 230,171	\$ 18,785	\$ 248,956	248,956	
Purchased Professional Services	1,143	8,000	9,143	9,142	\$ 1
Purchased Technical Services	22,358	341	22,699	22,699	
Miscellaneous Purchased Services	500	337	837	837	
Supplies and Materials	4,000	844	4,844	4,810	34
Other Object	1,171	666	1,837	1,833	4
Total Undistributed Expenditures - Central Services	<u>259,343</u>	<u>28,973</u>	<u>288,316</u>	<u>288,277</u>	<u>39</u>
Undistributed Expenditures - Admin. Info. Technology					
Salaries	79,631	914	80,545	80,545	
Purchased Professional Services	1,750		1,750	1,300	450
Purchased Technical Services	22,737	(1,925)	20,812	20,389	423
Other Purchased Services	2,050		2,050	1,249	801
Supplies and Materials	15,410	(1,929)	13,481	5,866	7,615
Total Undistributed Expenditures - Admin. Info. Technology	<u>121,578</u>	<u>(2,940)</u>	<u>118,638</u>	<u>109,349</u>	<u>9,289</u>
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	101,611	(13,292)	88,319	87,431	888
Cleaning, Repair and Maintenance Services	48,000	28,113	76,113	60,213	15,900
Other Purchased Services					
General Supplies	30,500	(1,195)	29,305	27,168	2,137
Total Undistributed Expenditures - Required Maintenance for School Facilities	<u>180,111</u>	<u>13,626</u>	<u>193,737</u>	<u>174,812</u>	<u>18,925</u>
Undistributed Expenditures - Operation and Maintenance of Plant Services:					
Salaries	335,764	3,207	338,971	325,403	13,568
Salaries of Non-Instructional Aides					
Cleaning, Repair and Maintenance Services	36,318	7,984	44,302	42,045	2,257
Other Purchased Services	33,435		33,435	33,140	295
Insurance	70,000	(150)	69,850	69,829	21
General Supplies	57,500	(8,899)	48,601	47,997	604
Energy (Natural Gas)	116,726	9,994	126,720	120,448	6,272
Energy (Electricity)	481,132	(10,208)	470,924	418,099	52,825
Other Objects	185	517	702	701	1
Total Undistributed Expenditures - Operation and Maintenance of Plant Services	<u>1,131,060</u>	<u>2,445</u>	<u>1,133,505</u>	<u>1,057,662</u>	<u>75,843</u>
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	30,075	13,105	43,180	43,180	
Cleaning, Repair & Maintenance Services	13,715	17,074	30,789	26,859	3,930
General Supplies	25,285	(9,614)	15,671	10,511	5,160
Total Undistributed Expenditures - Care & Upkeep Grounds	<u>69,075</u>	<u>20,565</u>	<u>89,640</u>	<u>80,550</u>	<u>9,090</u>

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd)					
Undistributed Expenditures - Security					
Salaries	\$ 85,715	\$ -	\$ 85,715	\$ 74,015	\$ 11,700
General Supplies		11,090	11,090	11,090	
Total Undistributed Expenditures - Security	85,715	11,090	96,805	85,105	11,700
Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	24,583	2,102	26,685	26,386	299
Sal for Pupil Trans (Bet Home & Sch) - Reg.	183,742	5,619	189,361	178,688	10,673
Sal for Pupil Trans (Bet Home & Sch) - Sp Ed	17,280	874	18,154	18,003	151
Sal for Pupil Trans (Other than Bet. Home & Sch)	15,000	3,247	18,247	18,247	
Sal for Pupil Trans (Bet Home & Sch) - NonPublic Sch	46,852	(41,270)	5,582	5,000	582
Other Purchased Professional / Technical Services	32,000	7,830	39,830	39,773	57
Cleaning, Repair and Maintenance Services	26,000	(1,187)	24,813	17,392	7,421
Lease Purchase Payments - School Buses	74,663		74,663	74,662	1
Contracted Services - Aid in Lieu of Payments - NonPub Sch	27,180	(11,180)	16,000	16,000	
Contracted Services - Aid in Lieu of Payments	2,652	22,348	25,000	25,000	
Contracted Services - Aid in Lieu - Choice Students		3,385	3,385	3,384	1
Contracted Services - (Other than Bet Home & Sch) - Vendors	12,000	15,687	27,687	27,686	1
Contracted Services - (Between Home and School) - Joint Agreement	117,620	(113,053)	4,567		4,567
Contracted Services (Special Education Students) - Joint Agreements	357,686	86,925	444,611	426,132	18,479
Miscellaneous Purchased Services - Transportation	16,000	550	16,550	16,550	
Supplies and Materials	500	4,716	5,216	5,216	
Transportation Supplies	71,047	(5,145)	65,902	37,216	28,686
Miscellaneous Expenditures	1,200	728	1,928	1,827	101
Total Undistributed Expenditures - Student Transportation Services	1,026,005	(17,824)	1,008,181	937,162	71,019
Unallocated Benefits:					
Social Security Contributions	250,000		250,000	206,830	43,170
Other Retirement Contributions - Regular	238,570	(1)	238,569	224,556	14,013
Unemployment Compensation	54,000		54,000	49,891	4,109
Workman's Compensation	166,582		166,582	141,315	25,267
Health Benefits	3,059,321	(253,191)	2,806,130	2,764,513	41,617
Tuition Reimbursement	30,000		30,000	24,254	5,746
Other Employee Benefits	105,000	(17,218)	87,782	58,537	29,245
Total Unallocated Benefits	3,903,473	(270,410)	3,633,063	3,469,896	163,167

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Current Expense (Cont'd)					
On-behalf T.P.A.F. Pension Contributions (non-budgeted)				\$ 1,218,575	\$ (1,218,575)
On-behalf T.P.A.F. Pension - Non-Contributory Insurance (non-budgeted)				29,572	(29,572)
On-Behalf T.P.A.F. Long-Term Disability Insurance (non-budgeted)				2,100	(2,100)
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				806,152	(806,152)
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				634,141	(634,141)
Total On-behalf Contributions				2,690,540	(2,690,540)
Total Undistributed Expenditures	\$ 11,434,623	\$ (134,345)	\$ 11,300,278	13,492,883	(2,192,605)
Total Current Expense	19,716,626	(42,609)	19,674,017	21,728,135	(2,054,118)
Capital Outlay:					
Interest Deposit to Capital Reserve					
Equipment:					
Grades 1-5		6,000	6,000	6,000	
Grades 6-8		8,575	8,575	8,575	
Grades 9-12		17,747	17,747	17,746	1
Undistributed Expenditures:					
Grounds Equipment	7,000	32,890	39,890	39,890	
Security		374,978	374,978	38,951	336,027
Total Equipment	7,000	440,190	447,190	111,162	336,028
Facilities Acquisition and Construction Services					
Other Purchased Professional / Technical Services					
Construction Services	110,000		110,000	33,469	76,531
Architectural/Engineering Services	5,000		5,000	3,000	2,000
Lease Purchase Payment - Principal	50,000		50,000	50,000	
Assessment for Debt Service on SDA Funding	156,872		156,872	156,872	
Total Facilities Acquisition and Construction Services	321,872	-	321,872	243,341	78,531
Assets Aquired Under Capital Leases (Non-Budgeted)					
Undistributed Expenditures:					
Student Transportation - Equipment				700,552	(700,552)
Total Assets Aquired Under Capital Leases (non-budgeted)				700,552	(700,552)
Total Capital Outlay	328,872	440,190	769,062	1,055,055	(285,993)
Transfer of Funds to Charter Schools	34,195		34,195	12,216	21,979
Total Expenditures	20,079,693	397,581	20,477,274	22,795,406	(2,318,132)

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	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	\$ (1,006,563)	\$ (64,792)	\$ (1,071,355)	\$ (628,040)	\$ 443,315
Other Financing Sources (Uses):					
Local Contribution - Transfer to Special Revenue Fund - Regular	(45,260)	45,260			
Local Contribution - Transfer to Special Revenue Fund - Inclusion	(12,885)	(45,260)	(58,145)	(58,145)	
Assets Acquired Under Capital Leases				700,552	700,552
Total Other Financing Sources (Uses)	(58,145)	-	(58,145)	642,407	700,552
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,064,708)	(64,792)	(1,129,500)	14,367	1,143,867
Fund Balances, July 1	2,107,644		2,107,644	2,107,644	
Fund Balances, June 30	\$ 1,042,936	\$ (64,792)	\$ 978,144	\$ 2,122,011	\$ 1,143,867
Recapitulation:					
Restricted:					
Capital Reserve				\$ 160,527	
Excess Surplus				173,019	
Excess Surplus--Designated for Subsequent Year's Expenditures				601,073	
Assigned:					
Other Purposes				83,158	
Designated for Subsequent Year's Expenditures				646,394	
Unassigned				457,840	
				2,122,011	
Reconciliation to Governmental Funds Statements(GAAP):					
Last 17-18 State Aid Payment Not Recognized on GAAP Basis				(968,592)	
				\$ 1,153,419	

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources					
CCC Grant	\$ 286,990	\$ 19,010	\$ 306,000	\$ 300,844	\$ (5,156)
Other Local Grants		18,449	18,449	14,450	(3,999)
Preschool Tuition		27,568	27,568	27,295	(273)
Total - Local Sources	<u>286,990</u>	<u>65,027</u>	<u>352,017</u>	<u>342,589</u>	<u>(9,428)</u>
State Sources:					
NJ Non-Public Nursing	20,758		20,758	20,758	-
NJ Non-Public Textbook Aid	11,723		11,723	11,675	(48)
NJ Non-Public Technology	7,918		7,918	7,918	-
NJ Home Instruction		743	743	743	-
NJ Non-Public Security	16,050		16,050	16,050	-
Chapter 192 - Auxiliary Services	82,132	10,633	92,765	88,988	(3,777)
Chapter 193 - Handicapped Services	73,418	5,770	79,188	54,184	(25,004)
Preschool Education Aid	355,404	(27,568)	327,836	260,492	(67,344)
School Based Youth Service Program	228,704	9,863	238,567	238,513	(54)
Family Friendly Center	45,463	500	45,963	45,962	(1)
Total - State Sources	<u>841,570</u>	<u>(59)</u>	<u>841,511</u>	<u>745,283</u>	<u>(96,228)</u>
Federal Sources:					
Preschool Expansion Grant	539,348	50,642	589,990	536,041	(53,949)
Title I	313,776	124,758	438,534	432,263	(6,271)
Title IIA	30,125	25,566	55,691	45,731	(9,960)
Title III	10,880	14,025	24,905	9,870	(15,035)
I.D.E.I.A., Part B	306,992	82,330	389,322	355,968	(33,354)
I.D.E.I.A., Part B, Preschool Incentive		18,082	18,082	18,082	-
Mentoring Grant	250,000	70,092	320,092	270,646	(49,446)
Total - Federal Sources	<u>1,451,121</u>	<u>385,495</u>	<u>1,836,616</u>	<u>1,668,601</u>	<u>(168,015)</u>
Total Revenues	<u>2,579,681</u>	<u>450,463</u>	<u>3,030,144</u>	<u>2,756,473</u>	<u>(273,671)</u>

(Continued)

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) Final to Actual
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 1,066,576	\$ (228,700)	\$ 837,876	\$ 804,517	\$ 33,359
Other Salaries for Instruction	10,880	27,370	38,250	35,224	3,026
Purchased Professional and Technical Services	11,518	194,955	206,473	170,058	36,415
Other Purchased Services	183,854	7,398	191,252	187,787	3,465
General Supplies	103,453	43,936	147,389	88,755	58,634
Tuition	306,992	47,786	354,778	354,613	165
Other Objects	4,190	4,323	8,513	6,457	2,056
Total Instruction	<u>1,687,463</u>	<u>97,068</u>	<u>1,784,531</u>	<u>1,647,411</u>	<u>137,120</u>
Support Services:					
Salaries Personal Services	466,957	158,892	625,849	586,920	38,929
Personal Services - Employee Benefits	174,149	105,867	280,016	266,933	13,083
Purchased Professional - Educational Services	227,031	54,813	281,844	239,329	42,515
Other Purchased Services (400-500 series)	22,351	6,299	28,650	7,178	21,472
Supplies and Materials	11,100	17,118	28,218	20,043	8,175
Other Objects	19,175	6,056	25,231	21,366	3,865
Total Support Services	<u>920,763</u>	<u>349,045</u>	<u>1,269,808</u>	<u>1,141,769</u>	<u>128,039</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	29,600	4,350	33,950	25,438	8,512
Total Facilities Acquisition and Construction Services	<u>29,600</u>	<u>4,350</u>	<u>33,950</u>	<u>25,438</u>	<u>8,512</u>
Total Expenditures	<u>2,637,826</u>	<u>450,463</u>	<u>3,088,289</u>	<u>2,814,618</u>	<u>273,671</u>
Other Financing Sources (Uses):					
Transfer from Operating Budget - Pre K	58,145		58,145	58,145	
Total Outflows	<u>2,579,681</u>	<u>450,463</u>	<u>3,030,144</u>	<u>2,756,473</u>	<u>273,671</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, 2018

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	\$ 22,167,366	\$ 2,756,473
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		(185,758)
Prior Year		148,287
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)	942,430	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>(968,592)</u>	<u>(32,214)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 22,141,204</u>	<u>\$ 2,719,002</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 22,795,406	\$ 2,814,618
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		(185,758)
Prior Year		148,287
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 22,795,406</u>	<u>\$ 2,777,147</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 Five Plan Years

	Measurement Date Ending June 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0226114570%	0.0255715502%	0.0243821386%	0.0262924299%	0.0261298390%
School District's Proportionate Share of the Net Pension Liability	\$ 5,263,586	\$ 7,573,560	\$ 5,473,302	\$ 4,922,662	\$ 4,993,931
School District's Covered Payroll (Plan Measurement Period)	\$ 1,625,892	\$ 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	323.74%	404.02%	311.57%	245.16%	260.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	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 Five Fiscal Years

	Fiscal Year Ended June 30,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 227,345	\$ 209,471	\$ 227,174	\$ 209,621	\$ 216,751
Contributions in Relation to the Contractually Required Contribution	<u>(227,345)</u>	<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>	<u>\$ -</u>
School District's Covered Payroll	\$ 1,624,947	\$ 1,567,526	\$ 1,629,925	\$ 1,719,534	\$ 1,706,336
Contributions as a Percentage of School District's Covered Payroll	13.99%	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 Five Plan Years

	Measurement Date Ending June 30,				
	<u>2017</u>	<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%	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>	<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>55,321,111</u>	<u>63,491,764</u>	<u>51,113,899</u>	<u>42,254,253</u>	<u>39,378,966</u>
	<u>\$ 55,321,111</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)	\$ 10,239,960	\$ 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%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	540.25%	645.96%	543.29%	447.73%	434.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	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, 2018

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None

Changes in Assumptions - For 2017, the discount rate changed to 4.25% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65% from 7.90%. 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 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, 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%.

**REQUIRED SUPPLEMENTARY INFORMATION
PART IV**

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios
 Last Plan Year

	Measurement Date Ending <u>June 30,</u> <u>2017</u>
Total Non-Employer OPEB Liability - State's Proportionate Share of the Total OPEB Liability Associated with the School District	
Changes for the Year:	
Service Cost	\$ 2,097,019
Interest Cost	1,477,512
Changes in Assumptions	(6,276,071)
Gross Benefit Payments	(1,077,534)
Member Contributions	<u>39,678</u>
Net Change in Total Non-Employer OPEB Liability	(3,739,396)
Total Non-Employer OPEB Liability - Beginning of Fiscal Year	<u>50,260,775</u>
Total Non-Employer OPEB Liability - End of Fiscal Year	<u>\$ 46,521,379</u>
School District's Covered Payroll (Plan Measurement Period)	<u>\$ 9,894,593</u>
State's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the School District as a Percentage of Covered Payroll	470.17%

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
Notes to Required Supplementary Information - Part IV
For the Fiscal Year Ended June 30, 2018

Changes in Benefit Terms - None

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

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, 2018

	<u>Total</u>	<u>Other Local Grants</u>	<u>CCC Grant</u>	<u>Chapter 192</u>			<u>Chapter 193</u>			<u>Total Carried Forward</u>
				<u>Nonpublic Compensatory Education</u>	<u>Nonpublic E.S.L.</u>	<u>Nonpublic Transportation</u>	<u>Nonpublic Examination and Classification</u>	<u>Nonpublic Corrective Speech</u>	<u>Nonpublic Supplementary Instruction</u>	
REVENUES:										
Federal Sources	\$ 1,668,601									\$ 1,668,601
State Sources	745,283			\$ 75,736	\$ 4,336	\$ 8,916	\$ 19,476	\$ 21,070	\$ 13,638	602,111
Local Sources	342,589	\$ 14,450	\$ 300,844							27,295
Total Revenues	\$ 2,756,473	\$ 14,450	\$ 300,844	\$ 75,736	\$ 4,336	\$ 8,916	\$ 19,476	\$ 21,070	\$ 13,638	\$ 2,298,007
EXPENDITURES:										
Instruction:										
Salaries of Teachers	\$ 804,517		\$ 72,938							\$ 731,579
Other Salaries for Instruction	35,224									35,224
Purchased Professional and Technical Services	170,058		118,185							51,873
Other Purchased Services	187,787	\$ 7,324	450							180,013
General Supplies	88,755	1,861	9,491							77,403
Tuition	354,613									354,613
Other Objects	6,457									6,457
Total Instruction	1,647,411	9,185	201,064	-	-	-	-	-	-	1,437,162
Support Services:										
Salaries Personal Services	586,920		90,090							496,830
Personal Services - Employee Benefits	266,933		6,075							260,858
Purchased Professional - Educational Services	239,329			\$ 75,736	\$ 4,336	\$ 8,916	\$ 19,476	\$ 21,070	\$ 13,638	96,157
Other Purchased Services (400-500 series)	7,178									7,178
Supplies and Materials	20,043	5,265								14,778
Other Objects	21,366		3,615							17,751
Total Support Services	1,141,769	5,265	99,780	75,736	4,336	8,916	19,476	21,070	13,638	893,552
Facilities Acquisition and Construction Services:										
Instructional Equipment	25,438									25,438
Total Facilities Acquisition and Construction Services	25,438	-	-	-	-	-	-	-	-	25,438
Total Expenditures	2,814,618	14,450	300,844	75,736	4,336	8,916	19,476	21,070	13,638	2,356,152
Other Financing Sources (Uses):										
Transfer from Operating Budget - Pre K	58,145									58,145
Total Outflows	2,756,473	14,450	300,844	75,736	4,336	8,916	19,476	21,070	13,638	2,298,007
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, 2018

	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	\$ 1,668,601									\$ 1,668,601
State Sources	602,111	\$ 11,675	\$ 20,758	\$ 7,918	\$ 743	\$ 16,050	\$ 260,492	\$ 238,513	\$ 45,962	-
Local Sources	27,295						27,295			-
Total Revenues	\$ 2,298,007	\$ 11,675	\$ 20,758	\$ 7,918	\$ 743	\$ 16,050	\$ 287,787	\$ 238,513	\$ 45,962	\$ 1,668,601
EXPENDITURES:										
Instruction:										
Salaries of Teachers	\$ 731,579						\$ 192,684			\$ 538,895
Other Salaries for Instruction	35,224									35,224
Purchased Professional and Technical Services	51,873			\$ 7,918	\$ 743					43,212
Other Purchased Services	180,013						61,076			118,937
General Supplies	77,403						26,308			51,095
Tuition	354,613									354,613
Other Objects	6,457									6,457
Total Instruction	1,437,162	-	-	7,918	743	-	280,068	-	-	1,148,433
Support Services:										
Salaries Personal Services	496,830						24,044	\$ 181,272	\$ 39,350	252,164
Personal Services - Employee Benefits	260,858						40,920	30,229	2,703	187,006
Purchased Professional - Educational Services	96,157	\$ 11,675	\$ 20,758			\$ 16,050		2,625	250	44,799
Other Purchased Services (400-500 series)	7,178						900			6,278
Supplies and Materials	14,778							10,153	1,683	2,942
Other Objects	17,751							14,234	1,976	1,541
Total Support Services	893,552	11,675	20,758	-	-	16,050	65,864	238,513	45,962	494,730
Facilities Acquisition and Construction Services:										
Instructional Equipment	25,438									25,438
Total Facilities Acquisition and Construction Services	25,438	-	-	-	-	-	-	-	-	25,438
Total Expenditures	2,356,152	11,675	20,758	7,918	743	16,050	345,932	238,513	45,962	1,668,601
Other Financing Sources (Uses):										
Transfer from Operating Budget - Pre K	58,145						58,145			
Total Outflows	2,298,007	11,675	20,758	7,918	743	16,050	287,787	238,513	45,962	1,668,601
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, 2018

	Total Carried Forward	Preschool Expansion	Title I Part A	Title II Part A	Title III	I.D.E.A. Part B Basic	I.D.E.A. Preschool	CCLC
REVENUES:								
Federal Sources	\$ 1,668,601	\$ 536,041	\$ 432,263	\$ 45,731	\$ 9,870	\$ 355,968	\$ 18,082	\$ 270,646
State Sources	-							
Local Sources	-							
Total Revenues	<u>\$ 1,668,601</u>	<u>\$ 536,041</u>	<u>\$ 432,263</u>	<u>\$ 45,731</u>	<u>\$ 9,870</u>	<u>\$ 355,968</u>	<u>\$ 18,082</u>	<u>\$ 270,646</u>
EXPENDITURES:								
Instruction:								
Salaries of Teachers	\$ 538,895	\$ 140,260	\$ 291,280					\$ 107,355
Other Salaries for Instruction	35,224		33,250		\$ 1,974			
Purchased Professional and Technical Services	43,212		12,900		5,375	\$ 19,437		5,500
Other Purchased Services	118,937	118,662						275
General Supplies	51,095	24,242	4,721		1,672			20,460
Tuition	354,613					336,531	\$ 18,082	
Other Objects	6,457							6,457
Total Instruction	<u>1,148,433</u>	<u>283,164</u>	<u>342,151</u>		<u>9,021</u>	<u>355,968</u>	<u>18,082</u>	<u>140,047</u>
Support Services:								
Salaries Personal Services	252,164	138,759	5,682	\$ 10,365				97,358
Personal Services - Employee Benefits	187,006	81,677	84,406					20,923
Purchased Professional - Educational Services	44,799	7,180		30,268	351			7,000
Other Purchased Services (400-500 series)	6,278	1,663		3,088	498			1,029
Supplies and Materials	2,942	819	24	2,010				89
Other Objects	1,541	1,541						
Total Support Services	<u>494,730</u>	<u>231,639</u>	<u>90,112</u>	<u>45,731</u>	<u>849</u>			<u>126,399</u>
Facilities Acquisition and Construction Services:								
Instructional Equipment	25,438	21,238						4,200
Total Facilities Acquisition and Construction Services	<u>25,438</u>	<u>21,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Total Expenditures	<u>1,668,601</u>	<u>536,041</u>	<u>432,263</u>	<u>45,731</u>	<u>9,870</u>	<u>355,968</u>	<u>18,082</u>	<u>270,646</u>
Other Financing Sources (Uses):								
Transfer from Operating Budget - Pre K	-							
Total Outflows	<u>1,668,601</u>	<u>536,041</u>	<u>432,263</u>	<u>45,731</u>	<u>9,870</u>	<u>355,968</u>	<u>18,082</u>	<u>270,646</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, 2018

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction			
Salaries of Teachers	\$ 204,712	\$ 192,684	\$ 12,028
Other Purchased Services	61,115	61,076	39
Supplies	63,758	26,308	37,450
Other Objects	2,000	-	2,000
	<u>331,585</u>	<u>280,068</u>	<u>51,517</u>
Total instruction			
Support services			
Salaries Personal Services	24,044	24,044	-
Personal Services - Employee Benefits	40,920	40,920	-
Other Purchased Services (400-500 series)	17,000	900	16,100
	<u>81,964</u>	<u>65,864</u>	<u>16,100</u>
Total support services			
Total expenditures	<u>\$ 413,549</u>	<u>\$ 345,932</u>	<u>\$ 67,617</u>

Calculation of Budget and Carryover

Total Revised 2017-2018 Preschool Education Aid Allocation	\$ 322,140
Add: Actual ECPA Carryover (June 30, 2017)	105,624
Add: Budgeted Local Revenue	27,295
Add: Budgeted Transfer from the General Fund 2017-18	<u>58,145</u>
Total Preschool Education Aid Funds Available for 2017-18 Budget	513,204
Less: 2017-18 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	<u>(413,549)</u>
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2018	99,655
Add: 2017-18 Unexpended Preschool Education Aid	67,617
Less: 2017-18 Commissioner Approved Transfer to General Fund	<u>-</u>
2017-2018 Carryover -- Preschool Education Aid	<u>\$ 167,272</u>
2017-2018 Preschool Education Aid Carryover Budgeted in 2018-19	<u>\$ 30,000</u>

CAPITAL PROJECTS FUND

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Capital Projects Fund
 Summary Schedule of Project Expenditures
 For the Fiscal Year Ended June 30, 2018

<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, 2018</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Clayton High School Auditorium Addition and Roof Replacement	9/1/2014	\$ 9,015,046	\$ 8,991,869	\$ 23,177	
Total		<u>\$ 9,015,046</u>	<u>\$ 8,991,869</u>	<u>\$ 23,177</u>	<u>\$ -</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, 2018

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

Total Expenditures

\$ 14,035

 9,142

23,177

Excess (Deficiency) of Revenues Over (Under) Expenditures

(23,177)

Fund Balance - July 1

23,177

Fund Balance - June 30

\$ -

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, 2018

	<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	782,518	\$ 14,035	796,553	805,195
Land and Improvements			-	-
Construction Services	7,835,339		7,835,339	7,093,553
Equipment Purchases	374,012	9,142	383,154	1,116,298
Total Expenditures	<u>8,991,869</u>	<u>23,177</u>	<u>9,015,046</u>	<u>9,015,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 23,177</u>	<u>\$ (23,177)</u>	<u>\$ -</u>	<u>\$ -</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	100%			
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, 2018

	Business-Type Activities - <u>Enterprise Fund</u>
	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 115,473
Accounts Receivable:	
State	301
Federal	20,664
Interfund	3,885
Inventories	<u>6,128</u>
Total Current Assets	<u>146,451</u>
Noncurrent Assets:	
Equipment	353,558
Less Accumulated Depreciation	<u>260,331</u>
Total Noncurrent Assets	<u>93,227</u>
Total Assets	<u>239,678</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>3,874</u>
Total Current Liabilities	<u>3,874</u>
NET POSITION:	
Net Investment in Capital Assets	93,227
Unrestricted	<u>142,577</u>
Total Net Position	<u><u>\$ 235,804</u></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, 2018

	Business-Type Activities - Enterprise Fund
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 122,320
Daily Sales - Non-Reimbursable Programs	111,300
Special Functions	8,974
Total Operating Revenues	242,594
OPERATING EXPENSES:	
Salaries	281,948
Employee Benefits	40,685
Supplies and Materials	19,209
Cost of Sales - Reimbursable Programs	277,349
Cost of Sales - Non-Reimbursable Programs	55,222
Management Fee	53,487
Repair and Maintenance	4,492
Depreciation	16,578
Total Operating Expenses	748,970
Operating Income (Loss)	(506,376)
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	6,877
Federal Sources:	
Healthy Hunger Free Kids Program	7,749
After School Snack	13,392
National School Lunch Program	282,627
School Breakfast Program	122,662
United States Department of Agriculture Commodities	48,441
Interest and Investment Revenue	245
Total Nonoperating Revenues	481,993
Change in Net Position	(24,383)
Total Net Position -- July 1	260,187
Total Net Position -- June 30	\$ 235,804

BOROUGH OF CLAYTON SCHOOL DISTRICT
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 242,752
Payments to Employees	(281,948)
Payments for Employee Benefits	(40,685)
Payments to Suppliers	<u>(359,847)</u>
Net Cash Provided by (used for) Operating Activities	<u>(439,728)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	<u>436,199</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>436,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>(4,270)</u>
Net Cash Provided by (used for) Investing Activities	<u>(4,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>245</u>
Net Cash Provided by (used for) Investing Activities	<u>245</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,554)
Cash and Cash Equivalents -- July 1	<u>123,027</u>
Cash and Cash Equivalents -- June 30	<u><u>\$ 115,473</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (506,376)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	16,578
Federal Commodities	48,441
(Increase) Decrease in Inventories	1,471
Increase (Decrease) in Other Current Liabilities	<u>158</u>
Total Adjustments	<u>66,648</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (439,728)</u></u>

FIDUCIARY FUNDS

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2018

	Private Purpose Trust Fund	Agency Funds		Total
	Scholarship Trust	Student Activity	Payroll	
ASSETS:				
Cash and Cash Equivalents	\$ 2,774	\$ 197,163	\$ 24,817	\$ 224,754
Total Assets	<u>2,774</u>	<u>\$ 197,163</u>	<u>\$ 24,817</u>	<u>224,754</u>
LIABILITIES:				
Payable to Student Groups		\$ 197,163		197,163
Payroll Deductions and Withholdings			\$ 24,817	24,817
Total Liabilities		<u>\$ 197,163</u>	<u>\$ 24,817</u>	<u>221,980</u>
NET POSITION:				
Held in Trust for Other Purposes	<u>2,774</u>			<u>2,774</u>
Total Net Position	<u>\$ 2,774</u>			<u>\$ 224,754</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund	
	Scholarship Trust	
ADDITIONS:		
Investment Earnings		
Interest	\$ 5	
Net Investment Earnings	5	
Total Additions	5	
DEDUCTIONS:		
Scholarship Payments	100	
Total Deductions	100	
Change in Net Position		(95)
Net Position-- July 1		2,869
Net Position -- June 30	\$ 2,774	

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Herma Simmons Elementary School	\$ 10,340	\$ 12,676	\$ 9,791	\$ 13,225
Clayton High School	<u>173,616</u>	<u>373,187</u>	<u>362,865</u>	<u>183,938</u>
Total All Schools	<u>\$ 183,956</u>	<u>\$ 385,863</u>	<u>\$ 372,656</u>	<u>\$ 197,163</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 21,619	\$ 13,277,964	\$ 13,274,766	\$ 24,817
Total Assets	<u>\$ 21,619</u>	<u>\$ 13,277,964</u>	<u>\$ 13,274,766</u>	<u>\$ 24,817</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 21,619	\$ 13,277,964	\$ 13,274,766	\$ 24,817
Total Liabilities	<u>\$ 21,619</u>	<u>\$ 13,277,964</u>	<u>\$ 13,274,766</u>	<u>\$ 24,817</u>

LONG-TERM DEBT

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Serial Bonds
 For the Fiscal Year Ended June 30, 2018

<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, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
Serial Bonds:									
School Bond - Series 2010	1/28/10	\$ 10,017,000	9/1/18	\$ 340,000	3.500%	\$ 9,017,000		\$ 325,000	\$ 8,692,000
			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	3/1/19	285,000	3.000%	9,430,000		270,000	9,160,000
			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>\$ 18,447,000</u>	<u>\$ -</u>	<u>\$ 595,000</u>	<u>\$ 17,852,000</u>

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Obligations Under Capital Leases
 For the Fiscal Year Ended June 30, 2018

<u>Series</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding June 30, 2017 (a)</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2018 (a)</u>
			<u>Principal</u>	<u>Interest</u>					
Buses, Technology and Equipment	6/15/2017	5 yrs.	\$ 700,552	\$ 30,371	1.85%		\$ 700,552	\$ 97,763	\$ 602,789
						\$ -	\$ 700,552	\$ 97,763	\$ 602,789

(a) Future Interest Payments Removed from Carrying Value of Leases.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	<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	\$ 1,148,857	_____	\$ 1,148,857	\$ 1,148,857	_____ -
State Sources:					
Debt Service Aid Type II	108,968	_____	108,968	108,968	_____ -
Total Revenues	<u>1,257,825</u>	_____	<u>1,257,825</u>	<u>1,257,825</u>	_____ -
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	662,825	_____	662,825	662,825	_____ -
Redemption of Principal	595,000	_____	595,000	595,000	_____ -
Total Regular Debt Service	<u>1,257,825</u>	_____	<u>1,257,825</u>	<u>1,257,825</u>	_____ -
Total Expenditures	<u>1,257,825</u>	_____	<u>1,257,825</u>	<u>1,257,825</u>	_____ -
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balance, July 1	_____	_____	_____	_____	_____
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>2018</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>
Governmental Activities										
Net Investment in Capital Assets	\$ 15,067,002	\$ 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
Restricted	934,619	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
Unrestricted (Deficit)	(6,096,211)	(6,060,518)	(5,401,545)	(5,819,464)	(501,567)	(833,979)	(737,000)	(625,526)	17,993,256	(824,687)
Total Governmental Activities Net Position	\$ 9,905,410	\$ 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
Business-type Activities										
Net Investment in Capital Assets	\$ 93,227	\$ 105,535	\$ 109,568	\$ 46,885	\$ 57,215	\$ 71,852	\$ 148,799	\$ 64,418	\$ 30,263	\$ 30,667
Restricted	142,577	154,652	141,153	202,101	207,846	130,965	89,777	155,553	172,716	110,739
Total Business-type Activities Net Position	\$ 235,804	\$ 260,187	\$ 250,721	\$ 248,986	\$ 265,061	\$ 202,817	\$ 238,576	\$ 219,971	\$ 202,979	\$ 141,406
District-wide										
Net Investment in Capital Assets	\$ 15,160,229	\$ 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
Restricted	934,619	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
Unrestricted (Deficit)	(5,953,634)	(5,905,866)	(5,260,392)	(5,617,363)	(293,721)	(703,014)	(647,223)	(469,973)	18,165,972	(713,948)
Total District-wide Net Position	\$ 10,141,214	\$ 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

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 8,179,123	\$ 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
Special Education	1,993,424	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
Other Special Education										283,056
Other Instruction	696,709	622,055	639,403	757,159	865,437	691,470	869,407	794,398	923,740	742,056
Nonpublic School Programs									2,015	6,250
Support Services:										
Tuition	1,687,761	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
Student & Instruction Related Services	2,984,981	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
General Administrative Services	490,636	466,160	467,282	463,038	427,067	384,920	453,296	400,642	946,867	944,063
School Administrative Services	939,519	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
Central Services	317,920	279,232	276,765	262,968						
Administrative Information Technology	120,593	125,496	100,457	114,762						
Plant Operations and Maintenance	1,541,896	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
Pupil Transportation	839,399	887,879	850,770	879,291	800,164	822,445	880,756	667,844	1,121,077	997,656
Unallocated Benefits	11,141,478	10,243,274	5,955,626	5,898,914						
Interest on Long-term Debt	812,537	989,537	581,074	474,777	420,347	384,664	471,521	513,331	340,271	151,258
Total Governmental Activities Expenses	31,745,976	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
Business-type Activities:										
Food Service	748,970	738,014	742,946	649,704	553,581	654,518	553,477	489,561	481,895	485,421
Total Business-type Activities Expense	748,970	738,014	742,946	649,704	553,581	654,518	553,477	489,561	481,895	485,421
Total District Expenses	\$ 32,494,946	\$ 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

(Continued)

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)	\$ 195,207	\$ 185,006	\$ 302,426	\$ 377,792	\$ 383,352	\$ 416,185	\$ 94,911	\$ 287,198	\$ 289,875	\$ 290,646
Operating Grants and Contributions	7,414,149	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
Total Governmental Activities Program Revenues	7,609,356	2,759,862	2,927,821	2,597,509	2,361,244	2,844,274	2,514,072	2,665,669	2,841,702	2,117,575
Business-type activities:										
Charges for services:										
Food Service	242,594	224,722	217,356	213,244	193,346	197,050	202,169	209,021	221,730	250,604
Operating Grants and Contributions	481,748	522,543	527,020	420,019	422,236	416,185	369,750	296,873	321,148	283,136
Total Business-type Activities Program Revenues	724,342	747,265	744,376	633,263	615,582	613,235	571,919	505,894	542,878	533,740
Total District Program Revenues	\$ 8,333,698	\$ 3,507,127	\$ 3,672,197	\$ 3,230,772	\$ 2,976,826	\$ 3,457,509	\$ 3,085,991	\$ 3,171,563	\$ 3,384,580	\$ 2,651,315
Net (Expense)/Revenue										
Governmental Activities	\$ (24,136,620)	\$ (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)
Business-type Activities	(24,628)	9,251	1,430	(16,441)	62,001	(35,930)	18,442	16,513	60,983	48,319
Total District-wide Net Expense	\$ (24,161,248)	\$ (26,874,287)	\$ (22,223,015)	\$ (21,723,538)	\$ (20,291,187)	\$ (19,632,243)	\$ (20,409,031)	\$ (17,738,715)	\$ (17,964,994)	\$ (16,340,851)

(Continued)

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 8,439,514	\$ 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
Taxes Levied for Debt Service	1,148,857	1,113,829	971,866	847,062	692,859	924,356	902,701	865,594	381,857	363,846
Federal & State Aid not Restricted	13,270,811	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
State Aid Restricted	4,916	12,834	50,911	279,744	288,728	303,406	302,671	303,589	10,344,088	339,528
Tuition Received								50,479	9,444	2,842
Transportation					17,749	24,501	24,863	4,519	8,174	
Investment Earnings	4,019	2,701	2,689	4,353	249	4,884	1,789	23,405	22,548	29
Miscellaneous Income	335,705	184,995	445,235	267,967	166,073	269,082	181,213	100,212	19,363	90,626
Loss on Disposal of Capital Assets	(7,139)									
Transfers							(306,971)	(78,701)		
Total Governmental Activities	23,196,683	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
Business-type Activities:										
Investment Earnings	245	215	305	366	243	171	163	479	590	341
Total Business-type Activities	245	215	305	366	243	171	163	479	590	341
Total District-wide	\$ 23,196,928	\$ 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
Change in Net Position										
Governmental Activities	\$ (939,937)	\$ (922,387)	\$ (736,565)	\$ (814,196)	\$ (304,842)	\$ 700,317	\$ (1,294,278)	\$ 576,509	\$ 8,943,594	\$ 684,220
Business-type Activities	(24,383)	9,466	1,735	(16,075)	62,244	(35,759)	18,605	16,992	61,573	48,660
Total District	\$ (964,320)	\$ (912,921)	\$ (734,830)	\$ (830,271)	\$ (242,598)	\$ 664,558	\$ (1,275,673)	\$ 593,501	\$ 9,005,167	\$ 732,880

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>2018</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>
General Fund										
Restricted	\$ 1,664,171	\$ 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
Unassigned (Deficit)	(510,752)	(567,188)	(511,917)	(526,824)	(551,601)	(547,140)	(469,797)	(366,965)	(486,322)	(460,629)
Total General Fund	\$ 1,153,419	\$ 1,165,214	\$ 792,968	\$ 982,524	\$ 1,515,323	\$ 1,391,533	\$ 1,102,051	\$ 691,555	\$ 2,124,892	\$ 2,175,165
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)	(32,214)	(29,913)	(28,379)	(32,134)	(32,270)	(29,336)	(29,336)	(28,035)
Capital Projects Fund								4,433,999	18,461,133	160,872
Debt Service Fund						171,221	170,220	22,506	22,506	
Total All Other Governmental Funds	\$ (32,214)	\$ (9,037)	\$ 4,255,540	\$ 8,428,320	\$ (27,377)	\$ 139,087	\$ 137,950	\$ 5,377,394	\$ 18,986,084	\$ 132,837

Source: District Records

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

	<u>2018</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>
Revenues										
Tax Levy	\$ 9,588,371	\$ 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
Tuition Charges	195,207	185,006	302,426	377,792	383,352	416,185	94,991	50,479	9,444	2,842
Interest Earnings	4,019	2,701	2,689	4,353	249	4,884	1,789	23,405	22,548	29
Transportation	4,916	12,834	50,911	17,749	24,501	24,863	4,519	8,174	19,267	90,626
Miscellaneous	266,424	116,797	379,597	203,640	100,571	200,551	128,824	94,958	11,116,550	20,165,718
State Sources	13,950,158	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
Federal Sources	1,694,375	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
Local Sources	414,561	376,909	412,910	401,593	370,276	132,443	62,938	13,104	5,317	918,400
Total Revenue	26,118,031	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
Expenditures										
Instruction										
Regular Instruction	7,438,380	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
Special Education Instruction	1,857,803	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
Other Special Instruction	35,224	36,298	43,865	76,519						249,157
Other Instruction	599,808	564,791	540,442	620,557	556,400	462,640	531,689	545,581	684,759	556,119
Adult/Continuing Education Programs									1,494	4,684
Support Services:										
Tuition	1,687,761	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
Student & Instruction Related Services	2,787,157	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
General Administrative&BusinessServices	490,636	466,160	467,282	463,038	427,067	384,918	453,296	400,642	458,106	491,325
School Administrative Services	851,918	919,611	912,954	920,437	906,008	907,994	797,524	760,027	745,306	707,509
Other Administrative Services	397,626	367,471	342,324	344,386	319,055	338,444	283,201	262,799	243,796	222,506
Plant Operations and Maintenance	1,398,129	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
Pupil Transportation	937,162	887,879	850,770	879,291	800,164	822,445	880,756	667,844	831,042	777,650
Unallocated Employee Benefits	6,410,961	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
Capital Outlay	546,292	4,355,331	4,541,373	1,568,443	275,323	274,573	5,064,852	14,352,137	1,444,632	253,486
Debt Service:										
Principal	595,000	605,000	295,000	725,000	715,000	767,000	745,000	625,000	600,000	550,000
Interest and Other Charges	819,697	838,930	676,866	402,808	436,806	459,761	482,878	544,183	136,360	153,374
Total Expenditures	26,853,554	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
Excess (Deficiency) of Revenues Over (Under) Expenditures	(735,523)	(3,892,331)	(4,362,336)	(1,807,102)	(42,674)	290,619	(4,828,948)	(13,854,262)	7,598,113	471,262
Other Financing Sources (Uses)										
Capital Leases (Non-budgeted)	700,551									
Bond Proceeds				9,730,000					10,017,096	
Transfers In	58,145	58,145	58,145	65,788		772	172,009	105,572	22,548	29
Transfers Out	(58,145)	(58,145)	(58,145)	(65,788)		(772)	(172,009)	(105,572)	(22,548)	(29)
Total Other Financing Sources (Uses)	700,551	-	-	9,730,000	-	-	-	-	10,017,096	-
Net Change in Fund Balances	\$ (34,972)	\$ (3,892,331)	\$ (4,362,336)	\$ 7,922,898	\$ (42,674)	\$ 290,619	\$ (4,828,948)	\$ (13,854,262)	\$ 17,615,209	\$ 471,262
Debt Service as a Percentage of Noncapital Expenditures	5.4%	5.9%	4.0%	4.8%	5.2%	5.4%	5.7%	5.7%	3.5%	3.8%

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>2018</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>
Refunds										\$ 13,258
Interest on Investments	\$ 4,019	\$ 2,701	\$ 2,689	\$ 4,353	\$ 249	\$ 4,112	\$ 1,789	\$ 8,114	\$ 15,976	15,120
Miscellaneous	335,705	184,995	445,235	203,640	100,571	200,551	128,824	92,098	3,291	300
Rentals										900
Tuition Refunds										41,093
Tuition	195,207	185,006	302,426	377,792	383,352	416,185	94,991	50,479	9,444	2,842
Transportation Fees	4,916	12,834	50,911		17,749	24,501	24,863	4,519	8,174	14,637
	<u>\$ 539,847</u>	<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>

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.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities (1)	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (2)
2018	\$ 8,908,200	\$ 403,176,200	\$ 1,494,800	\$ 215,100	\$ 27,509,000	\$ 11,261,600	\$ 12,483,800	\$ 465,048,700	\$ 267,900	\$ 1,205,507	\$ 466,254,207	\$ 478,541,324	\$ 2.094
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

(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>	
2018	\$ 1.846	\$ 0.248	\$ 2.094	\$ 0.049	\$ 0.992	\$ 0.041	\$ 0.659	\$ 3.835
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

(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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Fernmoor Homes at Clayton LLC	\$ 8,109,500	1	23.03%			0.00%
Berk Cohen Assoc. at Rustic Village	7,800,000	2	22.15%	\$ 3,595,600	2	19.69%
Aleris Light Gauge Products, Inc.	6,941,900	3	19.71%	8,611,500	1	47.17%
Realmarq Development LLC	3,238,300	4	9.19%			0.00%
Silver Lake Assoc.	3,034,600	5	8.62%			0.00%
US Bank NA Trustee	1,572,100	6	4.46%			0.00%
Verizon Comm Inc	1,205,507	7	3.42%	669,812	8	3.67%
American Stores Com LLC	1,125,200	8	3.19%	898,900	5	4.92%
825 Delsea Dr. c/o Robson Goldberg	1,105,000	9	3.14%			0.00%
Hungerford & Terry Inc.	1,087,700	10	3.09%	696,100	7	3.81%
NER Data Products, Inc.				990,100	3	5.42%
Clayton Apartments LTC Partnership				917,200	4	5.02%
Rite Aid of New Jersey Inc.				707,600	6	3.88%
Clayton Realty LLC				619,500	9	3.39%
A & B Apartments LLC				551,400	10	3.02%
Total	<u>\$ 35,219,807</u>		<u>100.00%</u>	<u>\$ 18,257,712</u>		<u>100.00%</u>

Source: Municipal Tax Assessor
Information for 2009 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>	
2018	\$ 9,588,371	\$ 9,588,371	100.00%	-
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%	-

(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>				
2018	\$ 17,852,000	-	-	-	-	\$ 17,852,000	NA	NA	
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	

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>
2018	\$ 17,852,000	-	\$ 17,852,000	3.83%	NA
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

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, 2018
 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	\$ 2,268,493	100.00%	\$ 2,268,493
Other debt			
County of Gloucester	225,453,500	1.81%	<u>4,071,724</u>
Subtotal, overlapping debt			6,340,217
Borough of Clayton School District Direct Debt			<u>17,852,000</u>
Total direct and overlapping debt			<u><u>\$ 24,192,217</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 2018

	Equalized valuation basis	
	2017	\$ 465,512,142
	2016	460,887,791
	2015	<u>459,763,509</u>
	[A]	<u>\$ 1,386,163,442</u>
Average equalized valuation of taxable property	[A/3]	\$ 462,054,481
Debt limit (4% of average equalization value) (1)	[B]	\$ 18,482,179
Total Net Debt Applicable to Limit	[C]	<u>17,852,000</u>
Legal Debt Margin	[B-C]	<u>\$ 630,179</u>

	Fiscal Year									
	<u>2018</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>
Debt limit	\$ 18,482,179	\$ 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
Total net debt applicable to limit	<u>17,852,000</u>	<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>
Legal debt margin	<u>\$ 630,179</u>	<u>\$ (83,976)</u>	<u>\$ (437,294)</u>	<u>\$ (378,944)</u>	<u>\$ 9,335,673</u>	<u>\$ 6,612,809</u>	<u>\$ 6,226,239</u>	<u>\$ 5,645,012</u>	<u>\$ 4,708,134</u>	<u>\$ 14,923,627</u>
Total net debt applicable to the limit as a percentage of debt limit	96.59%	100.46%	102.35%	102.00%	52.56%	62.58%	65.51%	69.01%	73.70%	12.51%

(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

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2018	8,676	\$ 433,852,056	\$ 50,006	5.7%
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

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>2018</u>			<u>2009</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
Kennedy Memorial Hospital			N/A	1,200	5	N/A
Washington Township School District	1,675	2	N/A	1,594	2	N/A
Rowan University	1,586	3	N/A	1,300	4	N/A
County of Gloucester	1,483	4	N/A	1,600	3	N/A
Missa Bay, LLC	1,368	5	N/A	750	9	N/A
Monroe Township School District	950	6	N/A	775	8	N/A
U.S. Foodservices	814	7	N/A	800	6	N/A
Exxon Mobile Research & Engineering	725	8	N/A			N/A
Exxon Mobile Research & Engineering	540	9	N/A			N/A
Exxon Mobile Research & Engineering	525	10	N/A			N/A
Underwood Memorial Hospital				1,860	1	N/A
Direct Group				850	7	N/A
US Postal Service				700	10	N/A
	<u>11,491</u>			<u>11,429</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.

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>2018</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>
Instruction										
Regular	93	93	93	93	93	99	78	77	87	87
Special education	20	20	20	20	20	26	22	22	18	18
Other special education										
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Tuition										
Student & instruction related services	47	47	47	47	47	36	36	36	26	26
General administrative services	2	2	2	2	2	2	2	2	4	4
School administrative services	12	12	12	12	12	12	12	12	11	11
Business administrative services	5	5	5	5	5	3	3	3	3	3
Plant operations and maintenance	14	14	14	14	14	12	12	10	10	10
Pupil transportation	9	10	10	10	10	12	12	12	5	5
Special Schools										
Food Service (custodians only)	2	2	1	1		2				
Child Care										
Total	204	205	204	204	202	204	177	174	164	164

Source: District Personnel Records

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

Fiscal	Enrollment	Operating Expenditures (1)	Cost Per Pupil	Percentage Change	Teaching Staff (2)	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) (3)	Average Daily Attendance (ADA) (3)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2018	1,436	\$ 24,892,565	\$ 17,335	9.22%	131	10.6:1	13.3:1	10.1:1	1,405	1,348	-1.53%	95.94%
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%

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>2018</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>District Building</u>										
<u>Elementary</u>										
E. S. Simmons Elementary										
Square Feet	95,421	95,421	95,421	95,421	95,421	95,421	95,421	96,191	96,191	96,191
Capacity (students)	763	763	763	763	763	763	763	638	638	638
Enrollment	669	735	743	757	733	719	724	787	787	778
<u>High School/Middle School</u>										
Clayton Middle School										
Square Feet	143,910	143,910	126,080	126,080	126,080	126,080	126,080	98,092	98,092	98,092
Capacity (students)	868	868	868	868	868	868	868	800	500	617
Enrollment	767	712	708	691	666	665	646	545	525	534

Number of Schools at June 30, 2018

 Elementary = 1

 High/Middle School= 1

 Other = 1 (Performing Arts Center Added to High School Campus 1/1/18)

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>2018</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>
Clayton Middle/Clayton High School	N/A	\$ 104,887	\$ 102,854	\$ 86,283	\$ 96,633	\$ 111,013	\$ 104,688	\$ 103,567	\$ 96,080	\$ 121,107	\$ 89,224
Clayton Elementary School	N/A	69,925	77,592	65,091	73,136	88,664	78,976	53,098	64,081	61,959	71,698
Total School Facilities		<u>174,812</u>	<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>
Grand Total		<u>\$ 174,812</u>	<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>

* 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, 2018. 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, 2018.

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 and 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 and 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 and 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 and 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 and 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. 2CS00205000

Voorhees, New Jersey
February 6, 2019

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2018

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, 2017	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	1705NJ5MAP	N/A	\$ 84,648	7-1-2017	6-30-2018		
Total Medical Assistance Program (Medicaid) Cluster								
Total General Fund								
Special Revenue Fund:								
U.S. Department of Education								
Passed-through State Department of Education:								
N.C.J.B. / E.S.S.A.:								
Title I, Part A Carryover	84.010A	S010A150030	NCLB086017	470,492	7-1-2016	6-30-2017	\$ (200,233)	
Title I, Part A	84.010A	S010A150030	NCLB086018	438,534	7-1-2017	6-30-2018		
Total Title I, Part A								(200,233)
Title II, Part A Carryover	84.281A	S367A150029	NCLB086017	49,066	7-1-2016	6-30-2017	(13,094)	
Title II, Part A	84.281A	S367A150029	NCLB086018	55,691	7-1-2017	6-30-2018		
Total Title II, Part A								(13,094)
Title III Carryover	84.365A	S365A150030	NCLB086017	19,975	7-1-2016	6-30-2017	(830)	
Title III	84.365A	S365A150030	NCLB086018	24,105	7-1-2017	6-30-2018		
Total Title III								(830)
I.D.E.A. Part B:								
Special Education Cluster:								
Basic Regular Carryover	84.027	H027A150100	FT169017	410,579	7-1-2016	6-30-2017	(38,375)	
Basic Regular	84.027	H027A150100	FT169018	389,322	7-1-2017	6-30-2018		
ARRA	84.391	H027A150100	FT169014	383,354	7-1-2009	8-31-2011	(1,801)	
Preschool Incentive	84.173	H173A150114	PS169018	18,082	7-1-2017	6-30-2018		
Total I.D.E.A. Part B Special Education Cluster								(40,176)
21st Century Community Learning Centers Program	84.287C	N/A	NGO-15-EK32-H05	250,000	9-1-2015	8-31-2016		\$ 601
21st Century Community Learning Centers Program	84.287C	N/A	NGO-15-EK32-H05	250,000	9-1-2016	8-31-2017	(59,101)	
21st Century Community Learning Centers Program	84.287C	N/A	NGO-15-EK32-H05	250,000	9-1-2017	8-31-2018		
Total 21st Century Community Learning Centers Program								(59,101) 601
Local Capacity Building Project	84.027A	N/A	N/A	200,000	10-1-2002	9-30-2004	(14,320)	
Preschool Expansion Grant	84.419B	S419B150020	17000010	578,143	9-1-2016	8-31-2017	(100,276)	
Preschool Expansion Grant	84.419B	S419B150020	17000010	589,990	9-1-2017	8-31-2018		
Total Preschool Expansion Grant								(100,276)
Total U.S. Department of Education								(428,030) 601
Total Special Revenue Fund								(428,030) 601
Enterprise Fund:								
U.S. Department of Agriculture								
Passed-through State Department of Education:								
Cash Assistance:								
Child Nutrition Cluster:								
National School Lunch Program	10.555	1616NJ304N1099	N/A	298,761	7-1-2016	6-30-2017	(14,934)	
National School Lunch Program	10.555	1616NJ304N1099	N/A	282,627	7-1-2017	6-30-2018		
National School Lunch Program - HHFKA	10.555	1616NJ304N1099	N/A	7,749	7-1-2017	6-30-2018		
After School Snack Program	10.555	1616NJ304N1099	N/A	11,859	7-1-2016	6-30-2017	(451)	
After School Snack Program	10.555	1616NJ304N1099	N/A	13,392	7-1-2017	6-30-2018		
School Breakfast Program	10.553	1616NJ304N1099	N/A	141,001	7-1-2016	6-30-2017	(8,141)	
School Breakfast Program	10.553	1616NJ304N1099	N/A	122,662	7-1-2017	6-30-2018		
Non-Cash Assistance:								
Food Distribution Program	10.550	1616NJ304N1099	N/A	55,644	7-1-2016	6-30-2017		1,457
Food Distribution Program	10.550	1616NJ304N1099	N/A	48,441	7-1-2017	6-30-2018		
Total Child Nutrition Cluster								(23,526) 1,457
Total Enterprise Fund								(23,526) 1,457
Total Federal Financial Assistance								\$ (451,556) \$ 2,058

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, 2018		
	Pass-through Funds	Direct Funds	Total Budgetary Expenditures				(Accounts Receivable)	Unearned Revenue	Due to Grantor
\$ 60,467	\$ 60,467		\$ 60,467						
60,467	60,467		60,467						
60,467	60,467		60,467						
200,233									
317,817	432,263		432,263				\$ (114,446)		
518,050	432,263		432,263				(114,446)		
13,094									
30,717	45,731		45,731				(15,014)		
43,811	45,731		45,731				(15,014)		
830									
8,941	9,870		9,870				(929)		
9,771	9,870		9,870				(929)		
38,375									
322,873	355,968		355,968				(33,095)		
18,082	18,082		18,082				(1,801)		
379,330	374,050		374,050				(34,896)		
118,146	59,062		59,062				(17)		\$ 601
168,034	211,584		211,584				(43,550)		
286,180	270,646		270,646				(43,567)		601
							(14,320)		
100,276									
383,165	536,041		536,041				(152,876)		
483,441	536,041		536,041				(152,876)		
1,720,583	1,668,601		1,668,601				(376,048)		601
1,720,583	1,668,601		1,668,601				(376,048)		601
14,934									
270,081	282,627		282,627				(12,546)		
7,410	7,749		7,749				(339)		
451									
13,031	13,392		13,392				(361)		
8,141									
115,243	122,662		122,662				(7,419)		
	1,457		1,457						
48,441	45,846		45,846					\$ 2,595	
477,732	473,733		473,733				(20,665)	2,595	
477,732	473,733		473,733				(20,665)	2,595	
\$ 2,258,782	\$ 2,202,801	\$ -	\$ 2,202,801	\$ -	\$ -	\$ -	\$ (396,713)	\$ 2,595	\$ 601

BOROUGH OF CLAYTON SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2018

State Grant/ Program Title	Grant or State Project Number	Program or Award Amount	Required Match	Grant Period		Balance at June 30, 2017	
				From	To	Unearned Revenue / Accounts Receivable	Due to Grantee
General Fund:							
New Jersey Department of Education:							
Current Expense:							
State Aid - Public Cluster:							
Equalization Aid	17-495-034-5120-078	\$ 8,722,290		7-1-2016	6-30-2017	\$ (817,097)	
Equalization Aid	18-495-034-5120-078	9,055,079		7-1-2017	6-30-2018		
School Choice	17-495-034-5120-068	141,455		7-1-2016	6-30-2017	(14,145)	
School Choice	18-495-034-5120-068	141,455		7-1-2017	6-30-2018		
Security Aid	17-495-034-5120-084	180,975		7-1-2016	6-30-2017	(18,098)	
Security Aid	18-495-034-5120-084	180,975		7-1-2017	6-30-2018		
Special Education Aid	17-495-034-5120-089	742,641		7-1-2016	6-30-2017	(74,264)	
Special Education Aid	18-495-034-5120-089	742,641		7-1-2017	6-30-2018		
Under Adequacy Aid	17-495-034-5120-096	77,145		7-1-2016	6-30-2017	(7,714)	
Under Adequacy Aid	18-495-034-5120-096	77,145		7-1-2017	6-30-2018		
PARCC Readiness Aid	17-495-034-5120-098	13,055		7-1-2016	6-30-2017	(1,306)	
PARCC Readiness Aid	18-495-034-5120-098	13,055		7-1-2017	6-30-2018		
Per Pupil Growth Aid	17-495-034-5120-097	13,055		7-1-2016	6-30-2017	(1,306)	
Per Pupil Growth Aid	18-495-034-5120-097	13,055		7-1-2017	6-30-2018		
Professional Learning Community Aid	17-495-034-5120-101	13,740		7-1-2016	6-30-2017	(1,374)	
Professional Learning Community Aid	18-495-034-5120-101	13,740		7-1-2017	6-30-2018		
Host District Aid	17-495-034-5120-102	702		7-1-2016	6-30-2017	(70)	
Host District Aid	18-495-034-5120-102	702		7-1-2017	6-30-2018		
Total State Aid - Public Cluster:						(935,374)	-
State Aid - Transportation:							
Transportation Aid	17-495-034-5120-014	70,560		7-1-2016	6-30-2017	(7,056)	
Transportation Aid	18-495-034-5120-014	70,560		7-1-2017	6-30-2018		
Nonpublic Transportation Aid	17-495-034-5120-014	8,469		7-1-2016	6-30-2017	(8,469)	
Nonpublic Transportation Aid	18-495-034-5120-014	14,790		7-1-2017	6-30-2018		
Total State Aid - Transportation:						(15,525)	-
Extraordinary Special Education Aid Costs							
Extraordinary Special Education Aid Costs	17-495-034-5120-044	43,081		7-1-2016	6-30-2017	(43,081)	
Extraordinary Special Education Aid Costs	18-495-034-5120-044	113,801		7-1-2017	6-30-2018		
Total Extraordinary Aid						(43,081)	-
Reimbursed T.P.A.F. Social Security							
Reimbursed T.P.A.F. Social Security	17-495-034-5095-002	606,887		7-1-2016	6-30-2017	(30,483)	
Reimbursed T.P.A.F. Social Security	18-495-034-5095-002	634,141		7-1-2017	6-30-2018		
Total Reimbursed T.P.A.F. Social Security						(30,483)	-
Lead Water Testing for Schools Aid							
Lead Water Testing for Schools Aid	495-034-5120-104	2,766		1-1-2016	7-13-2017		
Total General Fund						(1,024,463)	-
Special Revenue Fund:							
New Jersey Department of Education							
Nonpublic Aid:							
Nursing Services	18-100-034-5120-373	20,758		7-1-2017	6-30-2018		
Textbook Aid (Ch. 194)	17-100-034-5120-064	12,796		7-1-2016	6-30-2017		\$ 21
Textbook Aid (Ch. 194)	18-100-034-5120-064	11,723		7-1-2017	6-30-2018		
Technology Initiative Aid	17-400-034-5120-373	5,772		7-1-2016	6-30-2017		21
Technology Initiative Aid	18-400-034-5120-373	7,918		7-1-2017	6-30-2018		
Auxiliary Services (Ch. 192)							
Compensatory Education	17-100-034-5120-067	90,476		7-1-2016	6-30-2017		25,351
English as a Second Language	17-100-034-5120-067	3,654		7-1-2016	6-30-2017		1,462
Transportation	17-100-034-5120-067	12,586		7-1-2016	6-30-2017		3,485
Auxiliary Services (Ch. 192)							
Compensatory Education	18-100-034-5120-067	78,132		7-1-2017	6-30-2018		
English as a Second Language	18-100-034-5120-067	4,336		7-1-2017	6-30-2018		
Transportation	18-100-034-5120-067	10,297		7-1-2017	6-30-2018		
Handicapped Services (Ch. 193)							
Supplemental Instruction	17-100-034-5120-068	18,833		7-1-2016	6-30-2017		2,511
Corrective Speech	17-100-034-5120-068	45,059		7-1-2016	6-30-2017		17,847
Examination and Classification	17-100-034-5120-068	40,337		7-1-2016	6-30-2017		13,320
Handicapped Services (Ch. 193)							
Supplemental Instruction	18-100-034-5120-068	19,824		7-1-2017	6-30-2018		
Corrective Speech	18-100-034-5120-068	36,605		7-1-2017	6-30-2018		
Examination and Classification	18-100-034-5120-068	22,759		7-1-2017	6-30-2018		
Security Aid	18-100-034-5120-509	16,050		7-1-2017	6-30-2018		
Home Instruction	N/A	7,608		7-1-2016	6-30-2017	(4,175)	
Home Instruction	N/A	4,175		7-1-2017	6-30-2018		
Total Nonpublic Aid:						(4,175)	64,018
Preschool Education Aid	17-495-034-5120-086	322,140	\$ 84,370	7-1-2016	6-30-2017	(32,214)	
Preschool Education Aid	18-495-034-5120-086	322,140	85,440	7-1-2017	6-30-2018		
Total Preschool Education Aid						(32,214)	
Subtotal Special Revenue Fund - State Department of Education						(36,389)	64,018
State Department of Human Services							
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		383
School Based Youth Service Program	18CTHP			7-1-2017	6-30-2018		
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		3,193
Family Friendly	18CTHP	45,463		7-1-2017	6-30-2018		
Subtotal Special Revenue Fund - State Department of Human Services						-	11,683
Total Special Revenue Fund						(36,389)	75,701
Debt Service Fund							
New Jersey Department of Education							
Debt Service Aid Type II	18-495-034-5120-125	108,968		7-1-2017	6-30-2018		
Total Debt Service Fund						-	-
Enterprise Fund:							
New Jersey Department of Agriculture							
Child Nutrition Cluster:							
National School Lunch Program (State Share)	17-100-010-3360-067	6,931		7-1-2016	6-30-2017	(331)	
National School Lunch Program (State Share)	18-100-010-3360-067	6,877		7-1-2017	6-30-2018		
Total Enterprise Fund						(331)	-
Total State Financial Assistance subject to Major Program Determination for State Single Audit						\$ (1,061,183)	\$ 75,701
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	1,218,575		7-1-2017	6-30-2018		
On-behalf T.P.A.F. Pension Contributions - Non-Contributory Insurance	495-034-5094-004	29,572		7-1-2017	6-30-2018		
On-behalf T.P.A.F. Pension Contributions - Long-Term Disability Insurance	495-034-5094-004	2,100		7-1-2017	6-30-2018		
On-behalf T.P.A.F. Pension Contributions - Post Retirement Medical	495-034-5094-001	806,152		7-1-2017	6-30-2018		
Total General Fund (Non-Cash Assistance)						-	-
Total State Financial Assistance						\$ (1,061,183)	\$ 75,701

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 Receipts	Total Budgetary Expenditures	Passed Through to Subrecipients	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2018			Memo		
						Accounts Receivable	Unearned Revenue	Due to Grantor	Budgetary Receivable 6/30/2018	Cumulative Total Expenditures	
	\$ 817,097										
	8,211,820	\$ 9,055,079				\$ (843,259)			\$ (843,259)	\$ 9,055,079	
	14,145					(14,145)			(14,145)	141,455	
	127,310	141,455								180,975	
	18,098	180,975				(18,098)			(18,098)	742,641	
	162,877					(74,264)			(74,264)	77,145	
	74,264	742,641								13,055	
	668,377					(7,714)			(7,714)	13,055	
	7,714	77,145								13,740	
	69,431					(1,306)			(1,306)	13,740	
	1,306	13,055								702	
	11,749	13,055				(1,306)			(1,306)		
	1,306	13,055									
	11,749	13,055				(1,306)			(1,306)		
	1,374	13,740									
	12,366					(1,374)			(1,374)		
	70	702				(70)			(70)		
	632										
	10,211,685	10,237,847				(961,536)			(961,536)	10,237,847	
	7,056										
	63,504	70,560				(7,056)			(7,056)	70,560	
	8,469	14,790				(14,790)				14,790	
	79,029	85,350				(21,846)			(7,056)	85,350	
	43,081	113,801				(113,801)				113,801	
	43,081	113,801				(113,801)				113,801	
	30,483	634,141								634,141	
	634,141	634,141								634,141	
	664,624	634,141								2,766	
	2,766	2,766								11,073,905	
	11,001,185	11,073,905				(1,097,183)			(968,592)	11,073,905	
	20,758	20,758			\$ (21)						
	11,723	11,675			(21)			\$ 48			
	7,918	7,918									
					(25,351)						
					(1,462)						
					(3,485)						
	78,132	75,736						2,396			
	4,336	4,336									
	10,297	8,916						1,381			
					(2,511)						
					(17,847)						
					(13,320)						
	19,824	13,638						6,186			
	36,605	21,070						15,535			
	22,759	19,476						3,283			
	16,050	16,050									
	4,175	743				(743)					
	232,577	200,316			(64,018)	(743)		28,829			
\$ 105,624	32,214	105,624				(32,214)	\$ 167,272		(32,214)	105,624	
	375,366	240,308								240,308	
105,624	407,580	345,932				(32,214)	167,272		(32,214)	345,932	
105,624	640,157	546,248			(64,018)	(32,957)	167,272	28,829	(32,214)	345,932	
					(1,459)						
					(3)						
	238,568	238,513		\$ (2,192)	(1,840)			383			
					(2,613)			55			
	45,963	45,962						3,193			
								1			
	284,531	284,475		(2,192)	(5,915)			3,632			
105,624	924,688	830,723		(2,192)	(69,933)	(32,957)	167,272	32,461	(32,214)	345,932	
	108,968	108,968								108,968	
	108,968	108,968								108,968	
	331	6,877				(301)				6,877	
	6,576										
	6,907	6,877				(301)				6,877	
\$ 105,624	\$ 12,041,748	\$ 12,020,473	\$ -	\$ (2,192)	\$ (69,933)	\$ (1,130,441)	\$ 167,272	\$ 32,461	\$ (1,000,806)	\$ 11,535,682	
	1,218,575	1,218,575									
	29,572	29,572									
	2,100	2,100									
	806,152	806,152									
	2,056,399	2,056,399									
\$ 105,624	\$ 14,098,147	\$ 14,076,872	\$ -	\$ (2,192)	\$ (69,933)	\$ (1,130,441)	\$ 167,272	\$ 32,461	\$ (1,000,806)	\$ 11,535,682	

BOROUGH OF CLAYTON SCHOOL DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (“the schedules”) 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. 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 are presented using the budgetary basis of accounting, with the following exceptions: programs recorded in the enterprise fund 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. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3: INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the 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.

**Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance (Cont'd)**

Note 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$(26,162) for the general fund and \$(37,471) 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.

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

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 60,467	\$ 11,073,905	\$ 11,134,372
Special Revenue	1,633,908	825,254	2,459,162
Debt Service		108,968	108,968
Food Service	473,733	6,877	480,610
Total Awards and Financial Assistance	<u>\$ 2,168,108</u>	<u>\$ 12,015,044</u>	<u>\$ 14,183,112</u>

Note 5: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 6: REIMBURSED AND ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2018, 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, 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, 2018

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:
<u>10.553</u>	<u>181NJ304N1099</u>	<u>School Breakfast Program</u>
<u>10.555</u>	<u>181NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.555</u>	<u>181NJ304N1099</u>	<u>National School Lunch Program - HHFKA</u>
<u>10.555</u>	<u>181NJ304N1099</u>	<u>After School Snack</u>
<u>10.550</u>	<u>181NJ304N1099</u>	<u>Food Distribution Program</u>

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, 2018

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

State Aid Public: _____

495-034-5120-078

Equalization Aid

495-034-5120-089

Special Education

495-034-5120-084

Security Aid

495-034-5120-068

School Choice

495-034-5095-083

Under Adequacy Aid

495-034-5120-098

PARCC Readiness Aid

495-034-5120-097

Per Pupil Growth Aid

495-034-5120-101

Professional Learning Community Aid

495-034-5120-102

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, 2018

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, 2018

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, 2018

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.

