

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



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

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INTRODUCTORY SECTION

CLAYTON BOARD OF EDUCATION
300 West Chestnut Street, Clayton NJ 08312

Cleve W. Bryan
Superintendent of Schools

Frances C. Adler
School Business Administrator/Board Secretary

November 20, 2012

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

Dear Board Members:

We are submitting the Comprehensive Annual Financial Report of the Clayton Public School District for the fiscal year ended June 30, 2012. The management of the Board of Education is responsible for the accuracy of the data as well as the completeness and fairness of the presentation including all disclosures. To the best of our knowledge, the data presented in this report is accurate and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All necessary disclosures have been included to enable the reader to gain an understanding of the District's financial activities.

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

REPORTING ENTITY AND ITS SERVICES:

Clayton Public School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement Number 3. All account groups and funds of the Clayton Public School District are included in this report. The Clayton Board of Education and its three schools (two buildings) 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 youngsters. The District completed the 2011-2012 school year with a Student Enrollment of 1370 students which is .01 percent lower than the previous year's enrollment.

STUDENT ENROLLMENT:

<u>FISCAL YEAR</u>	<u>STUDENT ENROLLMENT</u>	<u>% CHANGE</u>
2012	1370	-0.01%
2011	1373	-0.07%
2010	1374	+1.7%
2009	1351	+ 3.17%
2008	1309	+ 2.4%
2007	1277	+ 1.83%
2006	1254	- 3.39%
2005	1298	- 0.46%
2004	1304	+ 0.54%
2003	1297	+ 3.51%
2002	1253	+ 2.05%
2001	1190	+0.08%
2000	1189	+3.03%
1999	1153	-2.08%
1998	1177	-0.59%
1997	1184	+6.95%
1996	1107	+0.36%
1995	1103	-6.71%
1994	1177	-0.42%

ECONOMIC CONDITION AND OUTLOOK:

Residential development continues to take place in Clayton but the rate of development has slowed down with poor economic conditions present due to the national recession. Local businesses have suffered in the current recession, and Clayton has had a hard time attracting new businesses to the community. Economic conditions have caused a rise in the District's free and reduced lunch program. In 2011-2012, the percentage of economically disadvantaged students eligible for free and reduced lunch was 48%. In 2012-2013, it is up to 51%. A predominantly residential tax base places a local school tax burden on the residents to fund the school system. The District continues to pursue federal, state, and other grant sources to enhance programs and provide resources without an additional local tax burden.

MAJOR INITIATIVES:

- The following District-level goals and objectives have been developed for the 2011-2012 school year:
1. By 2013-2014, all students will reach high standards at a minimum attaining proficiency or better in reading/language arts and mathematics in state assessments of core curriculum content indicators.
 - 1.1 Students will perform at or above the state benchmarks on state assessments.
 - 1.2 Students identified as partially proficient on state assessments will receive remedial instruction to improve academic performance.
 - 1.3 The district will provide instructional programs to improve achievement levels of sub-groups that are deficient.
 - 1.4 Student performance data obtained through assessments will be used to develop programs and guide instruction.
 - 1.5 Professional development will be provided to implement research-based instructional programs.
 2. All limited English proficient students will become proficient in English and reach high academic standards at a minimum attaining proficiency or better in reading/language arts and mathematics.
 - 2.1 The district will provide English as a Second Language programs for students identified as limited English proficient.

- 2.2 The district will provide professional development to the staff to address the needs of our limited English proficient students.
 - 2.3 Teachers will implement instructional strategies to improve limited English proficient students' academic performance.
 - 2.4 Limited English proficient students will perform at the proficient level on the state Access test.
3. All students will be taught by highly qualified teachers.
- 3.1 The district will continue the practice of hiring highly qualified candidates to provide instruction.
 - 3.2 The district will provide professional development for staff to implement effective instructional practices that align with the New Jersey Core Curriculum Content Standards.
4. All students will be educated in learning environments that are safe, drug free, and conducive to learning.
- 4.1 The district will review and revise policies that promote a safe and drug-free learning environment.
 - 4.2 The district will identify and implement programs that support a positive learning environment.
 - 4.3 The district will provide on-going professional development to support the implementation of safe schools programs.
 - 4.4 The district will identify at-risk students and provide access to support services.
 - 4.5 Monthly incident reports will be used to monitor and determine the effectiveness of safe schools and drug-free programs.
5. All students will graduate from high school.
- 5.1 The district will provide research-based relevant intervention programs to address the learning needs of at-risk high school students.
 - 5.2 The district will provide research-based programs and interventions at the elementary level that prepares students to achieve success at the middle school and high school.
 - 5.3 The high school graduation rate will increase for sub-groups.
 - 5.4 The drop-out rate will decrease as prevention programs are implemented.
 - 5.5 The district will provide professional development to assist staff in the identification of students at risk and the implementation of prevention practices.

PROGRESS TOWARD GOALS AND OBJECTIVES

To address the goals and objectives listed above, the District hired only highly-qualified teachers and provided a full time English as a Second Language teacher to teach English as a Second Language to our students from non-English speaking households in kindergarten through 12th grade. We provided basic skills instruction for kindergarten through 8th grade for language arts literacy and math. We also provided, through our Title I grant monies, an extended school day and extended school year in the form of tutoring and remedial assistance in kindergarten through eighth grade in subject areas of reading, language arts literacy, and math. Also, through our Title I Grant monies supplemental educational services were provided from outside vendors to students who are economically disadvantaged. Our National Honor Society worked with Clayton Place to provide after-school tutoring in the content areas for High School and Middle School students. We also provided an after-school reading clinic using Title I monies and a summer reading clinic for students who were several grade levels behind in their reading ability. Our High School made adequate yearly progress for the 8th year straight in both language arts literacy and math. The District is in the second year of implementing a comprehensive Reading Literacy plan for grades K-8. An outside language arts consultant is being used to coach teachers in the classroom with reading methods to assist struggling readers. We hired two outside math consultants, one for our Everyday Math program in kindergarten through 5th grade and another for our Connected Math program in grades six through eight to assist the teachers in implementing strategies to improve student achievement.

Our graduation rate is 98.7%, and our drop-out rate is 2.5%. Our JROTC program expanded to a second level of curriculum and over 20% of the high school students volunteered to enroll in this program. Other high school programs include advanced placement courses, dual credit courses with Camden County and Gloucester County Colleges, college prep, business technology, technology services, freshman seminar and special education. We completed our first year of providing online AP courses, Career Diploma Programs and vocational courses for our high school students to address President Obama's Blue Print for Success initiative.

To address our at-risk population, provide mental health services, and ensure a safe learning environment for our students, the following initiatives continued through our Safe Schools/healthy Students grant in the 2011-2012 school year:

- Security liaison staff for both buildings
- Clayton Counseling Center that included a full-time psychologist, social worker, youth development specialist, behavioral inclusion team, and a part-time psychiatrist.
- Elementary School Health Teacher to teach drug and alcohol education in kindergarten through fifth grade.
- Elementary School Guidance Counselor to work with at-risk students.
- Upgraded our security surveillance system and added door access system.
- Provide Second Step Anti-Bullying Program in kindergarten through eighth grade along with Too Good For Drugs.
- Provided Too Good For Drugs and Violence program for high school students.
- Provided Challenge Day and other instructional programs that teach tolerance and acceptance of diversity.
- After-school enrichment program called Micro Society for elementary school students.
- Provided an extended school year for grades six through eight in the areas of reading, math, and language arts literacy.

Under the State's new annual progress targets for 2011-2012, students at all three schools performed to meet the targets set on the HSPA and NJASK for grades 3-8 and grade 11. All three schools obtained a yes for Title I Status.

To address our facilities needs the District built a new high school wing and made 20 million dollars of renovations to both sites. In 2011-2012, the District was realigned to move the sixth grade over to the newly renovated middle school. The new High School wing and renovated Middle School facilities has allowed us to better separate our High School and Middle School student populations. In addition, it also provided the classroom space needed to eliminate teachers teaching off of carts. All the classrooms at the high school and middle school have Smart Boards, computers, Internet access and other smart technologies to engage students in e-learning. The elementary school has smart technologies in most of the classrooms and a new computer lab for thirty students. Each teacher and administrator was given and trained on using iPads. Each Department at the high school has a mobile iPad cart with 25 student iPads. The middle school, elementary school and special education department also have mobile iPad carts for classroom instruction.

To address State requirements and local needs, the district has selected a new teacher/administrator evaluation model that will be piloted in 2012-2013. Also, the District is in the process of revising its core curriculum to be aligned with National Common Core Standards and the NJ Core Curriculum Content Standards. The process will be completed in 2012-2013.

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, 2012, the District's outstanding debt issues amount to \$11,824,000.

CASH MANAGEMENT:

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

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

RISK MANAGEMENT:

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

OTHER INFORMATION:

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

AWARDS:

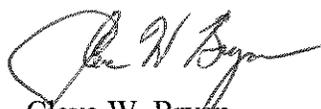
- 1. Teachers of the Year:
 - Elementary School Teacher – Erica Doyle
 - Middle School Teacher – Alicia Gravenor
 - High School Teacher – Christopher Gassler

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,


 Cleve W. Bryan
 Superintendent of Schools


 Frances C. Adler
 School Business Administrator/Board Secretary

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

ROSTER OF OFFICIALS

Members of the Board of Education	Term Expires
Anthony Grafton, President	2012
John Connelly, Vice President	2012
Ronald Durham	2014
Elizabeth Kellum	2013
Jeremiah Long	2012
Dawn Milligan	2013
Emma Painter	2014
Cindy Polo	2013
Milton "Bud" Reuter, III	2014

Cleve W. Bryan, Superintendent of Schools

Frances Adler, School Business Administrator/ Board Secretary

Deborah Swietanski, Treasurer of School Funds

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

CONSULTANTS AND ADVISORS

Architect

Garrison Architects
14000 F Commerce Parkway
Mount Laurel, NJ 08054

Audit Firm

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

Attorney

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

Official Depositories

The Bank
Clayton Branch
35 North Delsea Drive
Clayton, NJ 08312

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Clayton School District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Clayton School District in the County of Gloucester, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2012 on our consideration of the Borough of Clayton School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Clayton School District's financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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 and statistical section listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

Bowman + Company LLP
 BOWMAN & COMPANY LLP
 Certified Public Accountants
 & Consultants

Glen J. Walton

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

Voorhees, New Jersey
 November 20, 2012

**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**

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

We have audited 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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 20, 2012. 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.

Internal Control Over Financial Reporting

Management of the Borough of Clayton School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Clayton School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Clayton School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

This report is intended solely for the information and use of management, members of the Board of Education, others within the School District, the Division of Administration and Finance of the New Jersey Department of Education, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Bowman + Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Glen J. Walton

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

Voorhees, New Jersey
November 20, 2012

REQUIRED SUPPLEMENTARY INFORMATION
PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of Clayton Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights:

Key financial highlights for 2012 are as follows:

- In total, net assets decreased \$1,275,673.
- General revenues account for \$19,133,358 in revenue or eighty-six percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$3,086,071 or fourteen percent of total revenues of \$22,219,429.
- The School District had \$23,495,102 in expenses; only \$3,086,071 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues of \$19,133,358 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$18,329,785 in revenues and \$17,919,289 in expenditures. The General Fund's balance increased \$410,496 over 2012. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The School District as a Whole

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

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

Table 1 provides a summary of the School District's net assets for 2012 and 2011.

**Table 1
Net Assets**

	June 30, 2012	June 30, 2011
Assets		
Current and Other Assets	\$ 2,719,885	\$ 7,876,383
Capital Assets	<u>29,147,466</u>	<u>26,274,588</u>
Total Assets	<u>31,867,351</u>	<u>34,150,971</u>
Liabilities		
Long-term Liabilities	11,257,876	12,017,238
Other Liabilities	<u>2,453,948</u>	<u>2,702,533</u>
Total Liabilities	<u>13,711,824</u>	<u>14,719,771</u>
Net Assets		
Invested in Capital Assets, Net of Debt	17,093,584	13,464,349
Restricted	1,709,166	6,436,884
Unrestricted	<u>(647,223)</u>	<u>(470,033)</u>
Total Net Assets	<u>\$ 18,155,527</u>	<u>\$ 19,431,200</u>

The District's combined net assets were \$18,155,527 on June 30, 2012. This was an decrease of 7 percent from the prior year.

Total assets decreased \$2,283,620. A decrease in current and other assets of \$5,156,498 was due to a decrease in cash and accounts receivable. An increase in capital assets of \$2,872,878 is due to capital additions over the current year depreciation expense.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Total liabilities decreased \$1,007,947 primarily due to a decrease in bonds payable. Table 2 shows changes in net assets for fiscal year 2012 compared to the fiscal year 2011.

**Table 2
Changes in Net Assets**

	June 30, 2012	June 30, 2011
Revenues		
Program Revenues:		
Charges for Services	\$ 297,160	\$ 209,201
Operating Grants and Contributions	2,788,911	2,962,542
General Revenues:		
Property Taxes	8,067,296	7,807,745
Grants and Entitlements	11,165,005	10,424,078
Other	<u>(98,943)</u>	<u>100,393</u>
Total Revenues	<u>\$ 22,219,429</u>	<u>\$ 21,503,959</u>
Program Expenses		
Instruction	\$ 11,701,505	\$ 9,903,741
Support Services:		
Pupils and Instructional Staff	5,555,264	5,784,989
General Administration, School Administration, Business	2,220,477	1,889,937
Operations, and Maintenance of Facilities	2,112,102	1,661,055
Pupil Transportation	880,756	667,844
Interest on Debt	471,521	513,331
Food Service	<u>553,477</u>	<u>489,561</u>
Total Expenses	<u>23,495,102</u>	<u>20,910,458</u>
Increase (Decrease) in Net Assets	<u>\$ (1,275,673)</u>	<u>\$ 593,501</u>

Program revenues include charges for services and operating grants and contributions. The increase in charges for services is primarily the result of an increase in food service sales. There is a \$85,672 decrease in operating grants and contributions due primarily to decrease in state grants.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

General revenues include property taxes, federal and state aids, and other revenues, with federal and state aids being the predominant source of revenue for the District. Federal and state aids increased \$740,927, primarily due increase in state funding.

Property taxes increased \$259,551 as State aid revenue increased.

Total expenses increased by \$2,584,644 mainly due increase in revenues.

Governmental Activities

Property taxes made up 36 percent of revenues for governmental activities for the Clayton Public School District for fiscal year 2012. The District's total revenues were \$22,219,429 for the year ended June 30, 2012. Federal, State, and local grants accounted for another 50 percent of revenue.

The total cost of all programs and services was \$23,495,102. Instruction comprises 47 percent of District expenses.

Business-Type Activities

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

- Food service revenues exceeded expenses by \$18,605.
- Charges for services represent \$202,169 of revenue. This represents amounts paid by patrons for daily food service.
- Federal and State requirements for meals including payments for free and reduced lunches and breakfast and donated commodities was \$369,750.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Governmental Activities

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

Table 3

	Total Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
Instruction	\$ 11,701,505	\$ 9,903,741	\$ 10,947,455	\$ 9,100,423
Support Services:				
Pupils and Instructional Staff	5,555,264	5,784,989	3,795,162	3,922,638
General Administration, School Administration, Business	2,220,477	1,889,937	2,220,477	1,889,937
Operation and Maintenance of Facilities	2,112,102	1,661,055	2,112,102	1,661,055
Pupil Transportation	880,756	667,844	880,756	667,844
Interest and Fiscal Charges	471,521	513,331	471,521	513,331
Total Expenses	\$ 22,941,625	\$ 20,420,897	\$ 20,427,473	\$ 17,755,228

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

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

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

“Other” includes special schools and unallocated depreciation.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$21,647,347 and expenditures were \$26,476,295. The net decrease in fund balance for the year was most significant in the capital projects fund, a decrease of \$5,212,215.

General Fund Budgeting Highlights

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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Tuition for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into the District during the summer as well as the school year, which necessitates transferring funds to the appropriate account to pay these special education costs.

Capital Assets

At the end of the fiscal year 2012, the School District had \$28,998,667, invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011.

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

	2012	2011
Land	\$ 510,670	\$ 510,670
Construction in Progress	-	15,341,223
Site Improvements	989,508	25,033
Building and Building Improvements	25,555,076	9,978,906
Machinery and Equipment	<u>943,413</u>	<u>354,338</u>
Total	<u>\$ 28,998,667</u>	<u>\$ 26,210,170</u>

Overall capital assets increased \$2,788,497 from fiscal year 2011 to fiscal year 2012. The increase in capital assets is due to additions being more than depreciation expenses for the year. For more detailed information, please refer to the Notes to the Financial Statements.

Debt Administration

At June 30, 2012, the School District had \$12,091,835 of outstanding debt. Of this amount, \$267,835 is for compensated absences and \$11,824,000 of serial bonds for school construction.

**Table 5
Outstanding Debt at June 30**

	2012	2011
July 15, 2001	\$ 37,000	\$ 72,000
March 1, 2004	1,870,000	2,480,000
January 28, 2010	<u>9,917,000</u>	<u>10,017,000</u>
Total	<u>\$ 11,824,000</u>	<u>\$ 12,569,000</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

For the Future

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

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

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF CLAYTON SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 2,026,535	\$ 54,194	\$ 2,080,729
Receivables, net	587,877	31,847	619,724
Inventory		3,736	3,736
Restricted Assets:			
Capital Reserve Account - Cash	15,696		15,696
Capital Assets, net (Note 6)	<u>28,998,667</u>	<u>148,799</u>	<u>29,147,466</u>
Total Assets	<u>31,628,775</u>	<u>238,576</u>	<u>31,867,351</u>
LIABILITIES:			
Accounts Payable	199,186		199,186
Construction Payable	10,775		10,775
Note Payable	1,000,000		1,000,000
Payable to State Government	91,508		91,508
Deferred Revenue	88,638		88,638
Accrued Interest Payable	229,882		229,882
Noncurrent Liabilities (Note 7):			
Due within One Year	833,959		833,959
Due beyond One Year	<u>11,257,876</u>		<u>11,257,876</u>
Total Liabilities	<u>13,711,824</u>		<u>13,711,824</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	16,944,785	148,799	17,093,584
Restricted for:			
Debt Service	170,220		170,220
Capital Projects			
Other Purposes	1,538,946		1,538,946
Unrestricted (Deficit)	<u>(737,000)</u>	<u>89,777</u>	<u>(647,223)</u>
Total Net Assets	<u>\$ 17,916,951</u>	<u>\$ 238,576</u>	<u>\$ 18,155,527</u>

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

Borough of Clayton School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 8,511,190	\$ 94,991	\$ 333,754	\$ (8,177,436)	\$	\$ (8,177,436)
Special Education	2,320,908		325,305	(1,900,612)		(1,900,612)
Other Special Instruction				(869,407)		(869,407)
Other Instruction	869,407					
Nonpublic School Programs						
Support Services:						
Tuition	1,638,314		282,369	(1,355,945)		(1,355,945)
Student and Instruction Related Services	3,916,950		1,477,733	(2,439,217)		(2,439,217)
General Administrative Services	453,296			(453,296)		(453,296)
School Administrative Services	1,767,181			(1,767,181)		(1,767,181)
Plant Operations and Maintenance	2,112,102			(2,112,102)		(2,112,102)
Pupil Transportation	880,756			(880,756)		(880,756)
Interest on Long-Term Debt	471,521			(471,521)		(471,521)
Total Governmental Activities	22,941,625	94,991	2,419,161	(20,427,473)		(20,427,473)
Business-Type Activities:						
Food Service	553,477	202,169	369,750		\$ 18,442	18,442
Total Business-Type Activities	553,477	202,169	369,750	-	18,442	18,442
Total Primary Government	\$ 23,495,102	\$ 297,160	\$ 2,788,911	(20,427,473)	18,442	(20,409,031)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				7,164,595		7,164,595
Taxes Levied for Debt Service				902,701		902,701
Federal and State Aid Not Restricted				10,862,334		10,862,334
State Aid Restricted				302,671		302,671
Transportation Fees from other LEAs within State				24,863		24,863
Interest and Investment Earnings				1,789	163	1,952
Miscellaneous Income				181,213		181,213
Transfers				(306,971)		(306,971)
Total General Revenues, Special Items, Extraordinary Items and Transfers				19,133,195	163	19,133,358
Change in Net Assets				(1,294,278)	18,605	(1,275,673)
Net Assets -- July 1				19,211,229	219,971	19,431,200
Net Assets -- June 30				\$ 17,916,951	\$ 238,576	\$ 18,155,527

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

FUND FINANCIAL STATEMENTS

Borough of Clayton School District
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 635,560		\$ 1,390,975		\$ 2,026,535
Capital Reserve Account	15,696				15,696
Accounts Receivable					
State	134,269	\$ 334			134,603
Federal	5,257	421,708			426,965
Other	26,309				26,309
Other Accounts Receivables					
Interfunds Receivable	491,875			\$ 226,273	718,148
Total Assets	\$ 1,308,966	\$ 422,042	\$ 1,390,975	\$ 226,273	\$ 3,348,256
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 138,573	\$ 48,323			\$ 186,896
Construction Payable			\$ 10,775		10,775
Interfunds Payable	68,342	281,896	380,200		730,438
Note Payable			1,000,000		1,000,000
Payable to Federal Government					
Payable to State Government		91,508			91,508
Deferred Revenue		32,585		\$ 56,053	88,638
Total Liabilities	206,915	454,312	1,390,975	56,053	2,108,255
Fund Balances:					
Restricted:					
Capital Reserve Account	15,696				15,696
Excess Surplus--Designated for Subsequent Year's Expenditures	1,189,502				1,189,502
Excess Surplus	333,748				333,748
Capital Projects					-
Assigned:					
Other Purposes	29,353				29,353
Unassigned	(466,248)	(32,270)		170,220	(328,298)
Total Fund Balances	1,102,051	(32,270)	-	170,220	1,240,001
Total Liabilities and Fund Balances	\$ 1,308,966	\$ 422,042	\$ 1,390,975	\$ 226,273	

Amounts reported for *governmental activities* in the statement of net assets (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 \$42,546,995, and the accumulated depreciation is \$13,548,328.

28,998,667

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.

12,091,835

Accrued interest payable

229,882

Net assets of governmental activities

\$ 17,916,951

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

Borough of Clayton School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Tax Levy	\$ 7,164,595			\$ 902,701	\$ 8,067,296
Tuition Charges	94,991				94,991
Interest			\$ 1,789		1,789
Transportation Charges	24,863				24,863
Unrestricted Miscellaneous Revenues	128,824				128,824
State Sources	10,528,507	\$ 825,053		302,671	11,656,231
State Sources - SDA Grant not utilized			(306,971)		(306,971)
Federal Sources	333,827	1,583,559			1,917,386
Local Sources	52,389	10,549			62,938
Total Revenues	18,327,996	2,419,161	(305,182)	1,205,372	21,647,347
EXPENDITURES:					
Current:					
Regular Instruction	4,992,910	303,760			5,296,670
Special Education Instruction	1,220,417	293,490			1,513,907
Other Special Instruction					
Other Instruction	531,689				531,689
Community Services Programs / Operations					
Support Services and Undistributed Costs:					
Tuition	1,355,945	282,369			1,638,314
Student and Instruction Related Services	1,491,710	1,333,212			2,824,922
General Administrative Services	453,296				453,296
School Administrative Services	797,524				797,524
Central Services	214,062				214,062
Administrative Information Technology	69,139				69,139
Plant Operations and Maintenance	1,291,662				1,291,662
Pupil Transportation	880,756				880,756
Unallocated Benefits	4,462,360	209,264			4,671,624
Debt Service:					
Principal				745,000	745,000
Interest and Other Charges				482,878	482,878
Capital Outlay	157,819		4,907,033		5,064,852
Total Expenditures	17,919,289	2,422,095	4,907,033	1,227,878	26,476,295
Excess (Deficiency) of Revenues over Expenditures	408,707	(2,934)	(5,212,215)	(22,506)	(4,828,948)
OTHER FINANCING SOURCES (USES):					
Proceeds from Bond Sale					
Operating Transfers In	1,789			170,220	172,009
Operating Transfers Out			(172,009)		(172,009)
Total Other Financing Sources and Uses	1,789	-	(172,009)	170,220	-
Net Change in Fund Balances	410,496	(2,934)	(5,384,224)	147,714	(4,828,948)
Fund Balance -- July 1	691,555	(29,336)	5,384,224	22,506	6,068,949
Fund Balance -- June 30	<u>\$ 1,102,051</u>	<u>\$ (32,270)</u>	<u>\$ -</u>	<u>\$ 170,220</u>	<u>\$ 1,240,001</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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	(4,828,948)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense	\$	(786,031)
Capital Outlays not being depreciated		(1,490,324)
Capital Outlays		<u>5,064,852</u>
		2,788,497
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		745,000
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. (+)		11,357
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 (+).		<u>(10,184)</u>
Change in Net Assets of Governmental Activities	\$	<u>(1,294,278)</u>

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

Borough of Clayton School District
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 54,194
Accounts Receivable:	
State	378
Federal	19,179
Interfund	12,290
Inventories	<u>3,736</u>
Total Current Assets	<u>89,777</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	233,361
Less Accumulated Depreciation	<u>84,562</u>
Total Noncurrent Assets	<u>148,799</u>
Total Assets	<u><u>\$ 238,576</u></u>
LIABILITIES :	
Current Liabilities:	
Interfund Payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	\$ 148,799
Unrestricted Net Assets	<u>89,777</u>
Total Net Assets	<u><u>\$ 238,576</u></u>

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

Borough of Clayton School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Fund</u>
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 123,299
Daily Sales - Non-Reimbursable Programs	75,798
Special Functions	3,072
	202,169
Total Operating Revenues	
OPERATING EXPENSES:	
Salaries	179,520
Employee Benefits	47,425
Supplies and Materials	14,556
Cost of Sales	280,318
Management Fee	25,707
Other Purchased Services	3,041
Depreciation	2,910
	553,477
Total Operating Expenses	
Operating Income (Loss)	(351,308)
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	5,733
Federal Sources:	
Special Milk Program	3,199
National School Lunch Program	252,497
School Breakfast Program	68,685
United States Department of Agriculture Commodities	39,636
Interest and Investment Revenue	163
	369,913
Total Nonoperating Revenues	
Change in Net Assets	18,605
Net Assets -- July 1	219,971
Net Assets -- June 30	\$ 238,576

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

Borough of Clayton School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 202,169
Payments to Employees	(179,520)
Payments for Employee Benefits	(47,425)
Payments to Suppliers	<u>(283,994)</u>
Net Cash Provided by (used for) Operating Activities	<u>(308,770)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	<u>310,556</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>310,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>(87,291)</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(87,291)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>163</u>
Net Cash Provided by (used for) Investing Activities	<u>163</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(85,342)
Cash and Cash Equivalents -- July 1	<u>139,536</u>
Cash and Cash Equivalents -- June 30	<u>\$ 54,194</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (351,308)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	2,910
Federal Commodities	39,636
(Increase) Decrease in Inventories	<u>(8)</u>
Total Adjustments	<u>42,538</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (308,770)</u>

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

Borough of Clayton School District
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Trust Funds</u>	<u>Agency Funds</u>		<u>Total</u>
	<u>Private Purpose Scholarship Fund</u>	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 2,401	\$ 123,854	\$ 63,711	\$ 189,966
Total Assets	<u>\$ 2,401</u>	<u>\$ 123,854</u>	<u>\$ 63,711</u>	<u>\$ 189,966</u>
LIABILITIES:				
Payable to Student Groups		\$ 123,854		\$ 123,854
Payroll Deductions and Withholdings			\$ 63,711	\$ 63,711
Total Liabilities		<u>\$ 123,854</u>	<u>\$ 63,711</u>	<u>\$ 187,565</u>
NET ASSETS:				
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 2,401</u>			<u>\$ 2,401</u>

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

Borough of Clayton School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	Private Purpose Scholarship <u>Fund</u>
ADDITIONS:	
Local Sources	
Gifts and Contributions	
Interest on Investments	\$ 4
Total Contributions	<u>4</u>
DEDUCTIONS:	
Scholarship Payments	<u>250</u>
Total Deductions	<u>250</u>
Change in Net Assets	(246)
Net Assets -- July 1	<u>2,647</u>
Net Assets -- June 30	<u><u>\$ 2,401</u></u>

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The Borough of Clayton School District (hereafter referred to as the "School District") is a Type II district located in the County of Gloucester, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to educate students in grades kindergarten - 12 at the School District's three schools. The Borough of Clayton School District has an approximate enrollment at June 30, 2012 of 1,370.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the GASB 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.

Basis of Presentation - The financial statements of the Borough of Clayton School District have been prepared in conformity 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described in this Note.

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

District-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is the general 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 Borough of Clayton 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, district taxes, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

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

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.

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

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The Enterprise Funds are used to account for operations:

1. that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that the costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or
2. where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's Enterprise Funds are:

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

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	15 Years
Trucks and Vehicles	5-10 Years

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

Fiduciary Funds - Fiduciary Fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Pension trust funds are used to account for resources held in trust for employees and their beneficiaries based on defined benefit pension agreements, defined contribution agreements, other postemployment benefit agreements, and other employee benefit arrangements. Investment trust funds are used to report the external portion of an investment pool as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. 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). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds; a private-purpose scholarship fund, a student activity fund, and payroll fund.

Measurement Focus

District-wide Financial Statements - The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting (Cont'd)**

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of the restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. The restricted formula aids are recorded in the special revenue fund in accordance with the Audit Program promulgated by the New Jersey Department of Education which requires that these grants be realized in an amount equal to program expenditures .

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

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets / Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)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-2.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the 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.

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

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 modified accrual basis with the exception of the revenue recognition policy for the last state aid payment.

Encumbrances - Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. 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 for which the School District has received advances are reflected in the balance sheet as deferred 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 include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

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

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

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.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required. 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 represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are presented as Interfunds Receivable and / or Interfunds Payable.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

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

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, 2010, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

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

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are 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. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves - The School District reserves portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, excess surplus, and capital reserve account.

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.

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

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.

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

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

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

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.

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.

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 \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the School District relative to the happening of a future condition.

As of June 30, 2012, the School District's bank balance of \$3,385,914 was exposed to custodial credit risk as follows:

Insured	\$ 874,373
Collateralized under GUDPA	2,511,541
Uninsured/Uncollateralized	<u> </u>
	<u>\$ 3,385,914</u>

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Clayton 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) and updated annually in the Quality Assurance Annual Report (QAAR). 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. A school district may also appropriate additional amounts when the excess 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:26-9.1(d)1, 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, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance July 1, 2011	\$ 21,812
Deposits	24
Withdrawals	<u>(6,140)</u>
Ending balance June 30, 2012	<u>\$ 15,696</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 is \$5,044,884.

Note 4: RECEIVABLES

Receivables at June 30, 2012 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
Intergovernmental	\$ 165,835	\$ 422,042	\$ 19,557	\$ 607,434
Total	<u>\$ 165,835</u>	<u>\$ 422,042</u>	<u>\$ 19,557</u>	<u>\$ 607,434</u>

Note 5: INVENTORY

Inventory in the Food Service Fund at June 30, 2012 consisted of the following:

Food	\$ 3,112
Supplies	<u>624</u>
	<u>\$ 3,736</u>

Note 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 510,670			\$ 510,670
Construction in Progress	15,341,223		\$ (15,341,223)	-
Total Capital Assets, not being Depreciated	<u>15,851,893</u>	<u>-</u>	<u>(15,341,223)</u>	<u>510,670</u>
Capital Assets, being Depreciated:				
Site Improvements	586,129	\$ 998,358		1,584,487
Building and Improvements	16,873,082	17,173,415		34,046,497
Infrastructure	1,400,000			1,400,000
Equipment	4,261,363	743,978		5,005,341
Total Capital Assets, being Depreciated	<u>23,120,574</u>	<u>18,915,751</u>	<u>-</u>	<u>42,036,325</u>
Less Accumulated Depreciation for:				
Site Improvements	(561,096)	(33,883)		(594,979)
Building and Improvements	(8,119,176)	(562,245)		(8,681,421)
Infrastructure	(175,000)	(35,000)		(210,000)
Equipment	(3,907,025)	(154,903)		(4,061,928)
Total Accumulated Depreciation	<u>(12,762,297)</u>	<u>(786,031)</u>	<u>-</u>	<u>(13,548,328)</u>
Total Capital Assets, being Depreciated, Net	<u>10,358,277</u>	<u>18,129,720</u>	<u>-</u>	<u>28,487,997</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,210,170</u>	<u>\$ 18,129,720</u>	<u>\$ (15,341,223)</u>	<u>\$ 28,998,667</u>
Business-Type Activities:				
Capital Assets, being Depreciated:				
Equipment	\$ 146,000	\$ 87,361		\$ 233,361
Less Accumulated Depreciation	(81,652)	(2,910)		(84,562)
Total Business-Type Activities Capital Assets, Net	<u>\$ 64,348</u>	<u>\$ 84,451</u>	<u>-</u>	<u>\$ 148,799</u>

Note 6: CAPITAL ASSETS (CONT'D)

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 499,740
Student & Instruction Related Services	110,521
General and Business Administrative Services	80,071
Plant Operations and Maintenance	<u>95,699</u>
Total Depreciation Expense	<u>\$ 786,031</u>

Note 7: LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	<u>Principal Outstanding July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 12,569,000		\$ (745,000)	\$ 11,824,000	\$ 767,000
Compensated Absences	<u>257,651</u>	<u>\$ 152,294</u>	<u>(142,110)</u>	<u>267,835</u>	<u>66,959</u>
Governmental Activity					
Long-term Liabilities	<u>\$ 12,826,651</u>	<u>\$ 152,294</u>	<u>\$ (887,110)</u>	<u>\$ 12,091,835</u>	<u>\$ 833,959</u>

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are general obligation bonds.

Principal due on the serial bonds is as follows:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Amount</u>
2001	\$ 312,000	2012 to 2013	4.35%	\$ 37,000
2004	5,120,000	2012 to 2015	2.00-3.75%	1,870,000
2010	10,017,000	2012 to 2035	3.25-4.375%	<u>9,917,000</u>
				<u>\$ 11,824,000</u>

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

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 767,000	\$ 459,762	\$ 1,226,762
2014	715,000	436,806	1,151,806
2015	725,000	402,806	1,127,806
2016	295,000	375,294	670,294
2017	305,000	365,544	670,544
2018-22	1,780,000	1,652,350	3,432,350
2023-27	2,260,000	1,268,775	3,528,775
2028-32	2,870,000	758,293	3,628,293
2033-35	2,107,000	141,444	2,248,444
	<u>\$ 11,824,000</u>	<u>\$ 5,861,074</u>	<u>\$ 17,685,074</u>

Bonds Authorized But Not Issued - As of June 30, 2012, the School District had no authorized but not issued bonds.

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

Note 8: PENSION PLANS

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

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

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

Note 8: PENSION PLANS (CONT'D)

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

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

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

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

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

Public Employees Retirement System

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by District</u>
2012	\$ 70,587	\$ 154,665	\$ 225,252	\$ 225,252
2011	79,359	126,454	205,813	205,813
2010	73,735	71,945	145,680	145,680

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

Note 8: PENSION PLANS (CONT'D)

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District's contributions, equal to the required contribution for each fiscal year, was as follows:

Defined Contribution Retirement Program

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by District</u>
2012	\$ 13,373		\$ 13,373	\$ 13,373

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

Note 9: POSTEMPLOYMENT BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

Note 10: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$247,331 and \$497,200, respectively.

Note 11: RISK MANAGEMENT

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

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

Note 12: DEFERRED COMPENSATION

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

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

Note 13: COMPENSATED ABSENCES

The School District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, the liability for compensated absences was \$267,835.

Note 14: INTERFUND RECEIVABLES AND PAYABLES

Transfers between funds are used to repay expenses paid by another fund. The following interfund balances were recorded on the various balance sheets as June 30, 2012:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 491,875	\$ 68,342
Special Revenue		281,896
Capital Projects		380,200
Debt Service	226,273	
Enterprise	12,290	
	<u>\$ 730,438</u>	<u>\$ 730,438</u>

Note 14: INTERFUND RECEIVABLES AND PAYABLES (CONT'D)

All interfunds, except for the special revenue fund, were created as a result of the final allocation of costs in the various funds. The interfund, in special revenue, was created as a result of a delay in the cash payments from the State of New Jersey. All interfunds are expected to be liquidated within the next fiscal cycle.

Note 15: DEFICIT FUND BALANCES

The School District has a deficit fund balance \$466,248 in the General Fund and \$32,270 in the Special Revenue Fund as of June 30, 2012 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 last state aid payment 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 last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, 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, undesignated general fund balance that is reported as a direct result from a delay in the payment 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 \$498,518 is less than the last state aid payments.

Note 16: DEFICIT UNRESTRICTED NET ASSETS

The governmental funds have a deficit in unrestricted net assets of \$328,298 as of June 30, 2012. This deficit is due primarily to the timing difference of recording the last state aid payment.

Note 17: FUND BALANCES**RESTRICTED**

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

General Fund -

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$1,523,250.

For Capital Reserve Account - As of June 30, 2012, the balance in the capital reserve account is \$15,696. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

Note 17: FUND BALANCES (CONT'D)**ASSIGNED**

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

General Fund -

Other Purposes - As of June 30, 2012, the School District had \$29,353 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

UNASSIGNED

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

General Fund - As of June 30, 2011, (\$466,248) of general fund balance was unassigned.

Special Revenue Fund - As of June 30, 2012, the fund balance of the special revenue fund was a deficit of \$32,270, thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year. As stated in note 15, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties. The unassigned deficit on the GAAP financial statements of \$29,336 is less than the last state aid payment.

Debt Service Fund - As of June 30, 2012 \$170,220 of debt service fund balance was unassigned.

Note 18: LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 7,164,595	\$	\$ 7,164,595	\$ 7,164,595	\$ 2,389
Other Local Government Units	50,000		50,000	13,240	13,240
Tuition - from Individual	45,830		45,830	81,751	35,921
Tuition - LEAs w/in state	3,000		3,000	24,863	21,863
Transportation Fees - from other LEAs within State	98,345		98,345	128,824	30,479
Miscellaneous					
Total - Local Sources	7,361,770		7,361,770	7,465,662	103,892
State Sources:					
Equalization Aid	8,311,759	\$ 44,994	8,356,753	8,356,753	15,983
Nonpublic Transportation Aid				89,914	29,914
Extraordinary Aid	60,000		60,000	672,662	612,662
Categorical Special Education Aid	672,662		672,662	126,066	546,596
Categorical Security Aid		126,066	126,066		
On-Behalf T.P.A.F. Pension Contributions (non-budgeted)				247,331	247,331
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				497,200	497,200
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				569,743	569,743
Total - State Sources	9,044,421	171,060	9,215,481	10,575,652	1,360,171
Federal Sources:					
Medicaid Reimbursement	30,978		30,978	30,455	(523)
ED Jobs	300,000	10,037	310,037	303,372	(6,665)
	330,978	10,037	341,015	333,827	(7,188)
Total Revenues	16,737,169	181,097	16,918,266	18,375,141	1,456,875

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool / Kindergarten	\$ 348,304	\$ (7,576)	\$ 340,728	\$ 340,726	\$ 2
Grades 1-5	1,459,121	(109,336)	1,349,785	1,349,784	1
Grades 6-8	1,222,807	145,516	1,368,323	1,368,322	1
Grades 9-12	1,494,698	6,760	1,501,458	1,501,457	1
Regular Programs - Home Instruction:					
Salaries of Teachers	18,000	540	18,540	18,539	1
Purchased Services	1,000	(540)	460	360	100
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	122,280	53,997	176,277	176,275	2
Purchased Professional / Educational Services	8,600	402	9,002	8,003	999
Purchased Professional and Technical Services	37,300	(13,699)	23,601	20,934	2,667
Other Purchased Services	24,825	(13)	24,812	17,968	6,844
General Supplies	147,025	12,527	159,552	153,378	6,174
Textbooks	45,025	1,000	46,025	34,264	11,761
Other Objects	2,600	300	2,900	2,900	
Total Regular Programs	4,931,585	89,878	5,021,463	4,992,910	28,553
Special Education - Instruction:					
Auditory Impairments					
Salaries of Teachers		46,939	46,939	46,939	
Total Auditorial Impairment		46,939	46,939	46,939	
Emotionally Disturbed					
Salaries of Teachers	140,261	(37,032)	103,229	103,229	
Other Salaries for Instruction	41,160	30,133	71,293	70,981	312
General Supplies	15,754	(7,286)	8,468	3,061	5,407
Total Emotionally Disturbed	197,175	(14,185)	182,990	177,271	5,719
Resource Room / Resource Center:					
Salaries of Teachers	1,005,129	(16,396)	988,733	987,732	1,001
Other Salaries for Instruction	49,809	(49,809)			
Total Resource Room / Resource Center	1,054,938	(66,205)	988,733	987,732	1,001

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONTD):					
Current Expense (Cont'd)					
Home Instruction					
Purchase Professional - Educational Services	\$ 10,100	1,980	\$ 12,080	\$ 8,475	\$ 3,605
Total Home Instruction	10,100	1,980	12,080	8,475	3,605
Total Special Education - Instruction	1,262,213	(31,471)	1,230,742	1,220,417	10,325
Basis Skills / Remedial - Instruction					
Salaries of Teachers	166,709	(20,697)	146,012	146,012	700
Supplies	700		700		700
Total Basis Skills / Remedial - Instruction	167,409	(20,697)	146,712	146,012	700
Bilingual Education - Instruction:					
Salaries of Teachers	27,140	(13,989)	13,151		13,151
Total Bilingual Education - Instruction	27,140	(13,989)	13,151		13,151
School Sponsored Co-curricular Activities - Instruction:					
Salaries	72,610	14,167	86,777	79,862	6,915
Purchased Services	5,600	(2,000)	3,600	3,000	600
Supplies and Materials	3,100		3,100	2,360	740
Total School Sponsored Co-curricular Activities - Instruction	81,310	12,167	93,477	85,222	8,255
School Sponsored Athletics - Instruction:					
Salaries	185,343	9,821	195,164	195,164	
Purchased Services	54,290		54,290	54,279	11
Supplies and Materials	24,000	501	24,501	23,753	748
Other Objects	15,500	330	15,830	15,208	622
Total School Sponsored Athletics - Instruction	279,133	10,652	289,785	288,404	1,381
Instructional/Alternative Education Program - Instruction					
Salaries		12,051	12,051	12,051	
Total Instructional/Alternative Education Program - Instruction		12,051	12,051	12,051	
Total Instruction	6,748,790	58,591	6,807,381	6,745,016	62,365

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

EXPENDITURES (CONTD):

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Current Expense (Cont'd)					
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within State - Regular	\$ 144,350	\$ (39,493)	\$ 104,857	\$ 54,660	\$ 50,197
Tuition to Other LEA's Within State - Special	104,000		104,000	50,513	53,487
Tuition To City Sch. - Reg	85,680	10,200	95,880	95,880	
Tuition to CSSD & Reg. Day Schools	1,045,781	(160,467)	885,314	656,808	228,506
Tuition to Private Schools for the Disabled - Within State	487,479	97,353	584,832	480,385	104,447
Tuition - State Facilities	53,521		53,521	17,699	35,822
Total Undistributed Expenditures - Instruction	1,920,811	(92,407)	1,828,404	1,355,945	472,459
Attendance and Social Work Services					
Supplies	250		250		250
Total Attendance and Social Work Services	250		250		250
Undistributed Expenditures - Health Services:					
Salaries	135,269	11,626	146,895	142,316	4,579
Purchased Professional and Technical Services	14,740	(2,626)	12,114	11,956	158
Other Purchased Services	1,200		1,200	530	670
Supplies and Materials	2,845		2,845	2,427	418
Total Undistributed Expenditures - Health Services	154,054	9,000	163,054	157,229	5,825
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Purchased Professional - Educational Services	330,402		330,402	302,584	27,818
Supplies and Materials	100		100	72	28
Total Undistributed Expenditures - Other Support Services - Students - Related Services	330,502		330,502	302,656	27,846
Undistributed Expenditures - Other Support Services - Students - Extraordinary:					
Salaries	110,050	9,978	120,028	116,994	3,034
Purchased Professional - Educational Services		2,000	2,000	1,870	130

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONTD):					
Current Expense (Cont'd)	\$ 110,050	\$ 11,978	\$ 122,028	\$ 118,864	\$ 3,164
Total Undistributed Expenditures - Other Support Services - Students - Extraordinary					
Undistributed Expenditures - Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	296,807	(8,947)	287,860	279,839	8,021
Salaries of Secretarial and Clerical Assistants	31,068		31,068	31,068	
Purchased Professional - Educational Services	3,000		3,000	100	2,900
Other Purchased Professional and Technical Services	14,000		14,000	11,546	2,454
Other Purchased Services (400-500 series)	250	300	550	400	150
Supplies and Materials	2,500	123	2,623	1,550	1,073
Other objects	50		50	50	
Total Undistributed Expenditures - Other Support Services - Students - Guidance	347,675	(8,524)	339,151	324,503	14,648
Undistributed Expenditures - Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	243,256	43,245	286,501	286,500	1
Salaries of Secretarial and Clerical Assistants	32,436		32,436	32,436	
Other Salaries	1,300		1,300	1,300	
Purchased Professional - Educational Services	62,000	594	62,594	23,981	38,613
Other Purchased Professional and Technical Services	13,780	2,700	16,480	3,200	13,280
Other Purchased Services	1,500		1,500	542	958
Supplies and Materials	10,000		10,000	5,306	4,694
Other Objects	1,000	125	1,125	1,125	
Total Undistributed Expenditures - Other Support Services - Students - Child Study Team	365,272	46,664	411,936	353,090	58,846

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

EXPENDITURES (CONTD):

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Current Expense (Cont'd)					
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of Supervisor of Instruction	\$ 98,969	\$ (1,650)	\$ 97,319	\$ 89,000	\$ 8,319
Other Salaries	300		300		300
Purchased Professional / Education Services	5,200		5,200		5,200
Other Purchased Services	2,000		2,000		2,000
Supplies and Materials	1,100	(28)	1,072		1,072
Other Objects	3,750	(68)	3,682	1,819	1,863
Total Undistributed Expenditures - Improvement of Instruction Services	111,319	(1,746)	109,573	90,819	18,754
Undistributed Expend. - Educational Media Services / Sch Library:					
Salaries	122,109	96	122,205	122,203	2
Purchased Professional and Technical Services	5,084	(10)	5,074	1,350	3,724
Other Purchased Services	5,600	(2,100)	3,500	2,097	1,403
Supplies and Materials	11,265	5,894	17,159	16,902	257
Total Undistributed Expend. - Educational Media Services / Sch Library	144,058	3,880	147,938	142,552	5,386
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional-Education services	3,400	250	3,650	1,997	1,653
Other Purchased Services	1,000	(243)	757		757
Total Undistributed Expenditures - Instructional Staff Training Services:	4,400	7	4,407	1,997	2,410

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

EXPENDITURES (CONTD):	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Current Expense (Cont'd)					
Undistributed Expenditures - Support Services - General Administration:					
Salaries	\$ 206,062	\$ 30,041	\$ 236,103	\$ 231,524	\$ 4,579
Legal Services	21,862	12,335	34,197	30,550	3,647
Audit Fees	25,000	(3,250)	21,750	21,750	
Architectural/Engineering Services	6,000	(8)	5,992	2,594	3,398
Other Purchased Professional Services	2,500	31,858	34,358	25,720	8,638
Purchased Technical Services	3,990	95	4,085	4,085	
Communications / Telephone	89,900	(16,287)	73,613	55,734	17,879
BOE Other Purchased Services	2,000		2,000	1,058	942
Other Purchased Services	77,850		77,850	63,611	14,239
General Supplies	8,000		8,000	3,451	4,549
Miscellaneous Expenditures	13,000		13,000	11,904	1,096
BOE Membership Dues and Fees	1,500		1,500	1,315	185
Total Undistributed Expenditures - Support Services - General Admin	457,664	54,784	512,448	453,296	59,152
Undistributed Expenditures - Support Services - School Admin:					
Salaries of Principals / Assistant Principals	380,660	1,900	382,560	382,560	
Salaries of Other Professional Staff	223,447		223,447	223,447	
Salaries of Secretarial and Clerical Assistants	161,941	4,096	166,037	165,693	344
Other Salaries	5,500	13,108	18,608	18,106	502
Purchased Technical Services	2,000		2,000	2,000	
Other Purchased Services (400-500 series)	2,420		2,420	350	2,070
Supplies and Materials	4,952	55	5,007	3,324	1,683
Other Objects	5,050	78	5,128	4,044	1,084
Total Undistributed Expenditures - Support Services - School Admin.	785,970	19,237	805,207	797,524	7,683

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

EXPENDITURES (CONTD):	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Current Expense (Cont'd)					
Undistributed Expenditures - Central Services					
Salaries	\$ 189,596	\$ (3,444)	\$ 186,152	\$ 186,017	\$ 135
Purchased Professional Services	1,000		1,000	440	560
Purchased Technical Services	19,958		19,958	19,404	554
Miscellaneous Purchased Services	1,000		1,000	71	929
Supplies and Materials	6,000	1,019	7,019	6,845	174
Other Object	1,000	411	1,411	1,285	126
Total Undistributed Expenditures - Central Services	218,554	(2,014)	216,540	214,062	2,478
Undistributed Expenditures - Admin. Info. Technology					
Salaries	50,560	(5,435)	45,125	44,508	617
Purchased Professional Services	1,800	180	1,980	1,980	
Purchased Technical Services	11,925	701	12,626	12,626	
Other Purchased Services	7,200	(180)	7,020	5,814	1,206
Supplies and Materials	4,500		4,500	4,211	289
Other Objects	100		100	100	100
Total Undistributed Expenditures - Admin. Info. Technology	76,085	(4,734)	71,351	69,139	2,212
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	87,906	(15,030)	72,876	72,446	430
Cleaning, Repair and Maintenance Services	22,358	37,893	60,251	60,249	2
General Supplies	20,000	5,077	25,077	23,970	1,107
Total Undistributed Expenditures - Required Maintenance for School Facilities	130,264	27,940	158,204	156,665	1,539

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

EXPENDITURES (CONTD):	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Current Expense (Cont'd)					
Undistributed Expenditures - Operation and Maintenance of Plant Services:					
Salaries	\$ 471,284	\$ (15,121)	\$ 456,163	\$ 456,159	\$ 4
Cleaning, Repair and Maintenance Services	27,750	(400)	27,350	23,999	3,351
Other Purchased Services	24,235	1,115	25,350	25,320	30
Insurance	54,864	(2,850)	52,014	51,915	99
Miscellaneous Purchased Services	2,500	(2,500)	-	-	-
General Supplies	66,850	(7,716)	59,134	57,877	1,257
Energy (Heat and Electricity)	553,175	22,061	575,236	476,776	98,460
Other Objects	450	(70)	380	245	135
Total Undistributed Expenditures - Operation and Maintenance of Plant Services	1,201,108	(5,481)	1,195,627	1,092,291	103,336
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	25,771		25,771	25,771	
Cleaning, Repair & Maintenance Services	1,000	3,978	4,978	4,978	
General Supplies		7,670	7,670	7,599	71
Total Undistributed Expenditures - Care & Upkeep Grounds	26,771	11,648	38,419	38,348	71
Undistributed Expenditures - Security					
Salaries		4,360	4,360	4,358	2
Total Undistributed Expenditures - Security		4,360	4,360	4,358	2

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONTD):					
Current Expense (Cont'd)					
Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 50,698	\$ (28,887)	\$ 21,811	\$ 17,639	\$ 4,172
Sal for Pupil Trans (Bet Home & Sch) - Reg.	73,056	26,790	99,846	99,845	1
Sal for Pupil Trans (Bet Home & Sch) - Sp Ed	54,437	10,344	64,781	64,431	350
Sal for Pupil Trans (Other than Bet. Home & Sch)	15,000	3,621	18,621	18,420	201
Sal for Pupil Trans (Bet Home & Sch) - NonPublic Sch	3,000	(2,140)	860		860
Other Purchased Professional / Technical Services	33,378	(307)	33,071	31,360	1,711
Cleaning, Repair and Maintenance Services	27,000	33,236	60,236	42,715	17,521
Rentals	4,300	(4,300)			
Contracted Services - Aid in Lieu of Payments - NonPub Sch	44,000	(13,088)	30,912	30,912	
Contracted Services - (Other than Bet Home & Sch) - Vendors	12,000	(2,644)	9,356	6,506	2,850
Contracted Services - (Between Home and School) - Joint Agreement	117,620	(18,937)	98,683	97,947	736
Contracted Services (Special Education Students) - Joint Agreements	470,807	(56,747)	414,060	414,060	
Miscellaneous Purchased Services - Transportation	12,192	8,592	20,784	18,821	1,963
Supplies and Materials	500	(379)	121	61	60
Transportation Supplies	27,000	10,249	37,249	37,249	
Miscellaneous Expenditures	1,000		1,000	790	210
Total Undistributed Expenditures - Student Transportation Services	945,988	(34,597)	911,391	880,756	30,635
Unallocated Benefits:					
Social Security Contributions	192,000	34,065	226,065	226,065	
Other Retirement Contributions - Regular	247,504	(11,657)	235,847	231,338	4,509
Unemployment Compensation	35,000	7,960	42,960	42,959	1
Workman's Compensation	115,500	(28,148)	87,352	82,671	4,681
Health Benefits	2,567,245	(47,852)	2,519,393	2,509,801	9,592
Tuition Reimbursement	30,000	1,289	31,289	30,415	874
Other Employee Benefits	31,100	(25,931)	5,169	5,169	
Total Unallocated Benefits	3,218,349	(70,274)	3,148,075	3,128,418	19,657

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

EXPENDITURES (CONTD):	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Current Expense (Cont'd)					
On-behalf T.P.A.F. Pension Contributions (non-budgeted)				247,331	(247,331)
Reimbursed T.P.A.F. Social Security Contributions (non-budgeted)				497,200	(497,200)
On-Behalf T.P.A.F. Post Retirement Pension Contributions (non-budgeted)				569,743	(569,743)
Total On-behalf Contributions				1,314,274	(1,314,274)
Total Undistributed Expenditures	\$ 10,549,144	\$ (30,279)	\$ 10,518,865	10,996,786	(477,921)
Total Current Expense	17,297,934	28,312	17,326,246	17,741,802	(415,556)
Capital Outlay:					
Interest Deposit to Capital Reserve					
Equipment:					
Grades 9-12	100		100		100
Undistributed Expenditures:					
Grounds Equipment		3,599	3,599	3,599	
Undistributed Expenditures		6,480	6,480	6,828	6,480
School Bus - Regular	35,000	(6,828)	28,172	27,151	1,021
Total Equipment	35,100	10,079	45,179	37,578	7,601
Facilities Acquisition and Construction Services					
Construction Services		7,557	7,557	7,460	97
Lease Purchase Payment - Principal	63,312		63,312	63,312	
Other Objects	38,255	11,215	49,470	49,469	1
Total Facilities Acquisition and Construction Services	101,567	18,772	120,339	120,241	98
Total Capital Outlay	136,667	28,851	165,518	157,819	7,699
Transfer of Funds to Charter Schools	14,922	4,746	19,668	19,668	-
Total Expenditures	17,449,523	61,909	17,511,432	17,919,289	(407,857)

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
\$	(712,354)	119,188	(593,166)	455,852	\$ 1,049,018
Calculation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Other Financing Sources (Uses):					
Operating Transfer Out - Food Service				1,789	1,789
Operating Transfer In - Capital Projects					-
Capital Leases					
Total Other Financing Sources (Uses)			1,789		1,789
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
Fund Balances, July 1	(712,354)	119,188	(593,166)	457,641	1,050,807
Fund Balances, June 30	1,488,655		1,488,655	1,488,655	-
Fund Balances, June 30	776,301	119,188	895,489	1,946,296	\$ 1,050,807

Recapitulation:
 Restricted:
 Capital Reserve \$ 15,696
 Excess Surplus 333,748
 Excess Surplus--Designated for Subsequent Year's Expenditures 1,189,502
 Assigned:
 Year-End Encumbrances 29,353
 Unassigned 377,997

Reconciliation to Governmental Funds Statements(GAAP):
 Last 11-12 State Aid Payment Not Recognized on GAAP Basis 1,946,296
 (844,245)
 \$ 1,102,051

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule - ED Jobs
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Federal Sources:					
ED Jobs	\$ 300,000	\$ 10,037	\$ 310,037	\$ 303,372	\$ 6,665
Total - Federal Sources	300,000	10,037	310,037	303,372	6,665
Total Revenues	300,000	10,037	310,037	303,372	6,665
EXPENDITURES:					
GENERAL CURRENT EXPENSE:					
School Sponsored Curricular Activities - Instruction:					
Salaries		10,037	10,037	3,372	6,665
Total School Sponsored Curricular Activities - Instruction		10,037	10,037	3,372	6,665
Total Instruction		10,037	10,037	3,372	6,665
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	33,637		33,637	33,637	
Total Undistributed Expenditures - Central Services	33,637		33,637	33,637	
Undistributed Expenditures - Operation and Maintenance of Plant Services:					
Salaries	58,638		58,638	58,638	
Total Undistributed Expenditures - Operation and Maintenance of Plant Services:	58,638		58,638	58,638	
Undistributed Expenditures - Care & Upkeep of Grounds:					
Salaries	25,771		25,771	25,771	
Total Undistributed Expenditures - Care and Upkeep of Grounds	25,771		25,771	25,771	
Undistributed Expenditures - Student Transportation Services:					
Sal for Pupil Trans (Bet Home & Sch) - Reg	60,429		60,429	60,429	
Total Undistributed Expenditures - Student Transportation Services:	60,429		60,429	60,429	
Unallocated Benefits:					
Health Benefits	121,525		121,525	121,525	
Total Unallocated Benefits	121,525		121,525	121,525	
Total Undistributed Expenditures	300,000		300,000	300,000	
Total Current Expense	300,000	10,037	310,037	303,372	6,665
Total Expenditures	300,000	10,037	310,037	303,372	6,665
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	-	-
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources					
Recycle Bank		\$ 602	\$ 602	\$ 602	
Heart of Gloucester County		165,299	165,299	6,126	\$ (159,173)
NJSBAIG		3,821	3,821	3,821	-
Total - Local Sources		169,722	169,722	10,549	(159,173)
State Sources:					
NJ Non-Public Nursing	\$ 16,888	1,754	18,642	18,642	-
NJ Non-Public Home Instruction	14,253		14,253	12,177	(2,076)
NJ Non-Public Textbook Aid				334	334
Chapter 192 - Auxiliary Services	103,016	25,156	128,172	93,513	(34,659)
Chapter 193 - Handicapped Services	82,354	17,555	99,909	94,821	(5,088)
Preschool Education Aid	370,245		370,245	342,433	(27,812)
School Based Youth Service Program	228,704	5	228,709	223,016	(5,693)
Family Friendly Center	45,463		45,463	40,888	(4,575)
Total - State Sources	860,923	44,470	905,393	825,824	(79,569)
Federal Sources:					
Title I	300,423	198,517	498,940	310,501	(188,439)
ARRA - Title I		800	800	800	
Title IIA	50,122	26,253	76,375	55,361	(21,014)
Title IID		1,403	1,403	1,098	(305)
I.D.E.I.A., Part B	200,000	191,263	391,263	374,753	(16,510)
I.D.E.I.A., Part B, Preschool Incentive	44,107	(17,880)	26,227	13,293	(12,934)
ARRA - I.D.E.I.A., Part B		12,239	12,239	12,239	
ARRA - I.D.E.I.A., Part B, Preschool Incentive		5,761	5,761	5,761	
Mentoring Grant	100,000	141,122	241,122	85,850	(155,272)
ARRA - I.D.E.I.A., Part B, Preschool Incentive	742,000	470,625	1,212,625	687,485	(525,140)
Safe Schools Healthy Students					
Total - Federal Sources	1,436,652	1,030,103	2,466,755	1,547,141	(919,614)
Total Revenues	2,297,575	1,244,295	3,541,870	2,383,514	(1,158,356)

(Continued)

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative Final to Actual)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 475,949	\$ (96,960)	\$ 378,989	\$ 350,013	\$ 28,976
Other Salaries for Instruction	73,547	148,588	222,135	143,726	78,409
Purchased Professional and Technical Services	72,672	2,885	75,557.00	35,817	39,740
Other Purchased Services	-	14,400	14,400.00	1,761	12,639
General Supplies	11,206	39,649	50,855	40,108	10,747
Tuition	244,107	38,262	282,369	282,369	-
Textbooks	-	-	-	-	-
Total Instruction	877,481	146,824	1,024,305	853,794	170,511
Support Services:					
Salaries Personal Services	627,958	143,362	771,320	626,149	145,171
Personal Services - Employee Benefits	272,333	9,361	281,694	209,264	72,430
Purchased Professional - Educational Services	375,689	347,390	723,079	573,910	149,169
Purchased Technical Services	-	-	-	-	-
Other Purchased Services (400-500 series)	34,430	16,974	51,404	6,193	45,211
Supplies and Materials	40,765	51,394	92,159	69,781	22,378
Other Objects	44,857	536,512	581,369	44,423	536,946
Total Support Services	1,396,032	1,104,993	2,501,025	1,529,720	971,305
Facilities Acquisition and Construction Services:					
Instructional Equipment	24,062.00	(7,522)	16,540	-	16,540
Total Facilities Acquisition and Construction Services	24,062.00	(7,522)	16,540	-	16,540
Total Expenditures	2,297,575	1,244,295	3,541,870	2,383,514	1,158,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Borough of Clayton School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended June 30, 2012

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	\$ 18,375,141	\$ 2,383,514
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		(3,158)
Prior Year		41,739
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)	797,100	29,336
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>(844,245)</u>	<u>(32,270)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 18,327,996</u>	<u>\$ 2,419,161</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 17,919,289	\$ 2,383,514
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		(3,158)
Prior Year		41,739
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 17,919,289</u>	<u>\$ 2,422,095</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

Borough of Clayton School District
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2012

	Total	Chapter 192				Chapter 193				Total Carried Forward			
		Recycle Bank	Heart of Gloucester County	NJSBAIG Safety Grant	Nonpublic Compensatory Education	Nonpublic E.S.L.	Nonpublic Transportation	Nonpublic Examination and Classification	Nonpublic Corrective Speech		Nonpublic Supplementary Instruction	Nonpublic Home Instruction	
REVENUES:													
Federal Sources	\$ 1,547,141												\$ 1,547,141
State Sources	825,824												825,824
Local Sources	10,549	\$ 602	\$ 6,126	\$ 3,821	\$ 57,482	4,310	31,721	26,728	56,869	11,224	334		637,156
Total Revenues	\$ 2,383,514	\$ 602	\$ 6,126	\$ 3,821	\$ 57,482	\$ 4,310	\$ 31,721	\$ 26,728	\$ 56,869	\$ 11,224	\$ 334		\$ 2,184,297
EXPENDITURES:													
Instruction:													
Salaries of Teachers	\$ 350,013	\$ 602											\$ 349,411
Other Salaries for Instruction	143,726												143,726
Purchased Professional and Technical Services	35,817												35,817
Other Purchased Services	1,761												1,761
General Supplies	40,108												40,108
Tuition	282,369												282,369
Textbooks													
Total Instruction	853,794	602											853,192
Support Services:													
Salaries Personal Services	626,149		\$ 2,342										623,807
Personal Services - Employee Benefits	209,264												209,264
Purchased Professional - Educational Services	573,910		1,750	\$ 11	\$ 57,482	4,310	31,721	26,728	56,869	11,224	334		383,481
Purchased Technical Services													
Other Purchased Services (400-500 series)	6,183		2,034	3,810									6,193
Supplies and Materials	69,781												63,937
Other Objects	44,423												44,423
Total Support Services	1,529,720		6,126	3,821	57,482	4,310	31,721	26,728	56,869	11,224	334		1,331,105
Facilities Acquisition and Construction Services:													
Instructional Equipment													
Total Facilities Acquisition and Construction Services													
Total Expenditures	\$ 2,383,514	\$ 602	\$ 6,126	\$ 3,821	\$ 57,482	\$ 4,310	\$ 31,721	\$ 26,728	\$ 56,869	\$ 11,224	\$ 334		\$ 2,184,297

(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, 2012

	Total Carried Forward	Nonpublic Textbooks	Nonpublic Nursing	Preschool Education/Aid	School Based Youth Service Program Clayton Place	Family Friendly Center	Title I Part A	ARRA - Title I	Title II Part A	Title II Part D	Total Brought Forward
REVENUES:											
Federal Sources	\$ 1,547,141	\$ 12,177	\$ 18,642	\$ 342,433	\$ 223,016	\$ 40,888	\$ 310,501	\$ 800	\$ 55,361	\$ 1,098	\$ 1,179,381
State Sources	637,156										-
Local Sources	-										-
Total Revenues	\$ 2,184,297	\$ 12,177	\$ 18,642	\$ 342,433	\$ 223,016	\$ 40,888	\$ 310,501	\$ 800	\$ 55,361	\$ 1,098	\$ 1,179,381
EXPENDITURES:											
Instruction:											
Salaries of Teachers	\$ 349,411			\$ 207,200			\$ 118,514		\$ 22,997	\$ 700	
Other Salaries for Instruction	143,726			45,299			98,427				
Purchased Professional and Technical Services	35,817						35,817				
Other Purchased Services	40,108			6,834			1,761		1,143		\$ 18,000
General Supplies	282,369						14,131				282,369
Tuition	-										
Textbooks	-										
Total Instruction	853,192	-	-	259,333	-	-	268,650	-	24,140	700	300,369
Support Services:											
Salaries/Personal Services	623,807				\$ 159,276	\$ 32,126			1,170		431,235
Personal Services - Employee Benefits	209,264			78,228	23,332	2,470	31,368		2,983	120	70,763
Purchased Professional - Educational Services	383,481	\$ 12,177	\$ 18,642	4,872	3,220	600		\$ 800	26,040		317,130
Purchased Technical Services	-										-
Other Purchased Services (400-500 series)	6,193				10,268	1,998	3,873		1,028	278	1,292
Supplies and Materials	63,937				26,920	3,694	6,610				44,783
Other Objects	44,423										13,809
Total Support Services	1,331,105	12,177	18,642	83,100	223,016	40,888	41,851	800	31,221	398	879,012
Facilities Acquisition and Construction Services:											
Instructional Equipment	-										-
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 2,184,297	\$ 12,177	\$ 18,642	\$ 342,433	\$ 223,016	\$ 40,888	\$ 310,501	\$ 800	\$ 55,361	\$ 1,098	\$ 1,179,381

(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, 2012

	Total Carried Forward	I.D.E.I.A. Part B Basic	I.D.E.I.A. Preschool	ARRA I.D.E.I.A. Part B Basic	ARRA I.D.E.I.A. Preschool	Mentoring Grant	Safe Schools
REVENUES:							
Federal Sources	\$ 1,179,381	\$ 374,753	13,293	\$ 12,239	\$ 5,761	\$ 85,850	\$ 687,485
State Sources	-						
Local Sources	-						
Total Revenues	\$ 1,179,381	\$ 374,753	\$ 13,293	\$ 12,239	\$ 5,761	\$ 85,850	\$ 687,485
EXPENDITURES:							
Instruction:							
Salaries of Teachers							
Other Salaries for Instruction							
Purchased Professional and Technical Services							
Other Purchased Services							
General Supplies	\$ 18,000			\$ 12,239	\$ 5,761		
Tuition	282,369	\$ 269,473	\$ 12,896				
Textbooks							
Total Instruction	300,369	269,473	12,896	12,239	5,761	-	-
Support Services:							
Salaries Personal Services	431,235					\$ 36,050	\$ 395,185
Personal Services - Employee Benefits	70,763						70,763
Purchased Professional - Educational Services	317,130	105,280				43,767	168,083
Purchased Technical Services							
Other Purchased Services (400-500 series)	1,292		397			507	785
Supplies and Materials	44,783					654	43,732
Other Objects	13,809					4,872	8,937
Total Support Services	879,012	105,280	397			85,850	687,485
Facilities Acquisition and Construction Services:							
Instructional Equipment							
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-	-
Total Expenditures	\$ 1,179,381	\$ 374,753	\$ 13,293	\$ 12,239	\$ 5,761	\$ 85,850	\$ 687,485

Board of Education of the Borough of Clayton
Special Revenue Fund
Preschool Education Aid Schedule - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction			
Salaries of teachers	\$ 207,200	\$ 207,200	
Other salaries for instruction	51,158	45,299	\$ 5,859
Purchased Professional and Technical Services			-
Supplies	11,547	6,834	4,713
Textbooks			-
	<u>269,905</u>	<u>259,333</u>	<u>10,572</u>
Total instruction			
Support services			
Salaries Personal Services			-
Personal Services - Employee Benefits	78,228	78,228	-
Purchased Professional - Educational Services	4,872	4,872	-
Other Purchased Services (400-500 series)	700		700
Other Objects			-
	<u>83,800</u>	<u>83,100</u>	<u>700</u>
Total support services			
Facilities Acquisition and Construction Services:			
Instructional Equipment	<u>16,540</u>		<u>16,540</u>
Total expenditures			
	<u>\$ 370,245</u>	<u>\$ 342,433</u>	<u>\$ 27,812</u>

Calculation of Budget and Carryover

2011-12 Revised Preschool Education Aid Allocation	\$ 322,696
Add: Actual ECPA Carryover (June 30, 2011)	49,166
Total Preschool Education Aid Funds Available for 2011-12 Budget	371,862
Less: 2011-12 Budgeted Preschool Education Aid (Including Prior Year Budget Carryover)	<u>(370,245)</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2012	1,617
Add: 2011-12 Unexpended Preschool Education Aid	<u>27,812</u>
2011-12 Carryover - Preschool Education Aid	<u>\$ 29,429</u>

CAPITAL PROJECTS FUND

Borough of Clayton School District
 Capital Project Fund
 Summary Schedule of Project Expenditures
 For the Fiscal Year Ended June 30, 2012

<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2012</u>
			<u>Prior Years</u>	<u>Current Year</u>	
High School/Middle School Rain Water Leaders, Curbing and Drainage for Parking Lot Upgrades	11/4/2009	\$ 577,724	\$ 141,384	\$ 436,340	-
High School / Middle School Renovations and Addition to Middle School and/or High School	11/4/2009	14,447,356	12,025,935	2,421,421	-
Elementary School New Rood & HVAC Units, Repair Dryvit System, Replace Chiller & Electrical System,	11/4/2009	4,504,410	2,455,138	2,049,272	-
Total		<u>\$ 19,529,490</u>	<u>\$ 14,622,457</u>	<u>\$ 4,907,033</u>	<u>\$ -</u>
Reserve for Encumbrances					-
Unreserved -- Designated for Subsequent Years Expenditures					-
					<u>\$ -</u>

Borough of Clayton School District

Capital Projects Fund

Summary Schedule of Project Revenues, Expenditures, Project Balance and Project Status--Budgetary Basis
For the Fiscal Year Ended June 30, 2012

Revenues and Other Financing Source:	
State Sources - EDA grant	\$ (306,971)
Interest Income	1,789
	<u>1,789</u>
Total Revenues	<u>(305,182)</u>
Expenditures and Other Financing Use:	
Legal Services	
Architectural & Engineering Services	58,305
Purchased and Professional and Technical Services	167,402
Construction Services	4,679,836
Other Objects	1,490
	<u>4,907,033</u>
Total Expenditures	<u>4,907,033</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,212,215)
Operating Transfers Out	(172,009)
Fund Balance - July 1	<u>5,384,224</u>
Fund Balance - June 30	<u><u>\$ -</u></u>

Borough of Clayton School District
 Capital Projects Fund
 Schedule of Project Revenues, Expenditures, Project Balance and Project Status--Budgetary Basis
 High School/Middle School Rain Water Leaders, Curbing and Drainage for Parking Lot Upgrades
 From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - EDA Grant	\$ 385,975	\$ (14,330)	\$ 371,645	\$ 371,645
Bond Proceeds and Transfers	214,025	(7,946)	206,079	206,079
Contributions from Private Source				
Transfer from Capital Reserve				
Transfer from Capital Outlay				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	600,000	(22,276)	577,724	577,724
Expenditures and Other Financing Uses				
Legal Services				
Architectural & Engineering Services	48,615	17,134	65,749	65,749
Purchased and Professional and Technical Services	5,000	-	5,000	5,000
Construction Services	87,589	419,206	506,795	506,795
Other Objects	180		180	180
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	141,384	436,340	577,724	577,724
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 458,616</u>	<u>\$ (458,616)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	0860-030-09-2001			
Grant Date	November 4, 2009			
Bond Authorization Date	January 28, 2010			
Bonds Authorized	\$ 214,025			
Bonds Issued	\$ 214,025			
Original Authorized Cost	\$ 600,000			
Additional Authorized Cost	\$ (22,276)			
Revised Authorized Cost	\$ 577,724			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100.00%			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

Borough of Clayton School District
 Capital Projects Fund
 Schedule of Project Revenues, Expenditures, Project Balance and Project Status--Budgetary Basis
 High School / Middle School Renovations and Addition to Middle School and/or High School
 From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - EDA Grant	\$ 6,413,318		\$ 6,413,318	\$ 6,413,318
Bond Proceeds and Transfers	8,033,942		8,033,942	8,033,942
Bond Premium	96		96	96
Transfer from Capital Reserve				
Transfer from Capital Outlay				
Total Revenues	<u>14,447,356</u>		<u>14,447,356</u>	<u>14,447,356</u>
Expenditures and Other Financing Uses				
Legal Services	51,141		51,141	51,141
Architectural & Engineering Services	740,998	\$ 25,102	766,100	766,100
Purchased and Professional and Technical Services	309,664	145,028	454,692	454,692
Construction Services	10,867,163	2,249,801	13,116,964	13,116,964
Other Object	56,969	1,490	58,459	58,459
Total Expenditures	<u>12,025,935</u>	<u>2,421,421</u>	<u>14,447,356</u>	<u>14,447,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,421,421</u>	<u>\$ (2,421,421)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	0860-030-09-2002			
Grant Date	November 4, 2009			
Bond Authorization Date	January 28, 2010			
Bonds Authorized	\$ 8,033,942			
Bonds Issued	\$ 8,003,942			
Original Authorized Cost	\$ 14,447,813			
Additional Authorized Cost	N/A			
Revised Authorized Cost	\$ 14,447,813			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100.00%			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

Borough of Clayton School District
 Capital Projects Fund
 Schedule of Project Revenues, Expenditures, Project Balance and Project Status--Budgetary Basis
 Elementary School New Road & HVAC Units, Repair Dryvit System, Replace Chiller & Electrical System,
 Renovate Parking & Play Areas, Renovate BOE Offices into 3 PK classrooms
 From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - EDA Grant	\$ 3,190,292	\$ (292,641)	\$ 2,897,651	\$ 2,897,651
Bond Proceeds and Transfers	1,769,033	(162,274)	1,606,759	1,606,759
Contributions from Private Source				
Transfer from Capital Reserve				
Transfer from Capital Outlay				
Total Revenues	<u>4,959,325</u>	<u>(454,915)</u>	<u>4,504,410</u>	<u>4,504,410</u>
Expenditures and Other Financing Uses				
Legal Services	17,913		17,913	17,913
Architectural & Engineering Services	249,558	16,069	265,627	265,627
Purchased and Professional and Technical Services	53,374	22,374	75,748	75,748
Construction Services	2,118,521	2,010,829	4,129,350	4,129,350
Other Object	15,772		15,772	15,772
Total Expenditures	<u>2,455,138</u>	<u>2,049,272</u>	<u>4,504,410</u>	<u>4,504,410</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 2,504,187</u>	<u>\$ (2,504,187)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	0860-040-09-2003			
Grant Date	November 4, 2009			
Bond Authorization Date	January 28, 2010			
Bonds Authorized	\$ 1,769,033			
Bonds Issued	\$ 1,769,033			
Original Authorized Cost	\$ 4,959,325			
Additional Authorized Cost	\$ (454,915)			
Revised Authorized Cost	\$ 4,504,410			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100.00%			
Original Target Completion Date	N/A			
Revised Target Completion Date	N/A			

PROPRIETARY FUNDS

Borough of Clayton School District
Enterprise Fund
Combining Statement of Net Assets
June 30, 2012

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 54,194
Accounts Receivable:	
State	378
Federal	19,179
Interfund	12,290
Inventories	<u>3,736</u>
Total Current Assets	<u>89,777</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	233,361
Less Accumulated Depreciation	<u>84,562</u>
Total Noncurrent Assets	<u>148,799</u>
Total Assets	<u><u>\$ 238,576</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	\$ 148,799
Unrestricted Net Assets	<u>89,777</u>
Total Net Assets	<u><u>\$ 238,576</u></u>

Borough of Clayton School District
Enterprise Fund
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2012

	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 123,299
Daily Sales - Non-Reimbursable Programs	75,798
Special Functions	<u>3,072</u>
Total Operating Revenues	<u>202,169</u>
OPERATING EXPENSES:	
Salaries	179,520
Employee Benefits	47,425
Supplies and Materials	14,556
Cost of Sales	280,318
Management Fee	25,707
Repair and Maintenance	3,041
Depreciation	<u>2,910</u>
Total Operating Expenses	<u>553,477</u>
Operating Income / (Loss)	<u>(351,308)</u>
NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	5,733
Federal Sources:	
Special Milk Program	3,199
After School Snack Program	
National School Lunch Program	252,497
School Breakfast Program	68,685
United States Department of Agriculture Commodities	39,636
Interest and Investment Revenue	<u>163</u>
Total Nonoperating Revenues	<u>369,913</u>
Change in Net Assets	18,605
Net Assets -- July 1	<u>219,971</u>
Net Assets -- June 30	<u><u>\$ 238,576</u></u>

Borough of Clayton School District
Enterprise Fund
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 202,169
Payments to Employees	(179,520)
Payments for Employee Benefits	(47,425)
Payments to Suppliers	<u>(283,994)</u>
Net Cash Provided by (used for) Operating Activities	<u>(308,770)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	<u>310,556</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>310,556</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	<u>(87,291)</u>
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>(87,291)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>163</u>
Net Cash Provided by (used for) Investing Activities	<u>163</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(85,342)
Cash and Cash Equivalents -- July 1	<u>139,536</u>
Cash and Cash Equivalents -- June 30	<u><u>\$ 54,194</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (351,308)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	2,910
Federal Commodities	39,636
(Increase) Decrease in Inventories	<u>(8)</u>
Total Adjustments	<u>42,538</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (308,770)</u></u>

FIDUCIARY FUNDS

Borough of Clayton School District
 Fiduciary Funds
 Combining Statement of Fiduciary Net Assets
 June 30, 2012

	<u>Trust Funds</u>	<u>Agency Funds</u>		<u>Total</u>
	<u>Private Purpose Trust</u>	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 2,401	\$ 123,854	\$ 63,711	\$ 189,966
Total Assets	<u>\$ 2,401</u>	<u>\$ 123,854</u>	<u>\$ 63,711</u>	<u>\$ 189,966</u>
LIABILITIES:				
Payable to Student Groups		\$ 123,854		\$ 123,854
Payroll Deductions and Withholdings			\$ 63,711	\$ 63,711
Total Liabilities		<u>\$ 123,854</u>	<u>\$ 63,711</u>	<u>\$ 187,565</u>
NET ASSETS:				
Reserved for Scholarships	<u>\$ 2,401</u>			<u>\$ 2,401</u>

Borough of Clayton School District
 Fiduciary Funds
 Combining Statement of Changes in Fiduciary Net Assets
 For the Fiscal Year Ended June 30, 2012

	Private Purpose Scholarship <u>Fund</u>
ADDITIONS:	
Local Sources	
Gifts and Contributions	
Interest on Investments	\$ 4
Total Contributions	4
DEDUCTIONS:	
Scholarship Payments	250
Total Deductions	250
Change in Net Assets	(246)
Net Assets -- July 1	2,647
Net Assets -- June 30	\$ 2,401

Borough of Clayton School District
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Herma Simmons Elementary School	\$ 49,112	\$ 12,248	\$ 47,604	\$ 13,756
Clayton High School	<u>93,335</u>	<u>268,758</u>	<u>251,995</u>	<u>110,098</u>
Total All Schools	<u>\$ 142,447</u>	<u>\$ 281,006</u>	<u>\$ 299,599</u>	<u>\$ 123,854</u>

Borough of Clayton School District
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 115,836	\$ 4,583,783	\$ 4,635,908	\$ 63,711
Total Assets	<u>\$ 115,836</u>	<u>\$ 4,583,783</u>	<u>\$ 4,635,908</u>	<u>\$ 63,711</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 115,836	\$ 4,583,783	\$ 4,635,908	\$ 63,711
Total Liabilities	<u>\$ 115,836</u>	<u>\$ 4,583,783</u>	<u>\$ 4,635,908</u>	<u>\$ 63,711</u>

LONG-TERM DEBT

Borough of Clayton School District
 Schedule of Serial Bonds
 For the Fiscal Year Ended June 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Amount	Interest Rate	Balance June 30, 2011	Issued	Retired	Balance June 30, 2012
Serial Bonds:									
Elementary School Addition	7/15/01	\$ 312,000	7/15/12	\$ 37,000	4.350%	\$ 72,000		\$ 35,000	\$ 37,000
Refunding School Bonds	3/1/04	5,120,000	1/15/13	630,000	3.000%	2,480,000		610,000	1,870,000
	1/15/14		615,000	5.000%					
	1/15/15		625,000	3.375%					
School Improvements	1/28/10	10,017,000	9/1/12	100,000	3.250%	10,017,000		100,000	9,917,000
	9/1/13		100,000	3.250%					
	9/1/14		100,000	3.250%					
	9/1/15		295,000	3.250%					
	9/1/16		305,000	3.250%					
	9/1/17		325,000	3.250%					
	9/1/18		340,000	3.500%					
	9/1/19		355,000	3.750%					
	9/1/20		370,000	3.750%					
	9/1/21		390,000	3.750%					
	9/1/22		410,000	3.750%					
	9/1/23		430,000	4.000%					
	9/1/24		450,000	4.000%					
	9/1/25		475,000	4.000%					
9/1/26	495,000	4.000%							
9/1/27	520,000	4.000%							
9/1/28	545,000	4.000%							
9/1/29	575,000	4.000%							
9/1/30	600,000	4.000%							
9/1/31	630,000	4.125%							
9/1/32	665,000	4.250%							
9/1/33	695,000	4.375%							
9/1/34	747,000	4.375%							
						\$ 12,569,000	\$ -	\$ 745,000	\$ 11,824,000

Borough of Clayton School District
 Budgetary Comparison Schedule
 Debt Service Fund

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 865,594		\$ 865,594	\$ 902,701	37,107
State Sources:					
Debt Service Aid Type II	303,589		303,589	302,671	(918)
Total Revenues	<u>1,169,183</u>		<u>1,169,183</u>	<u>1,205,372</u>	<u>36,189</u>
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	544,183		544,183	482,878	61,305
Redemption of Principal	625,000		625,000	745,000	(120,000)
Total Regular Debt Service	<u>1,169,183</u>		<u>1,169,183</u>	<u>1,227,878</u>	<u>(58,695)</u>
Total Expenditures	<u>1,169,183</u>		<u>1,169,183</u>	<u>1,227,878</u>	<u>(58,695)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				(22,506)	(22,506)
Other Financing Sources:					
Operating Transfers In:				170,220	170,220
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-		-	147,714	147,714
Fund Balance, July 1	22,506		22,506	22,506	-
Fund Balance, June 30	<u>\$ 22,506</u>	<u>\$ -</u>	<u>\$ 22,506</u>	<u>\$ 170,220</u>	<u>\$ 147,714</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Budgeted Fund Balance	<u>\$ 22,506</u>	<u>\$ -</u>	<u>\$ 22,506</u>	<u>\$ 170,220</u>	<u>\$ 147,714</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 Assets by Component
 Last TEN Fiscal Years (accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 16,944,785	\$ 13,399,931	\$ (1,288,491)	\$ 7,719,147	\$ 7,555,524	\$ 7,141,593	\$ 6,838,239	\$ 6,067,074	\$ 5,996,185	\$ 5,788,156
Restricted	1,709,166	6,436,824	1,929,955	2,796,666	1,907,329	987,567	1,046,421	760,742	958,982	235,819
Unrestricted	(737,000)	(625,526)	17,983,256	(824,687)	(485,947)	44,040	(386,243)	(138,589)	(255,316)	4,097
Total Governmental Activities Net Assets	\$ 17,916,951	\$ 19,211,229	\$ 18,634,720	\$ 9,691,126	\$ 9,006,906	\$ 8,173,200	\$ 7,498,417	\$ 6,689,227	\$ 6,699,851	\$ 6,028,072
Business-type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 148,799	\$ 64,418	\$ 30,263	\$ 30,667	\$ 18,987	\$ 16,723	\$ 15,793	\$ 27,272	\$ 22,296	\$ 25,677
Restricted	89,777	155,553	172,716	110,739	73,759	33,634	54,286	32,211	34,813	47,834
Unrestricted										
Total Business-type Activities Net Assets	\$ 238,576	\$ 219,971	\$ 202,979	\$ 141,406	\$ 92,746	\$ 50,357	\$ 70,079	\$ 59,483	\$ 57,109	\$ 73,511
District-wide										
Invested in Capital Assets, Net of Related Debt	\$ 17,093,584	\$ 13,464,349	\$ (1,258,228)	\$ 7,749,814	\$ 7,574,511	\$ 7,158,316	\$ 6,854,032	\$ 6,094,346	\$ 6,018,481	\$ 5,813,833
Restricted	1,709,166	6,436,824	1,929,955	2,796,666	1,953,062	987,567	1,046,421	760,742	958,982	235,819
Unrestricted	(647,223)	(469,973)	18,165,972	(713,948)	(382,186)	77,674	(331,957)	(106,378)	(220,503)	51,931
Total District-wide Net Assets	\$ 18,155,527	\$ 19,431,200	\$ 18,837,699	\$ 9,832,532	\$ 9,145,385	\$ 8,223,557	\$ 7,566,496	\$ 6,748,710	\$ 6,756,960	\$ 6,101,583

Source: District Records

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

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 8,511,190	\$ 7,249,196	\$ 7,896,392	\$ 7,464,236	\$ 7,033,982	\$ 6,429,561	\$ 5,841,902	\$ 6,071,690	\$ 5,950,443	\$ 4,531,798
Special Education	2,320,908	1,860,147	1,274,326	747,639	766,099	731,573	767,038	989,889	928,417	1,934,986
Other Special Education				283,056	200,215	309,974	327,779	349,989	263,198	489,990
Vocational										
Other Instruction	869,407	794,398	923,740	742,056	744,318	600,716	577,811	448,751	414,739	407,348
Nonpublic School Programs			2,015	6,250	3,425	5,280	8,248	189,852	168,496	18,747
Adult/Continuing Education Programs										
Support Services:										
Tuition	1,638,314	1,780,612	1,871,665	1,364,551	1,048,060	1,110,786	1,182,343	930,536	956,848	531,420
Student & Instruction Related Services	3,916,950	4,004,377	3,792,332	3,146,104	2,952,633	2,631,747	2,099,236	2,059,996	1,966,244	1,566,007
Non-Public Programs										140,622
General & Business Services	453,296	400,642	946,867	944,063	994,427	882,064	732,776	663,812	283,578	284,902
School Administrative Services	1,767,181	1,489,295	1,005,419	952,499	1,006,827	947,019	908,414	1,000,871	1,350,711	1,323,107
Business Administrative Services	2,112,102	1,681,055	1,693,575	1,707,377	1,647,113	1,574,849	1,472,483	1,445,063	1,310,823	1,210,602
Plant Operations and Maintenance	880,756	667,844	1,121,077	997,656	889,532	806,578	1,043,475	846,794	671,990	682,278
Pupil Transportation										
Special Schools										
Charter Schools										
Interest on Long-term Debt	471,521	513,331	340,271	151,258	170,210	388,268	454,235	370,949	454,222	450,616
Unallocated Depreciation										
Total Governmental Activities Expenses	22,941,625	20,420,697	20,867,679	18,506,745	17,456,841	16,428,415	15,415,740	15,368,192	14,719,709	13,572,433
Business-type Activities:										
Food Service	553,477	489,561	481,895	485,421	464,795	486,499	420,308	402,199	418,412	402,966
Total Business-type Activities Expense	553,477	489,561	481,895	485,421	464,795	486,499	420,308	402,199	418,412	402,966
Total District Expenses	\$ 23,495,102	\$ 20,910,458	\$ 21,349,574	\$ 18,992,166	\$ 17,921,636	\$ 16,914,914	\$ 15,836,048	\$ 15,770,391	\$ 15,138,121	\$ 13,975,399

(Continued)

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)	\$ 94,911	\$ 287,198	\$ 289,875	\$ 290,646	\$ 247,893	\$ 195,846	\$ 301,143	\$ 326,639	\$ 250,082	
Pupil Transportation										
Business and Other Support Services										
Operating Grants and Contributions	2,419,161	2,378,471	2,551,827	1,826,929	2,173,047	2,040,885	2,047,608	2,176,628	2,191,781	\$ 2,079,670
Capital Grants and Contributions										
Total Governmental Activities Program Revenues	2,514,072	2,665,669	2,841,702	2,117,575	2,420,940	2,236,731	2,348,751	2,503,267	2,441,863	2,079,670
Business-type activities:										
Charges for services:										
Food Service	202,169	209,021	221,730	250,604	260,217	242,055	217,275	224,056	204,899	201,902
Child Care										
Operating Grants and Contributions	369,750	296,873	321,148	283,136	245,764	206,873	206,007	180,517	197,111	198,921
Capital Grants and Contributions										
Total Business-type Activities Program Revenues	571,919.00	505,894.00	542,878	533,740	505,981	448,928	423,282	404,573	402,010	400,823
Total District Program Revenues	\$ 3,085,991	\$ 3,171,563	\$ 3,384,580	\$ 2,651,315	\$ 2,926,921	\$ 2,685,659	\$ 2,772,033	\$ 2,907,840	\$ 2,843,873	\$ 2,480,493
Net (Expense)/Revenue										
Governmental Activities	\$ (20,427,473)	\$ (17,755,228)	\$ (18,025,977)	\$ (16,389,170)	\$ (15,035,901)	\$ (14,191,884)	\$ (13,066,989)	\$ (12,864,925)	\$ (12,277,846)	\$ (11,492,763)
Business-type Activities	18,442	16,513	60,983	48,319	41,186	(37,571)	2,974	2,374	(16,402)	(2,143)
Total District-wide Net Expense	\$ (20,409,031)	\$ (17,738,715)	\$ (17,964,994)	\$ (16,340,851)	\$ (14,994,715)	\$ (14,229,255)	\$ (13,064,015)	\$ (12,862,551)	\$ (12,294,248)	\$ (11,494,906)

(Continued)

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

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 7,164,595	\$ 6,942,151	\$ 6,783,799	\$ 6,563,869	\$ 6,437,878	\$ 6,081,922	\$ 5,206,352	\$ 4,592,926	\$ 4,704,200	\$ 3,827,776
Taxes Levied for Debt Service	902,701	865,594	351,857	363,846	533,555	439,953	487,496	499,462	501,591	478,945
Federal & State Aid - not Restricted	10,862,334	10,120,489	9,400,298	9,712,650	8,296,587	7,818,467	7,353,071	7,711,454	7,457,673	6,905,368
State Aid Restricted	302,671	303,589	10,344,088	339,528	514,373	463,786	730,520	224,296		903,847
Payments in Lieu of Taxes										
Tuition Received		50,479	9,444	2,842	15,730	1,750	7,086	12,005	24,881	17,126
Transportation	24,863	4,519	8,174				7,360	16,089	13,038	24,331
Investment Earnings	1,789	23,405	22,548	29	37	1,016	15,036	8,183	7,313	9,839
Miscellaneous Income	181,213	100,212	19,363	90,626	71,447	75,373	59,258	14,182	16,533	40,311
Transfers	(306,971)	(78,701)				(15,800)				
Total Governmental Activities	19,133,195	18,331,737	26,969,571	17,073,390	15,869,607	14,866,467	13,876,179	12,854,301	12,949,625	12,207,533
Business-type Activities:										
Investment Earnings	163	479	590	341	1,203	2,049	7,622	-	-	-
Transfers						15,800				
Total Business-type Activities	163	479	590	341	1,203	17,849	7,622	-	-	-
Total District-wide	\$ 19,133,358	\$ 18,332,216	\$ 26,970,161	\$ 17,073,731	\$ 15,870,810	\$ 14,884,316	\$ 13,883,801	\$ 12,854,301	\$ 12,949,625	\$ 12,207,533
Change in Net Assets										
Governmental Activities	\$ (1,294,278)	\$ 576,509	\$ 8,943,594	\$ 684,220	\$ 833,706	\$ 674,783	\$ 809,190	\$ (10,624)	\$ 671,779	\$ 714,770
Business-type Activities	18,605	16,992	61,573	48,660	42,389	(19,722)	10,596	2,374	(16,402)	(2,143)
Total District	\$ (1,275,673)	\$ 593,501	\$ 9,005,167	\$ 732,880	\$ 876,095	\$ 655,061	\$ 819,786	\$ (8,250)	\$ 655,377	\$ 712,627

Source: District Records

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

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund	\$ 1,571,848	\$ 1,058,520	\$ 2,611,214	\$ 2,635,794	\$ 1,792,190	\$ 1,226,646	\$ 748,028	\$ 709,889	\$ 958,982	\$ 235,819
Reserved	(469,797)	(366,965)	(486,322)	(460,629)	(62,306)	(4,189)	(47,663)	18,205	25,940	296,242
Unreserved	\$ 1,102,051	\$ 691,555	\$ 2,124,892	\$ 2,175,165	\$ 1,729,884	\$ 1,222,457	\$ 700,365	\$ 728,094	\$ 984,922	\$ 532,061
Total General Fund										
All Other Governmental Funds										
Reserved	\$	\$ 950,225	\$ 531,781		\$	\$ 18,495	\$ 107,538			
Unreserved, Reported In:										
Special Revenue Fund	\$ (32,270)	(29,336)	(29,336)	\$ (28,035)	\$ (54,016)	(44,416)	(44,416)	\$ (44,416)	\$ (44,416)	\$ (47,043)
Capital Projects Fund		4,433,999	18,461,133	160,872	160,872	142,377	143,977	-	-	-
Debt Service Fund	170,220	22,506	22,506				46,183	50,853	4,670	-
Permanent Fund										
Total All Other Governmental Funds	\$ 137,950	\$ 5,377,394	\$ 18,986,084	\$ 132,837	\$ 106,856	\$ 116,456	\$ 253,282	\$ 6,437	\$ (39,746)	\$ (47,043)

Source: District Records

Borough of Clayton School District

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (modified accrual basis of accounting)
Unaudited

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Tax Levy	\$ 8,067,296	\$ 7,807,745	\$ 7,165,656	\$ 6,927,715	\$ 6,971,433	\$ 6,521,875	\$ 5,703,848	\$ 5,092,388	\$ 5,205,791	\$ 4,306,721
Tuition Charges	94,991	50,479	9,444	2,842	15,730	1,750	7,086	12,005	24,981	17,126
Interest Earnings	1,789	23,405	22,548	29	37	1,016	15,036	8,183	7,313	9,839
Transportation	24,863	4,519	8,174	90,626	71,447	75,373	7,360	16,089	13,038	24,331
Miscellaneous	128,824	94,958	19,267	11,246,353	10,286,271	9,585,459	59,258	14,181	16,533	40,311
State Sources	11,349,260	11,116,550	20,165,718	5,000	2,373	9,585,459	9,440,879	9,058,496	9,075,610	9,125,775
Federal Sources	1,917,386	1,886,646	2,415,053	918,400	943,256	933,206	991,463	1,156,225	1,048,222	763,100
Local Sources	62,938	13,104	5,317	19,190,965	18,290,547	17,118,679	16,224,930	15,357,567	15,391,488	14,287,203
Total Revenue	21,647,347	20,997,406	29,811,177	19,190,965	18,290,547	17,118,679	16,224,930	15,357,567	15,391,488	14,287,203
Expenditures										
Instruction										
Regular Instruction	5,296,670	5,094,612	6,009,874	5,681,334	5,158,749	4,766,650	4,535,440	4,441,899	4,335,923	3,245,107
Special Education Instruction	1,513,907	1,329,185	1,013,298	560,303	543,935	522,520	567,821	652,225	613,201	1,576,950
Other Special Instruction				249,157	184,807	281,447	303,243	325,356	230,245	443,564
Vocational Education										
Other Instruction	531,689	545,581	684,759	556,119	530,902	432,828	433,847	343,504	322,450	312,865
Nonpublic School Programs			1,494	4,684				189,852	168,496	18,747
Adult/Continuing Education Programs										
Support Services:										
Tuition	1,638,314	1,780,612	1,871,665	1,364,551	1,048,060	1,110,786	1,182,343	902,980	919,985	496,198
Student & Instruction Related Services	2,824,922	3,059,845	3,023,022	2,502,017	2,294,381	2,030,723	1,668,618	1,624,900	1,510,734	1,249,390
Non Public Schools										140,622
General Administration	453,296	400,642	458,106	491,325	493,616	447,027	360,990	592,019	684,254	996,187
General Administrative&BusinessServices	797,524	760,027	745,306	707,509	714,853	676,401	672,479		1,018,785	
School Administrative Services										
Business Administrative Services	283,201	262,799	243,796	222,506	212,433	182,980	181,468		210,207	208,656
Other Administrative Services	1,291,662	1,140,787	1,255,429	1,279,559	1,172,392	1,149,199	1,115,639	1,139,408	1,086,820	968,245
Plant Operations and Maintenance	880,756	667,844	831,042	777,650	649,323	592,989	789,217	779,351	603,257	540,285
Pupil Transportation	4,671,624	4,288,414	3,894,281	3,366,129	3,587,981	3,443,654	2,862,383	2,750,989	2,558,236	2,193,564
Unallocated Employee Benefits										
Special Schools										
Charter Schools	5,064,852	14,352,137	1,444,632	253,486	153,360	235,806	399,035	207,979	433,112	1,254,766
Capital Outlay	745,000	625,000	600,000	550,000	870,000	735,000	675,000	655,000	560,000	490,000
Debt Service:	482,878	544,183	136,360	153,374	177,928	214,922	258,291	278,496	514,977	465,077
Principal										
Interest and Other Charges										
Total Expenditures	26,476,295	34,851,668	22,213,064	18,719,703	17,792,720	16,822,932	16,005,814	15,568,212	15,086,428	14,600,223
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,828,948)	(13,854,262)	7,598,113	471,262	497,827	295,747	219,116	(210,645)	305,060	(313,020)
Other Financing Sources (Uses)										
Capital Leases (Non-budgeted)						105,000			58,340	
Bond Proceeds									5,288,161	
Proceeds of Refunding Debt									(5,171,403)	
Transfers In	172,009	105,572	22,548	29	37	1,016	237,288	146	78,877	2,513
Transfers Out	(172,009)	(105,572)	(22,548)	(29)	(37)	(16,816)	(237,288)	(146)	(78,877)	(2,513)
Total Other Financing Sources (Uses)	-	-	10,017,096	-	89,200	-	-	-	155,098	-
Net Change in Fund Balances	\$ (4,828,948)	\$ (13,854,262)	\$ 17,615,209	\$ 471,262	\$ 497,827	\$ 384,947	\$ 219,116	\$ (210,645)	\$ 460,158	\$ (313,020)
Debt Service as a Percentage of Noncapital Expenditures	5.7%	5.7%	3.5%	3.8%	5.9%	5.7%	6.0%	6.1%	7.3%	7.2%

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Refunds										
Interest on Investments	\$ 1,789	\$ 8,114	\$ 15,976	\$ 13,258	\$ 17,495	\$ 11,410	\$ 62,391	\$ 8,037	\$ 7,032	\$ 7,326
Gate Receipts				15,120	26,257		14,901	7,836	9,063	10,270
Miscellaneous	128,824	92,098	3,291	300	5,695	2,059	4,459	6,345	7,470	30,041
Rentals				900						
Tuition Refunds				41,093		12,072				
Tuition	94,991	50,479	9,444	2,842	13,980	5,393	4,946	12,005	24,981	17,126
Transportation Fees	24,863	4,519	8,174	14,637	2,000		1,908	16,069	13,038	24,331
	<u>\$ 250,467</u>	<u>\$ 155,210</u>	<u>\$ 36,885</u>	<u>\$ 88,150</u>	<u>\$ 65,427</u>	<u>\$ 30,934</u>	<u>\$ 88,605</u>	<u>\$ 50,312</u>	<u>\$ 61,584</u>	<u>\$ 89,094</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) Ended Dec. 31, (June 30.)	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities (1)	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (2)
2011	\$ 6,346,600	\$ 247,167,800	\$ 1,814,700	\$ 518,052	\$ 13,852,500	\$ 11,957,000	\$ 6,222,700	\$ 287,882,262	\$	\$ 618,193	\$ 288,500,455	\$ 521,761,379	2.796
2010	6,695,800	246,918,200	1,814,700	557,262	13,235,300	11,957,000	6,222,700	287,434,538		735,486	288,136,448	525,465,827	2.709
2009	7,602,800	243,441,500	1,707,000	554,900	13,738,600	11,957,000	6,222,700	285,512,548	\$ 404,325	692,373	285,916,873	533,425,806	2.506
2008	8,328,500	238,900,800	1,751,800	389,900	13,844,400	11,967,800	6,222,700	281,403,900	404,325	669,812	282,073,712	503,948,291	2.521
2007	8,467,400	233,501,400	1,824,600	391,100	13,659,200	11,762,375	6,222,700	275,828,700	404,325	662,101	276,086,551	455,559,405	2.521
2006	9,091,300	228,321,800	1,608,200	385,500	14,559,125	11,762,375	6,222,700	271,951,000	391,925	695,970	272,255,045	396,332,148	2.395
2005	6,571,302	224,428,700	2,190,400	491,700	13,793,225	11,762,375	6,222,700	265,460,402	603,825	838,660	265,695,237	384,518,840	2.146
2004	8,217,502	216,766,300	2,190,400	575,000	13,768,225	11,965,375	6,333,000	259,815,802	670,425	1,013,381	260,158,758	334,683,426	1.957
2003	6,970,000	210,335,300	2,264,700	495,200	13,374,625	11,965,375	6,333,000	251,739,200	690,625	1,172,631	252,220,206	303,417,422	2.064
2002	7,377,900	208,434,200	2,216,700	518,900	13,591,425	11,965,375	6,333,000	248,437,500	758,625	1,190,630	248,871,505	276,275,376	1.731

(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.

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	District Direct Rate				Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate (1)	General Obligation Debt Service (2)	Total Direct School Tax Rate	Library District	Clayton Borough	Open Spaces	County of Gloucester		
2011	2.483	0.313	2.796	0.074	1.357	0.072	0.904	5.203	
2010	2.409	0.300	2.709	0.074	1.357	0.073	0.930	5.143	
2009	2.373	0.133	2.506	0.077	1.301	0.074	0.951	4.909	
2008	2.333	0.129	2.462	0.074	1.245	0.072	0.912	4.765	
2007	2.328	0.193	2.521	0.070	1.205	0.066	0.842	4.704	
2006	2.233	0.162	2.395	0.064	1.185	0.059	0.801	4.504	
2005	1.959	0.187	2.146	0.059	1.161	0.053	0.786	4.152	
2004	1.765	0.192	1.957	0.055	1.098	0.024	0.731	3.841	
2003	1.865	0.199	2.064	0.050	1.117	0.023	0.675	3.906	
2002	1.539	0.192	1.731	0.047	1.068	0.021	0.648	3.494	

(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

	2012			2003		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Aleris Light Gauge Products, Inc.	\$ 6,594,000	1	2.29%			0.00%
Berk Cohen Associates	3,595,600	2	1.25%	\$ 3,595,600		1.48%
Realmarq Development LLC	1,085,000	3	0.38%			0.00%
Clayton Apartments LTC Partnership	917,200	4	0.32%			0.00%
American Stores Company	898,900	5	0.31%	898,900		0.37%
NER Data Products, Inc.	750,000	6	0.26%			0.00%
Rite Aide of NJ Inc.	707,600	7	0.25%			0.00%
Hungerford & Terry Inc.	696,100	8	0.24%	696,100		0.00%
Clayton Realty LLC	619,500	9	0.22%			0.29%
Verizon	609,000	10	0.21%			0.29%
Total	\$ 16,472,900		5.72%	\$ 5,190,600		2.42%

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2012	\$ 8,067,295	\$ 8,067,295	100.00%	-
2011	7,807,745	7,807,745	100.00%	-
2010	7,165,656	7,165,656	100.00%	-
2009	6,927,715	6,927,715	100.00%	-
2008	6,971,433	6,971,433	100.00%	-
2007	6,521,875	6,521,875	100.00%	-
2006	5,703,848	5,703,848	100.00%	-
2005	5,092,388	5,092,388	100.00%	-
2004	5,205,791	5,205,791	100.00%	-
2003	4,306,721	4,306,721	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>		Total District	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds (1)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2012	\$ 11,824,000	-	-	-	-	\$ 11,824,000	NA	NA
2011	12,569,000	-	-	-	-	12,569,000	NA	NA
2010	13,194,000	-	-	-	-	13,194,000	NA	NA
2009	3,777,000	-	-	-	-	3,777,000	NA	NA
2008	4,327,000	-	-	-	-	4,327,000	NA	NA
2007	5,197,000	-	-	-	-	5,197,000	NA	NA
2006	5,932,000	-	-	-	-	5,932,000	NA	NA
2005	6,607,000	-	-	-	-	6,607,000	NA	NA
2004	7,262,000	-	-	-	-	7,262,000	0.42%	30,265
2003	7,428,000	-	-	-	-	7,428,000	0.39%	29,243

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>
2012	\$ 11,824,000		\$ 11,824,000	NA	NA
2011	12,569,000		12,569,000	NA	NA
2010	13,194,000	-	13,194,000	NA	NA
2009	3,777,000	-	3,777,000	NA	NA
2008	4,327,000	-	4,327,000	NA	NA
2007	5,197,000	-	5,197,000	NA	NA
2006	5,932,000	-	5,932,000	0.25%	NA
2005	6,607,000	-	6,607,000	0.28%	NA
2004	7,262,000	-	7,262,000	0.29%	\$ 30,265
2003	7,428,000	-	7,428,000	0.28%	29,243

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

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

Source: District Records.

Borough of Clayton School District
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2011 (June 30, 2012)
 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	\$ 11,824,000	100.000%	\$ 11,824,000
Other debt			
County of Gloucester	507,364,531	1.800%	9,132,562
Subtotal, overlapping debt			20,956,562
Borough of Clayton School District Direct Debt			<u>11,824,000</u>
Total direct and overlapping debt			<u>\$ 32,780,562</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 2009

Equalized valuation basis	
2011	\$ 509,796,816
2010	518,493,527
2009	518,873,022
[A]	<u>\$ 1,547,163,365</u>
Average equalized valuation of taxable property	
[A/3]	\$ 515,721,122
Debt limit (3.5% of average equalization value) (1)	[B] 18,050,239
Total Net Debt Applicable to Limit	[C] <u>11,824,000</u>
Legal Debt Margin	[B-C] \$ <u>6,226,239</u>

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$ 18,050,239	\$ 18,214,012	\$ 17,902,134	\$ 17,056,883	\$ 15,431,533	\$ 15,949,352	\$ 14,337,672	\$ 11,786,653	\$ 10,716,781	\$ 10,215,456
Total net debt applicable to limit	11,824,000	12,569,000	13,194,000	2,133,256	2,382,333	5,197,000	5,932,000	6,607,000	7,262,000	7,428,000
Legal debt margin	\$ 6,226,239	\$ 5,645,012	\$ 4,708,134	\$ 14,923,627	\$ 13,049,200	\$ 10,752,352	\$ 5,179,653	\$ 5,179,653	\$ 3,454,781	\$ 2,787,456
Total net debt applicable to the limit as a percentage of debt limit	65.51%	69.01%	73.70%	12.51%	15.44%	32.58%	41.37%	56.05%	67.76%	72.71%

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

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

Demographic and Economic Information

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

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

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2012	8,202	\$ 339,374,154	\$ 41,377	9.5%
2011	7,139	282,640,149	39,591	9.8%
2010	7,586	296,157,440	39,040	9.2%
2009	7,586	NA	NA	NA
2008	7,563	NA	NA	NA
2007	7,511	NA	NA	NA
2006	7,450	NA	NA	NA
2005	7,412	NA	NA	NA
2004	7,424	NA	NA	8.6%
2003	7,157	216,606,605	30,265	8.0%

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

	2012			2003		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
Underwood Memorial Hospital	1,825	1	N/A	N/A		N/A
Kennedy Memorial Hospital	1,675	2	N/A	N/A		N/A
County of Gloucester	1,500	3	N/A	N/A		N/A
Washington Township School District	1,498	4	N/A	N/A		N/A
Rowan University	1,483	5	N/A	N/A		N/A
Missa Bay, LLC	950	6	N/A	N/A		N/A
Monroe Township School District	792	7				
U.S. Foodservices	725	8	N/A	N/A		N/A
Exxon Mobile Research & Development	700	9	N/A	N/A		N/A
Delaware Valley Wholesale Florist	500	10	N/A			
	<u>11,648</u>					

Source:

Gloucester County Office of Economic Development and Employer Directly
 Note - The information provided is for the County of Gloucester. Information at the municipal level is not available.
 Information for 2003 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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Instruction										
Regular	78	77	87	87	86	90	93	95	96	90
Special education	22	22	18	18	14	12	11	13	12	15
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	-	-	-	-	-	-	-	-	-	-
Student & instruction related services	36	36	26	26	26	23	23	16	16	14
General administrative services	2	2	4	4	4	3	3	2	2	2
School administrative services	12	12	11	11	11	11	11	13	13	14
Business administrative services	3	3	3	3	3	3	3	4	4	3
Plant operations and maintenance	12	10	10	10	10	10	17	9	9	9
Pupil transportation	12	12	5	5	5	5	5	10	10	10
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-	-	-
Total	177	174	164	164	158	157	167	162	162	157

Source: District Personnel Records

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

Fiscal	Enrollment	Operating Expenditures (1)	Cost Per Pupil	Percentage Change	Teaching Staff (2)	Elementary	Middle School	High School	Average Daily Enrollment (ADE) (3)	Average Daily Attendance (ADA) (3)	% Change in Average Daily Enrollment	Student Attendance Percentage
2012	1,370	\$ 20,183,565	\$ 14,733	1.52%	117	14.0:1	7.6:1	10.1:1	1,366	1,283	6.21%	93.92%
2011	1,332	19,330,348	14,512	-0.46%	116	14.0:1	7.6:1	10.1:1	1,322	1,208	-6.36%	91.38%
2010	1,374	20,032,072	14,579	10.89%	121	11.0:1	7.3:1	11.0:1	1,327	1,290	14.16%	97.21%
2009	1,351	17,762,843	13,148	3.73%	123	11.9:1	6.6:1	11.8:1	1,350	1,130	-8.43%	83.70%
2008	1,309	16,591,432	12,675	4.32%	114	14.5:1	15.2:1	8.9:1	1,313	1,234	4.22%	93.98%
2007	1,287	15,637,204	12,150	3.84%	119	14.5:1	15.2:1	8.9:1	1,250	1,184	2.87%	94.70%
2006	1,254	14,673,488	11,701	5.36%	119	13.4:1	15.6:1	9.7:1	1,226	1,151	-1.23%	94.86%
2005	1,298	14,416,288	11,107	6.64%	119	13.4:1	13.8:1	9.7:1	1,229	1,165	0.78%	94.86%
2004	1,304	13,580,966	10,415	8.70%	119	14.5:1	14.3:1	9.2:1	1,222	1,156	-4.69%	94.66%
2003	1,297	12,426,594	9,581	-2.26%	121	13.1:1	13.4:1	10.6:1	1,319	1,213	5.29%	91.99%

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>2012*</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>District Building</u>										
<u>Elementary</u>										
E.S. Simmons Elementary										
Square Feet	126,080	98,092	98,092	98,092	98,092	98,092	98,092	98,092	98,092	98,092
Capacity (students)	763	638	638	638	638	638	638	638	638	638
Enrollment	724	787	787	778	765	746	752	753	740	774
<u>High School/Middle School</u>										
Clayton Middle School										
Square Feet	95,421	96,191	96,191	96,191	96,191	96,191	96,191	96,191	96,191	96,191
Capacity (students)	868	800	500	617	617	617	617	617	617	617
Enrollment	646	545	525	534	524	540	531	511	515	485

Number of Schools at June 30, 2012
 Elementary = 1
 High/Middle School= 1
 Other = 0

Source: District records, ASSA

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

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

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES											
11-000-261-XXX											
* School Facilities	Project # (s)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Clayton Middle/Clayton High School	N/A	\$ 103,567	\$ 96,080	\$ 121,107	\$ 89,224	\$ 102,750	\$ 85,990	\$ 87,636	\$ 168,973	\$ 189,154	\$ 111,838
Clayton Elementary School	N/A	53,098	64,081	61,959	71,698	82,791	52,230	35,528	60,610	69,961	108,815
Total School Facilities		<u>156,665</u>	<u>160,161</u>	<u>183,066</u>	<u>160,922</u>	<u>185,541</u>	<u>138,220</u>	<u>123,164</u>	<u>229,583</u>	<u>259,115</u>	<u>220,653</u>
Other Facilities											
Grand Total		<u>\$ 156,665</u>	<u>\$ 160,161</u>	<u>\$ 183,066</u>	<u>\$ 160,922</u>	<u>\$ 185,541</u>	<u>\$ 138,220</u>	<u>\$ 123,164</u>	<u>\$ 229,583</u>	<u>\$ 259,115</u>	<u>\$ 220,653</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, 2012
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Property & Auto Physical Damage/Boiler & Machinery	\$ 36,660,933	\$ 1,000
Commercial Liability	10,000,000	10,000.00
General Liability	1,000,000/3,000,000	
Automobile Liability	1,000,000	500 / 1,000
School Board Legal Liability	1,000,000/2,000,000	7,500
Workers' Compensation	Statutory	
Student Accident Insurance (2)	1,000,000	
Surety Bonds (3)		
Treasurer	250,000	
Board Secretary/Business Administrator	20,000	

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

Utica Mutual Insurance
Monumental Life Insurance Company

Source: District Records

SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

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

Compliance

We have audited the Borough of Clayton School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Clayton School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the Borough of Clayton School District complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey Circular 04-04-OMB and which are described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance.

Internal Control Over Compliance

Management of the Borough of Clayton School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, members of the Board of Education, others within the School District, the Division of Administration and Finance of the New Jersey Department of Education, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



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

Voorhees, New Jersey
November 20, 2012

BOROUGH OF CLAYTON SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
General Fund:					
U.S. Department of Education					
Passed-through State Department of Education:					
Medical Assistance Program	93.778		\$ 30,455	7-1-2011	6-30-2012
Education Jobs Fund	84.410A		320,394	7-1-2011	6-30-2012
Total U.S. Department of Education					
Total General Fund					
Special Revenue Fund:					
U.S. Department of Education					
Passed-through State Department of Education:					
Title I, Part A, Carryover	84.010A	NCLB086011	394,348	9-1-2010	8-31-2011
Title I, Part A	84.010A	NCLB086012	424,901	9-1-2011	8-31-2012
ARRA - Title I, Part A	84.389	NCLB086010	134,551	9-1-2009	8-31-2011
Title II, Part A	84.281A	NCLB086011	54,485	9-1-2010	8-31-2011
Title II, Part A	84.281A	NCLB086012	72,733	9-1-2011	8-31-2012
Title II, Part D - Tech	84.281D	NCLB086011	1,852	9-1-2010	8-31-2011
Title II, Part D - Tech	84.281D	NCLB086012	425	9-1-2011	8-31-2012
Title IV	84.186	NCLB086010	6,067	9-1-2009	8-31-2010
I.D.E.A. Part B, Basic Regular Carryover	84.027	IDEA086006	333,218	9-1-2005	8-31-2006
I.D.E.A. Part B, Basic Regular Carryover	84.027	FT-1100-11	366,234	9-1-2010	8-31-2011
I.D.E.A. Part B, Basic Regular	84.027	FT-1100-12	391,263	9-1-2011	8-31-2012
ARRA - I.D.E.A. Part B, Basic Regular	84.391		383,354	7-1-2009	8-31-2011
Local Capacity Building Project	84.027A	N/A	200,000	10-01-2002	9-30-2004
I.D.E.A. Preschool Incentive Carryover	84.173		18,268	9-1-2010	8-31-2011
I.D.E.A. Preschool Incentive	84.173		26,099	9-1-2011	8-31-2012
ARRA - I.D.E.A. Part B, Preschool Incentive	84.392		13,817	7-1-2009	8-31-2011
Safe and Drug-free Schools and Communities	84.184L	Q184L080031	2,943,044	7-1-2008	6-30-2012
Total U.S. Department of Education					
U.S. Department of Justice					
Mentoring for Safe Schools Healthy Students Initiatives	16.726		300,000	10-1-2010	9-30-2013
Total Special Revenue Fund					
Enterprise Fund:					
U.S. Department of Agriculture					
Passed-through State Department of Education:					
Food Distribution Program	10.550	N/A	26,626	7-1-2010	6-30-2011
Food Distribution Program	10.550	N/A	39,636	7-1-2011	6-30-2012
National School Lunch Program	10.555	N/A	222,814	7-1-2010	6-30-2011
National School Lunch Program	10.555	N/A	252,497	7-1-2011	6-30-2012
Special Milk Program	10.556	N/A	1,296	7-1-2010	6-30-2011
Special Milk Program	10.556	N/A	3,199	7-1-2011	6-30-2012
School Breakfast Program	10.553	N/A	40,035	7-1-2010	6-30-2011
School Breakfast Program	10.553	N/A	68,685	7-1-2011	6-30-2012
Total U.S. Department of Agriculture					
Total Enterprise Fund					
Total Federal Financial Assistance					

Balance June 30, 2011	Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2012		Due to Grantor at June 30, 2012
						(Accounts Receivable)	Deferred Revenue	
		\$ 17,644	\$ 30,455			\$ (12,811)		
		285,403	303,372			(17,969)		
		303,047	333,827			(30,780)		
		303,047	333,827			(30,780)		
\$ (118,175)		180,141	61,966					
		129,990	248,535			(118,545)		
(14,720)		15,520	800					
(39,201)		38,312	3,642	\$ (4,531)				
		35,738	51,719			(15,981)		
(449)		1,427	978					
			120			(120)		
(235)		235						
(4,608)				(4,608)				
(41,308)		41,273		(35)				
		290,495	374,753			(84,258)		
(45,822)		56,260	12,239			(1,801)		
(14,320)						(14,320)		
(4,657)		4,657						
		12,846	13,293			(447)		
(4,486)		10,247	5,761					
(306,950)		824,184	687,485	(1,922)		(168,329)		
(594,931)		1,641,325	1,461,291	(11,096)		(403,801)		
(10,765)		78,709	85,850			(17,906)		
(605,696)		1,720,034	1,547,141	(11,096)		(421,707)		
1,421			1,421					
(9,725)		39,636	36,696				\$ 2,940	
		9,725						
(41)		238,391	252,497			(14,106)		
		41						
(2,236)		3,062	3,199			(137)		
		2,236						
		63,749	68,685			(4,936)		
(10,581)		356,840	362,498			(19,179)	2,940	
(10,581)		356,840	362,498			(19,179)	2,940	
\$ (616,277)	\$ -	\$ 2,379,921	\$ 2,243,466	\$ (11,096)	\$ -	\$ (471,666)	\$ 2,940	\$ -

Borough of Clayton School District
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2012

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2011		Carryover/ (Walkover) Amount
			From	To	Deferred Revenue / Accounts Receivable	Due to Grantor	
State Department of Education (State Aid):							
General Fund:							
Equalization Aid	11-495-034-5120-078	\$ 8,140,698	7-1-2010	6-30-2011	\$ (729,834)		
Equalization Aid	12-495-034-5120-078	8,356,753	7-1-2011	6-30-2012			
Security Aid	12-495-034-5120-084	126,066	7-1-2011	6-30-2012			
Special Education Aid	11-495-034-5120-089	672,662	7-1-2010	6-30-2011	(67,266)		
Special Education Aid	12-495-034-5120-089	672,662	7-1-2011	6-30-2012			
Nonpublic School Transportation Aid	11-495-034-5120-014	16,302	7-1-2010	6-30-2011	(16,302)		
Nonpublic School Transportation Aid	12-495-034-5120-014	15,983	7-1-2011	6-30-2012			
Extraordinary Special Education Aid Costs	11-100-034-5120-473	103,897	7-1-2010	6-30-2011	(103,897)		
Extraordinary Special Education Aid Costs	12-100-034-5120-473	89,914	7-1-2011	6-30-2012			
Reimbursed T.P.A.F. Social Security	11-495-034-5095-002	560,724	7-1-2010	6-30-2011	(27,355)		
Reimbursed T.P.A.F. Social Security	12-495-034-5095-002	569,743	7-1-2011	6-30-2012			
Total State Aid - General Fund					(944,654)	-	-
Special Revenue Fund:							
State Department of Education							
Preschool Education Aid	11-495-034-5120-086	293,360	7-1-2010	6-30-2011	19,829		
Preschool Education Aid	12-495-034-5120-086	322,696	7-1-2011	6-30-2012			
N.J. Nonpublic Aid:							
Textbook Aid	12-100-034-5120-064	13,051	7-1-2011	6-30-2012			
Auxiliary Services							
Compensatory Education	11-100-034-5120-067	83,727	7-1-2010	6-30-2011		\$ 10,207	
English as a Second Language	11-100-034-5120-067	3,329	7-1-2010	6-30-2011		1,621	
Auxiliary Services							
Compensatory Education	12-100-034-5120-067	92,141	7-1-2011	6-30-2012			
English as a Second Language	12-100-034-5120-067	4,310	7-1-2011	6-30-2012			
Transportation	12-100-034-5120-067	31,721	7-1-2011	6-30-2012			
Handicapped Services							
Supplemental Instruction	11-100-034-5120-068	34,765	7-1-2010	6-30-2011		959	
Examination and Classification	11-100-034-5120-068	18,066	7-1-2010	6-30-2011		3,475	
Handicapped Services							
Supplemental Instruction	12-100-034-5120-068	14,732	7-1-2011	6-30-2012			
Corrective Speech	12-100-034-5120-068	58,449	7-1-2011	6-30-2012			
Examination and Classification	12-100-034-5120-068	26,728	7-1-2011	6-30-2012			
Home Instruction	N/A	334	7-1-2011	6-30-2012			
Nursing Services	10-100-034-5120-373	24,936	7-1-2009	6-30-2010		2,343	
Nursing Services	11-100-034-5120-373	19,868	7-1-2010	6-30-2011		1,818	
Nursing Services	12-100-034-5120-373	18,642	7-1-2011	6-30-2012			
Youth Transportation to Work	N/A	4,000	9-1-2004	8-31-2005	(2,184)		
Youth Transportation to Work	N/A	136	9-1-2006	8-31-2007	(136)		
Subtotal Special Revenue Fund - State Department of Education					17,509	20,423	
State Department of Human Services							
School Based Youth Service Program	SB09014	228,303	7-1-2008	6-30-2009		30,376	
School Based Youth Service Program	10CTHP	228,704	7-1-2009	6-30-2010		1,084	
School Based Youth Service Program	11CTHP	228,704	7-1-2010	6-30-2011		15	
School Based Youth Service Program	12CTHP	228,704	7-1-2011	6-30-2012			
Family Friendly	SB09014	45,463	7-1-2008	6-30-2009		10,477	
Family Friendly	10CTHP	45,463	7-1-2009	6-30-2010		13,392	
Family Friendly	11CTHP	45,463	7-1-2010	6-30-2011		182	
Family Friendly	12CTHP	45,463	7-1-2011	6-30-2012			
Subtotal Special Revenue Fund - State Department of Human Services					-	55,526	
Total Special Revenue Fund					17,509	75,949	
Capital Projects Fund:							
State Department of Education							
SDA Grant	0860-030-09-2003	2,897,651	7-1-2010	6-30-2011			
SDA Grant	0860-030-09-2002	6,413,318	7-1-2010	6-30-2011			
SDA Grant	0860-030-09-2001	371,645	7-1-2010	6-30-2012			
Total Capital Projects Fund					-	-	-
Debt Service Fund							
State Department of Education							
Debt Service Aid Type II	12-495-034-5120-125	302,671	7-1-2011	6-30-2012			
Total Debt Service Fund					-	-	-
Enterprise Fund:							
National School Lunch Program (State Share)	11-100-010-3360-067	6,102	7-1-2010	6-30-2011	(287)		
National School Lunch Program (State Share)	12-100-010-3360-067	5,733	7-1-2011	6-30-2012			
Total Enterprise Fund					(287)	-	-
Total State Financial Assistance					\$ (927,432)	\$ 75,949	\$ -

Cash Received	Adjustments	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2012			Memo	
				Accounts Receivable	Deferred Revenue	Due to Grantor at	Budgetary Receivable 6/30/2012	Cumulative Total Expenditures
\$ 729,834								
7,592,380		\$ 8,356,753		\$ (764,373)			\$ (764,373)	\$ 8,356,753
113,460		126,066		(12,606)			(12,606)	126,066
67,266								
605,396		672,662		(67,266)			(67,266)	672,662
16,302								
103,897		15,983		(15,983)			(15,983)	15,983
		89,914		(89,914)			(89,914)	89,914
27,355								
541,373		569,743		(28,370)			(28,370)	569,743
9,797,263	-	9,831,121	-	(978,512)	-	-	(978,512)	9,831,121
29,336		49,165						
290,426		293,268		(32,270)	\$ 29,428			293,268
13,051		12,177				\$ 874		
			\$ (10,207)					
			(1,621)					
92,141		57,482				34,659		
4,310		4,310						
31,721		31,721						
			(959)					
			(3,475)					
14,732		11,224				3,508		
58,449		56,869				1,580		
26,728		26,728						
		334		(334)				
			(2,343)					
			(1,818)					
18,642		18,642						
	\$ 2,184							
	136							
579,536	2,320	561,920	(20,423)	(32,604)	29,428	40,621		293,268
			(14,902)			15,474		
						1,084		
						15		
228,704		223,016				5,688		223,016
						10,477		
						13,392		
						182		
45,463		40,888				4,575		40,888
274,167		263,904	(14,902)	-		50,887	-	263,904
853,703	2,320	825,824	(35,325)	(32,604)	29,428	91,508	-	557,172
1,621,534		1,621,534						1,621,534
1,282,664		1,282,664						1,282,664
371,645		371,645						371,645
3,275,843	-	3,275,843	-	-	-	-	-	3,275,843
302,671		302,671						302,671
302,671	-	302,671	-	-	-	-	-	302,671
287								
5,355		5,733		(378)				5,733
5,642	-	5,733	-	(378)	-	-	-	5,733
\$ 14,235,122	\$ 2,320	\$ 14,241,192	\$ (35,325)	\$ (1,011,494)	\$ 29,428	\$ 91,508	\$ (978,512)	\$ 13,972,540

BOROUGH OF CLAYTON SCHOOL DISTRICT
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012

Note 1: GENERAL

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

Note 2: BASIS OF ACCOUNTING

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

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile revenues from the budgetary basis to the GAAP basis is \$47,145 for the general fund and \$35,647 for the special revenue fund. The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$38,581 for the special revenue fund. See Exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

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

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 333,827	\$ 9,831,121	\$ 10,164,948
Special Revenue	1,583,559	827,987	2,411,546
Capital Projects		3,275,842	3,275,842
Debt Service		302,671	302,671
Food Service	362,498	5,733	368,231
Total Awards and Financial Assistance	<u>\$ 2,279,884</u>	<u>\$ 14,243,354</u>	<u>\$ 16,523,238</u>

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 5: ADJUSTMENTS

Amounts reported in the column entitled "adjustments" represent favorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in fiscal year 2011-2012.

Note 6: OTHER

Revenues and expenditures reported under the food distribution program represent current year value received and current year distribution, respectively. TPAF social security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2012.

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 Year Ended June 30, 2012**

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

 Material weaknesses identified? yes x no

 Were significant deficiencies identified that were not considered to be a material weakness? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over compliance:

 Material weaknesses identified? yes x no

 Were significant deficiencies identified that were not considered to be material weaknesses? yes x none reported

Type of auditor's report on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.410A</u>	<u>Education Jobs Fund</u>
<u>84.010A</u>	<u>Title I, Part A</u>
<u>84.389</u>	<u>ARRA - Title I, Part A</u>
<u>84.027</u>	<u>IDEA Part B - Basic</u>
<u>84.173</u>	<u>IDEA Part B - Preschool</u>
<u>84.391</u>	<u>ARRA - IDEA Part B - Basic</u>
<u>84.392</u>	<u>ARRA - IDEA Part B - Preschool</u>
<u>84.184L</u>	<u>Safe and Drug-free Schools and Communities</u>
<u>10.553</u>	<u>School Breakfast Program</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>10.556</u>	<u>Special Milk Program</u>
<u>10.550</u>	<u>Food Distribution Program</u>

Dollar threshold used to determine Type A programs \$ 300,000

Auditee qualified as low-risk auditee? yes x no

BOROUGH OF CLAYTON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

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

State Financial Assistance

Internal control over compliance:

Material weaknesses identified? _____ yes x no

Were significant deficiencies identified that were not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) or New Jersey Circular 04-04-OMB? _____ yes x no

Identification of major programs:

<u>GMS Numbers</u>	<u>Name of State Program</u>
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education
495-034-5120-084	Security Aid
495-034-5095-002	Reimbursed T.P.A.F. Social Security
0860-030-09-2002	SDA - Renovations and Addition to MS/HS
0860-030-09-2001	SDA - Additional Renovations and Addition to MS/HS
0860-030-09-2003	SDA - Renovations to ES

Dollar threshold used to determine Type A programs \$ 427,236

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

BOROUGH OF CLAYTON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 2- Schedule of Financial Statement Findings

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

No current year findings.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 3- Schedule of Federal Award Findings and Questioned Costs

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

No current year findings.

BOROUGH OF CLAYTON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

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

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

No current year findings.

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

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

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings.

FEDERAL AWARDS

No Prior Year Findings.

STATE FINANCIAL ASSISTANCE PROGRAMS

No Prior Year Findings.

