

**SCOTCH PLAINS-FANWOOD  
REGIONAL SCHOOL DISTRICT**

**Scotch Plains-Fanwood Regional School District  
Board of Education  
Scotch Plains, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012**

**Comprehensive Annual  
Financial Report**

**of the**

**Scotch Plains-Fanwood Regional School District  
Board of Education**

**Scotch Plains, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by**

**Scotch Plains-Fanwood Regional School District  
Board of Education**

**Finance Department**

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**INTRODUCTORY SECTION**

# The Scotch Plains-Fanwood Public Schools

Evergreen Avenue and Cedar Street  
SCOTCH PLAINS, NEW JERSEY 07076

October 26, 2012

The Honorable President and Members of  
the Board of Education  
Scotch Plains-Fanwood Regional School District  
County of Union, New Jersey

Dear Board Members:

It is with pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Scotch Plains-Fanwood Regional School District (the "District") for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

## SCHOOL DISTRICT ORGANIZATION

The Scotch Plains-Fanwood Regional School District is one of 603 school districts in the State of New Jersey and one of 21 school districts in the County of Union. The School District provides education to students in grade level Pre-K through twelve. Geographically, the District is comprised of the Borough of Fanwood and the Township of Scotch Plains.

An elected nine-member Board of Education (the "Board") serves as the policy maker for the School District. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of School District tax money.

The Honorable President and Members of  
the Board of Education  
Scotch Plains-Fanwood Regional School District  
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SCHOOL DISTRICT ORGANIZATION (Cont'd)

The Superintendent is the chief executive officer of the School District, responsible to the Board for total educational and support operations. The Business Administrator/Board Secretary is the chief financial officer of the School District, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the School District, acting as custodian of all School District funds, and investing idle funds as permitted by New Jersey law.

1) REPORTING ENTITY AND ITS SERVICES: The Scotch Plains-Fanwood Regional School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Scotch Plains-Fanwood Regional School District and all its schools constitute the District's reporting entity.

The District continues to maintain a high quality of education. The Scotch Plains-Fanwood Regional School District is a comprehensive educational organization that provides a full range of programs and services appropriate to grade levels Pre-K through 12. These programs and services include regular, vocational as well as special education for disabled youngsters. The District completed the 2011-2012 school year with an enrollment of 5,478 students, compared to 5,514 students as of June 30, 2011. Enrollment is defined as students on roll and students placed out of district.

The following details the changes in the on roll student enrollment of the District over the last five fiscal years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment - On Roll</u>	<u>Percent Change</u>
2011-2012	5,478	-0.65%
2010-2011	5,514	1.38%
2009-2010	5,439	0.76%
2008-2009	5,398	1.22%
2007-2008	5,333	-0.13%

2) EDUCATIONAL PROGRAMS: Pre-Kindergarten to Grade 4 elementary, middle school (grades 5-8), and high school (grades 9-12) programs continue to provide students with appropriate and motivational educational experiences in the Core Content areas. Our co-curricular, fine arts, and athletic programs continue to enhance and foster the development of well rounded students. In addition, community service is an integral part of many of these programs.

3) MAJOR INITIATIVES: Students continue to score above the State and National averages on District administered tests. As measured by the HSPA, 96.9% of our eleventh grade general education students scored proficient or above in language arts literacy and 90.6% of our eleventh grade general education students scored proficient or above in mathematics. In the areas of NJ ASK results, the elementary and middle schools always scored above the state and similar to other schools in District Factor Group I.

The Honorable President and Members of  
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### **History of Bond Referendum**

In December of 2000, taxpayers voted to approve a Bond Referendum in the amount of \$35,729,112 with SDA funding in the amount of \$11,611,488. The total approved cost included renovations and/or new construction for each of our eight schools, including technology updating and ADA compliance costs. All work was completed within the timelines established by the District. In January 2010, the District was able to refund \$12,180,000 of the original bonds. The new interest rates ranged from 3%-5% whereas the initial bonds had interest of 4.375%-5%. As a result of the refunding the District will save \$557,189 over the next fourteen (14) years.

In April 2007, voters supported a bond referendum to replace the running track and install two artificial turf fields at the High School. The contract was awarded in November 2007 and completed in August 2008. The \$2,000,000 bond anticipation notes that were sold to fund the project were paid in full in June 2011.

In addition, a facilities study was completed by Potter Architects to address enrollment increases particularly in the middle schools. Based on the information provided, four (4) modular classrooms were installed at Terrill Middle School for the 2008-2009 school year and an additional four (4) modular classrooms were installed at Park Middle School for the 2011-12 school year to address increased enrollment anticipated during the next few years.

### **Technology**

A range of significant technology initiatives occurred during 2011-2012. Student computers in the middle schools were upgraded. The CAD lab in the high school was redesigned with new HP workstations. Scheduled faculty and administrators received new laptop computers. Additionally, iPads were purchased to support special programs and individual student's learning needs. LCD Projectors and document cameras were purchased to provide multi-media access for all District classrooms. New printers were purchased throughout the District to replace printers that were at end of life. Software licenses were purchased to allow all Apple computers to utilize the same operating system. Casper licenses were renewed to support the device management for all Mac OS X devices. Back-up Servers were installed to protect District data.

### **Mathematics**

During the 2011-2012 school year, the mathematics department professional development activities focused on alignment of all courses K-12 to the Common Core State Standards. Elementary school teachers revised the pacing guides to reflect changes in the standards. In addition, extended constructed response questions were created for grades 3 and 4. At the middle school level, the Math Explorations curriculum was developed and implemented. Moreover, middle and high school teachers created sequencing guides and revised quarterly benchmark assessments to reflect the new standards. The common scoring expectations were a focus as well. Examination of available NJASK, HSPA, and PSAT student data was a continual part of teacher dialogue. This data analysis was instrumental in identifying focus strands for student growth.

The Honorable President and Members of  
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### **Language Arts**

In the Language Arts Department, the textbook and trade book resource inventory continued to be replenished during the 2011-2012 school year. These resources included some of the following titles: *The Stranger*, collected works of Sophocles, *The Wave*, *A Streetcar Named Desire*, and *The Collector* and *The Book Thief*. The department also continues to expand our global and nonfiction literature selections to better address District priorities and the new Common Core Standards. Funds at the elementary level continued to support the purchase of our new standards-aligned balanced literacy program, *Good Habits Great Readers* and *Words Their Way*. Additional resources were provided to classroom teachers in order to build their individual classroom libraries. Beyond replenishing and increasing resources, teachers were provided with multiple opportunities to insure that the curriculum was aligned to the Common Core Standards.

### **Social Studies**

The Social Studies Department budget allocations in 2011-12 focused on our continuing efforts to bring more globally-oriented materials to classrooms, the infusion of literacy instruction in the social studies, and the integration of more hands-on resources for students at all grade levels. At the elementary level, a variety of fiction and non-fiction texts were purchased to support literacy and global perspectives. At the middle school, materials were purchased to support special education students and further integration of technology in daily instruction. At the high school, a variety of materials were purchased to support teachers in implementing the financial literacy mandate and the Common Core State Standards in Literacy.

### **Science**

For the 2011-2012 school year, the continued focus of the department is to provide and support learning environments that promote hands-on, inquiry-based activities. Elementary teachers continue to receive support materials and resources to support their science classes as they utilize both the GEMS and FOSS modules in their classrooms. Notably, through the supervisor and one of the middle school teachers, a select group of Grade 2 teachers received training and exposure to WeatherBug Achieve. This online resource will aim to integrate science, math, geography, technology and more to improve student achievement using the live weather data from our own school's very own WeatherBug Weather Station, located at the high school or from any of the other 8,000+ schools in the WeatherBug Schools® Network. These lead teachers sought out a variety of interactive lessons that they can incorporate into the FOSS Air and Weather unit and then share with their grade-level colleagues.

At the middle and high school levels, these teachers continue to work on inquiry-based lessons to further student engagement and to bring real-world applications into the classroom. Teachers continue to utilize technology through the instructional usage of LCD projectors and through student usage of laptop carts and Vernier Labquest devices to acquire laboratory data. Students in Physics and Astronomy classes are piloting the use of iPod Touch's to acquire lab data with Vernier Video Physics and to visualize celestial objects with the use of astronomy related applications. Advanced Placement Biology and Chemistry teachers have attended workshops sponsored by the College Board that informed them of crucial changes in those courses of study. These teachers are collaborating to move their courses to a broad based, inquiry-based curriculum. Teachers at the middle and high school have continued to use the Rubicon Atlas website as a means to share and collaborate the development of units, lessons, and assessments.

The Honorable President and Members of  
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### **World Language**

Since World Languages is primarily a non-textbook based content area, a good part of the budget continued to go towards supplies and resources that supported instruction, promoted the development of students' language proficiency, and facilitated collaborative global projects. This department continued to purchase manipulatives, audio resources, and authentic literary and cultural resources, such as Scholastic Books and Magazines in Spanish at the elementary level, and authentic language magazines for upper level courses. Additional Flip Video cameras and digital voice recorders were purchased for classes at all levels for students to be able to record, create, and digitally edit projects focusing on their communicative language skills, and each world language teacher received a portable iPevo document camera. At the high school level, we purchased instructional materials resources to support the change in format and focus of the AP courses and exams.

### **Fine Arts**

The Scotch Plains Fanwood Fine Arts budget included funds to improve the entire inventory of the instrumental program for the 2011-2012 school year. One item that was reflected in this budget was the purchase of new marching band uniforms due to the increase in enrollment and the condition of the prior uniforms. Other items reflected in this budget include the purchase of instruments for our K-8, general music program, transportation and storage needs, and technology for all staff.

### **Professional Development**

In 2011-2012 the District continued to provide three in-service days of staff development as well as optional summer workshop opportunities. Staff development also took place in department and faculty meetings, in District study groups, program visitations, and out-of-district workshops. In August 2011, a three-day orientation program for first year teachers, as well as teachers new to the District, provided guidance for new staff. This support continued through New Teacher Roundtable Workshops provided throughout the year.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

The Honorable President and Members of  
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5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2012.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: During 2011/2012, the District paid down \$1,255,850 of bond principal. At June 30, 2012, the District had \$12,805,850 in outstanding bonds payable and \$889,460 of capital leases payable.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

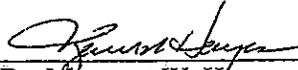
The District is a member of the South Bergen Workmen's Compensation Pool (the "Pool"). The Pool is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to its members. Additional information on the Pool is included in Note 11 to the Basic Financial Statements.

10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education.. 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 Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

The Honorable President and Members of  
the Board of Education  
Scotch Plains-Fanwood Regional School District  
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October 26, 2012

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Scotch Plains-Fanwood Regional School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,

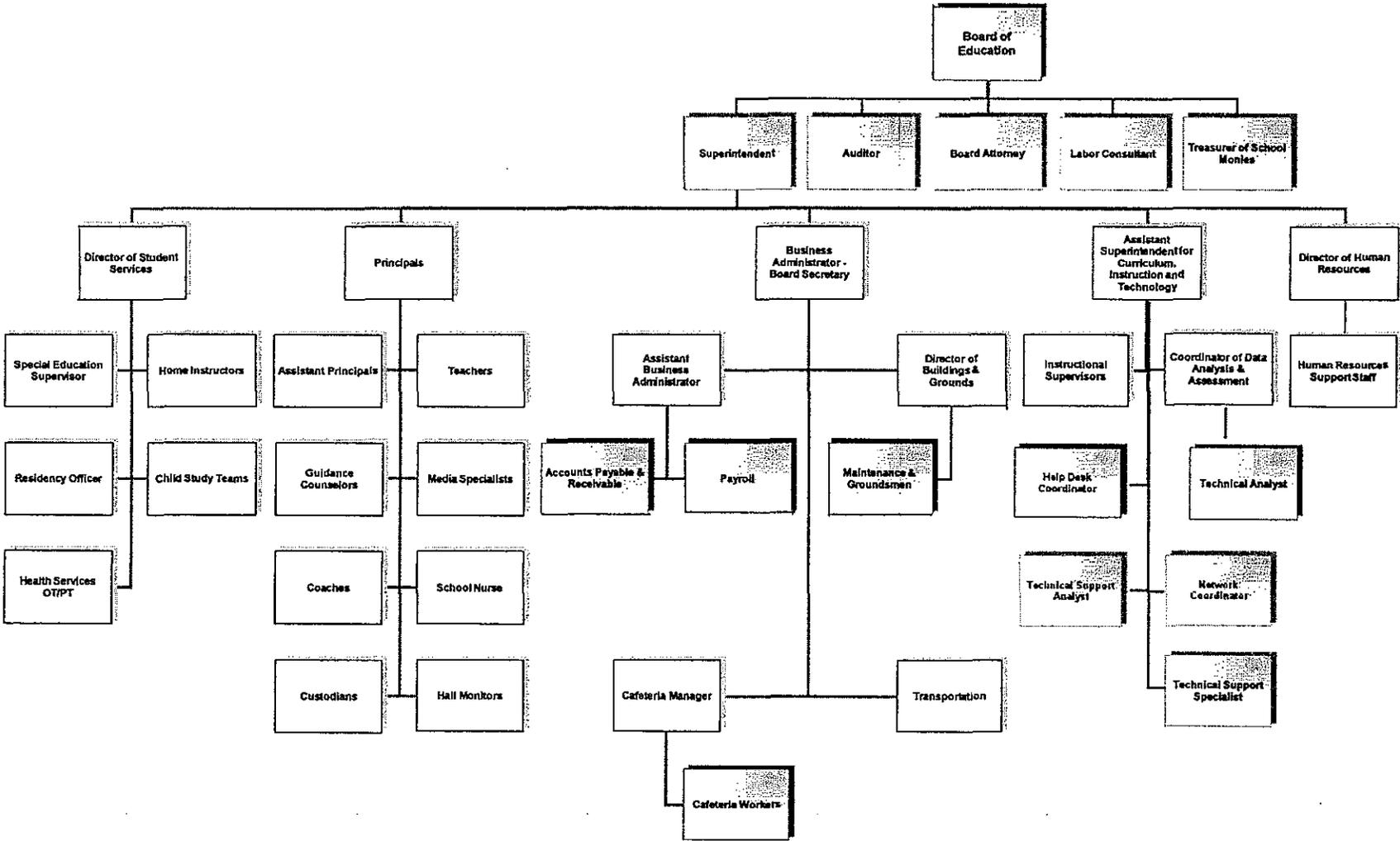


Dr. Margaret W. Hayes  
Superintendent of Schools



Deborah Saridaki  
School Business Administrator/Board Secretary

# Organizational Chart Scotch Plains-Fanwood Public Schools 2011 - 2012



**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Norman "Trip" Whitehouse, President	2012
Nancy Bauer, Vice President	2013
Jeanne Cleary	2014
David Gorbunoff	2013
Karen Kulikowski	2012
Douglas Layne	2014
Warren McFall	2014
Amy Winkler	2013
Betty Anne Woerner	2012

Other OfficialsTitle

Dr. Margaret W. Hayes	Superintendent of Schools
James Davis	School Business Administrator/Board Secretary
Richard Morris Barre	Treasurer
Casper P. Boehm, Jr.	Board Attorney

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ 07856-1320

**Attorney**

Casper P. Boehm, Jr., Esq.  
Counsellor at Law  
PO Box 669  
Waretown, NJ 08758-0669

**Architect of Record**

Potter Architects, LLC  
410 Colonial Avenue  
Union, NJ 07083-7347

**Official Depository**

TD Bank  
245 Park Avenue  
Scotch Plains, NJ 07076

**FINANCIAL SECTION**



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

### Independent Auditors' Report

The Honorable President and Members  
of the Board of Education  
Scotch Plains-Fanwood Regional School District  
County of Union, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Scotch Plains-Fanwood Regional School District in the County of Union as of and for the fiscal year ended June 30, 2012 which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education'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 audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Scotch Plains-Fanwood Regional School District in the County of Union 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 October 26, 2012 on our consideration of the Board of Education of the Scotch Plains-Fanwood Regional School District's internal control over financial reporting and 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 the 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.

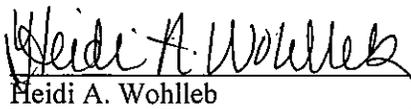
The Honorable President and Members  
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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, and Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Scotch Plains-Fanwood Regional School District's financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, 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 supplementary information such as the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is 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.

Mount Arlington, New Jersey  
October 26, 2012

NISIVOCCIA LLP



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**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

This section of Scotch Plains-Fanwood Regional School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's basic financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

### **Financial Highlights**

- The District's financial status improved significantly.
- Overall revenue was \$88.4 million.
- District enrollment, with the exception of slight decreases in 2007-08 and 2011-12, increased over the last few years but the cost per pupil remains relatively stable.

### **Overview of the Financial Statements**

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Figure A-1**

**Organization of Scotch Plains-Fanwood Regional School District's Financial Report**

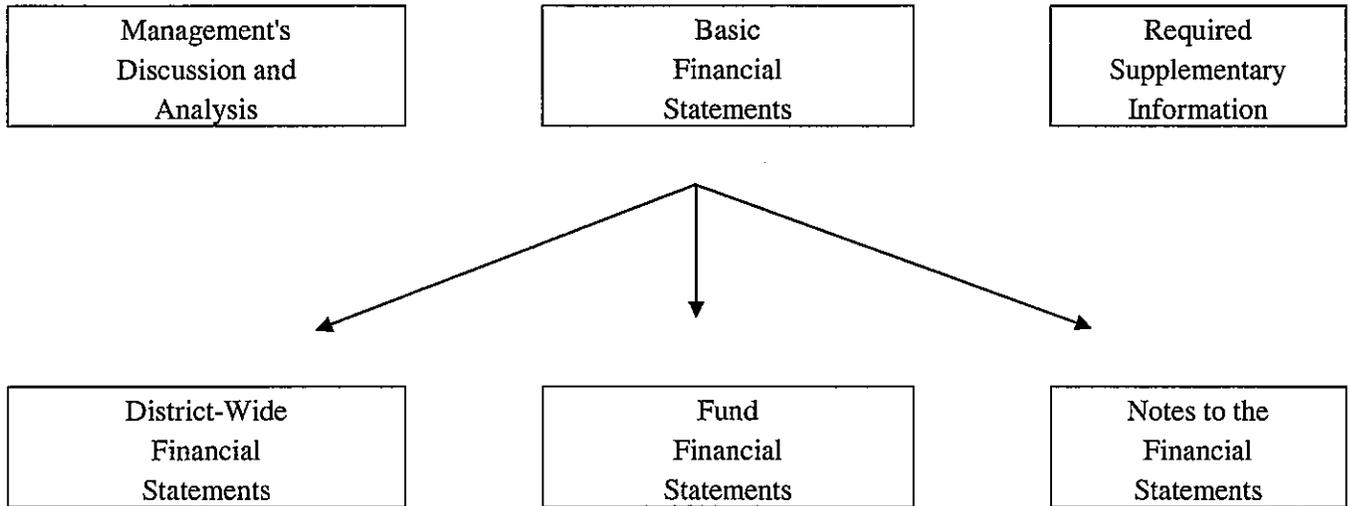


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

Figure A-2

*Major Features of the District-Wide and Fund Financial Statements*

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, and summer community education program	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenue, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

### **District-wide Statements**

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

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service and summer community education programs are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

**Fund Financial Statements**

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

*Notes to the basic financial statements:* The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

**Financial Analysis of the District as a Whole**

*Net Assets.* The District's *combined* net assets were \$26,695,736 on June 30, 2012, \$3,743,156 or 16.31% more than the year before (See Figure A-3). Net assets invested in capital assets increased by \$105,903 due to bonded debt retired of \$1,255,850, \$648,516 of capital leases retired, and \$315,178 of capitalized expenditures, offset by \$640,000 in new capital leases and depreciation of \$1,433,652 and \$39,989 related to governmental and business-type capital assets, respectively. Restricted net assets increased by \$3,623,924 due to increases in excess surplus of \$2,200,996, debt service fund balance of \$20,892, and the capital reserve and maintenance reserve accounts of \$875,959 and \$526,077, respectively. Unrestricted net assets increased by \$13,329 mainly due to unexpended budget appropriations offset by a decreases in unamortized deferred bond interest, accrued interest payable, unamortized bond premiums and compensated absences payable and an increase in the liability for other post retirement benefits payable.

**Figure A-3  
Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Change 2011/12
Current and							
Other Assets	\$ 13,563,466	\$ 10,005,917	\$ 605,201	\$ 590,377	\$ 14,168,667	\$ 10,596,294	33.71%
Capital Assets, Net	29,283,256	30,476,984	155,084	119,819	29,438,340	30,596,803	-3.79%
Total Assets	<u>42,846,722</u>	<u>40,482,901</u>	<u>760,285</u>	<u>710,196</u>	<u>43,607,007</u>	<u>41,193,097</u>	5.86%
Long-Term Debt							
Outstanding	14,663,886	15,588,501			14,663,886	15,588,501	-5.93%
Other Liabilities	2,157,443	2,644,584	89,942	7,432	2,247,385	2,652,016	-15.26%
Total Liabilities	<u>16,821,329</u>	<u>18,233,085</u>	<u>89,942</u>	<u>7,432</u>	<u>16,911,271</u>	<u>18,240,517</u>	-7.29%
Net Assets:							
Invested in Capital							
Assets, Net of Related							
Debt	15,587,946	15,517,308	155,084	119,819	15,743,030	15,637,127	0.68%
Restricted	9,477,280	5,853,356			9,477,280	5,853,356	61.91%
Unrestricted	960,167	879,152	515,259	582,945	1,475,426	1,462,097	0.91%
Total Net Assets	<u>\$ 26,025,393</u>	<u>\$ 22,249,816</u>	<u>\$ 670,343</u>	<u>\$ 702,764</u>	<u>\$ 26,695,736</u>	<u>\$ 22,952,580</u>	16.31%

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
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(Unaudited)**

*Changes in Net Assets.* The District's combined net assets increased by \$3,743,156 or 16.31%. Net assets from governmental activities increased by \$3,775,577 while net assets from business-type activities decreased by \$32,421 (See Figure A-4).

**Figure A-4  
Changes in Net Assets from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	Change
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 299,174	\$ 337,490	\$ 1,271,212	\$ 1,178,093	\$ 1,570,386	\$ 1,515,583	3.62%
Grants and Contributions:							
Operating	10,960,053	9,377,705	287,189	265,235	11,247,242	9,642,940	16.64%
Capital		312,842				312,842	-100.00%
<b>General Revenue:</b>							
Property Taxes	75,403,338	76,451,517			75,403,338	76,451,517	-1.37%
Unrestricted State/ Federal Aid	25,731	69,752			25,731	69,752	-63.11%
Other	150,812	1,156,434	729	954	151,541	1,157,388	-86.91%
<b>Total Revenue</b>	<b>86,839,108</b>	<b>87,705,740</b>	<b>1,559,130</b>	<b>1,444,282</b>	<b>88,398,238</b>	<b>89,150,022</b>	<b>-0.84%</b>
<b>Expenses:</b>							
Instruction	46,413,113	45,620,048			46,413,113	45,620,048	1.74%
Pupil and Instruction Services	16,957,075	16,902,528			16,957,075	16,902,528	0.32%
Administration and Business	6,409,147	6,494,771			6,409,147	6,494,771	-1.32%
Maintenance and Operations	8,806,384	8,634,741			8,806,384	8,634,741	1.99%
Transportation	2,773,873	2,618,482			2,773,873	2,618,482	5.93%
Other	1,703,939	1,807,034	1,591,551	1,367,957	3,295,490	3,174,991	3.80%
<b>Total Expenses</b>	<b>83,063,531</b>	<b>82,077,604</b>	<b>1,591,551</b>	<b>1,367,957</b>	<b>84,655,082</b>	<b>83,445,561</b>	<b>1.45%</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 3,775,577</b>	<b>\$ 5,628,136</b>	<b>\$ (32,421)</b>	<b>\$ 76,325</b>	<b>\$ 3,743,156</b>	<b>\$ 5,704,461</b>	<b>-34.38%</b>

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

*Revenue Sources.* The District's total revenue for the 2011/12 school year was \$88,398,238 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$75,403,338 of the total or 85.3 percent (See Figure A-5). The remaining 14.7 percent of revenue is comprised of 12.6 percent from state formula aid and federal and state categorical grants, 1.78 percent from charges for services and .32 percent from other miscellaneous sources. It is important to note that, included in the \$9,100,038 federal and state categorical grants and state formula aid revenue is over \$3.12 million of funds that are not paid to the District, but are included in funding for TPAF Pension and Post-Retirement Benefits contributions that the State of New Jersey is paying on behalf of the District. The Scotch Plains-Fanwood Regional School District primarily conducts its operations from the revenue it receives from its local taxpayers and State aid.

**Figure A-5  
Sources of Revenue for Fiscal Year 2012**

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 2,037,740	2.31%
Property Taxes	75,403,338	85.30%
Federal and State Categorical Grants	9,100,038	10.29%
Charges for Services	1,570,386	1.78%
Other	286,736	0.32%
	<u>\$ 88,398,238</u>	<u>100.00%</u>

The total cost of all programs and services was \$84,655,082. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (78.14 percent) (See Figure A-6). The District's administrative and business activities accounted for 7.57 percent of total costs. The most significant contributors to the cost of maintenance and operations were higher energy costs, including fuel, and insurance. It is important to note that expenses include \$1,433,652 and \$39,989 of depreciation related to governmental and business-type capital assets, respectively.

**Figure A-6  
Expenses for Fiscal Year 2012**

Expense Category:	Amount	Percentage
Instruction	\$ 46,413,113	54.83%
Pupil and Instruction Services	16,957,075	20.03%
Administration and Business	6,409,147	7.57%
Maintenance and Operations	8,806,384	10.40%
Transportation	2,773,873	3.28%
Other	3,295,490	3.89%
	<u>\$ 84,655,082</u>	<u>100.00%</u>

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Governmental Activities**

The financial position of the District improved significantly. However, maintaining, existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils and the cost of employee benefits place a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

It is crucial that the District monitor its expenditures carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**Figure A-7  
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011/2012	2010/2011	2011/2012	2010/2011
Instruction	\$ 46,413,113	\$ 45,620,048	\$37,986,767	\$38,510,733
Pupil and Instruction Services	16,957,075	16,902,528	15,163,873	15,314,408
Administration and Business	6,409,147	6,494,771	5,909,091	6,057,139
Maintenance and Operations	8,806,384	8,634,741	8,356,875	7,913,084
Transportation	2,773,873	2,618,482	2,683,759	2,447,169
Other	1,703,939	1,807,034	1,703,939	1,807,034
	<u>\$ 83,063,531</u>	<u>\$ 82,077,604</u>	<u>\$ 71,804,304</u>	<u>\$ 72,049,567</u>

- The cost of all governmental activities this year was \$83.063 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$8.8 million).
- Most of the District's costs, however, were financed by District taxpayers (\$75.4 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$2.04 million).
- The remainder of funding came from investment earnings and miscellaneous revenues (\$.59 million).

**Business-Type Activities**

The net assets of the District's business-type activities decreased by \$32,421 due to a decrease in the net assets of the food service enterprise fund of \$50,522, offset by an increase in the net assets of the summer community education enterprise program of \$18,101 (Refer to Figure A-4). The decrease in the food service enterprise fund is due primarily to certain additional expenses incurred during the current fiscal year.

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Financial Analysis of the District's Funds**

The District's financial condition increased significantly despite the difficult economic times. Interest from investments continued to decrease during the current fiscal year. The District has had a multi-year practice of utilizing funds from the General Fund unassigned fund balance to both reduce the tax levy as well as invest in the maintenance of District facilities. As overall revenue for the District diminishes, the amount of funds generated for this purpose decreases. Ratables of the municipalities remain more or less stable, thus generating concern for the impact on the local taxpayers in the future.

All of these factors are likely to continue for the near future. To maintain a stable financial position, the District must continue to practice sound fiscal management.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were for changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

**Capital Asset and Debt Administration**

**Figure A-8  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
Sites (Land)	\$ 223,882	\$ 223,882			\$ 223,882	\$ 223,882	0.00%
Buildings and Building Improvements	27,176,386	27,944,381			27,176,386	27,944,381	-2.75%
Machinery and Equipment	1,882,988	2,308,721	\$ 155,084	\$ 119,819	2,038,072	2,428,540	-16.08%
<b>Total Capital Assets, Net of Depreciation</b>	<b>\$ 29,283,256</b>	<b>\$ 30,476,984</b>	<b>\$ 155,084</b>	<b>\$ 119,819</b>	<b>\$ 29,438,340</b>	<b>\$ 30,596,803</b>	<b>-3.79%</b>

The District invested \$315,178 in capital assets (\$239,924 and \$75,254 associated with governmental and business-type activities, respectively) and incurred \$1,433,652 and \$39,989 of depreciation related to governmental and business-type capital assets, respectively. (More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements).

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Long-term Debt**

At year-end, the District had \$11,962,678 in outstanding general obligation bonds, net, as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements).

**Figure A-9  
Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2011/12	2010/11	
General Obligation Bonds, Net (Financed with Property Taxes)	\$ 11,962,678	\$ 13,141,876	-8.97%
Other Long-Term Liabilities	2,701,208	2,446,625	10.41%
	<u>\$ 14,663,886</u>	<u>\$ 15,588,501</u>	<u>-5.93%</u>

- Principal payments of \$1,255,850 on the District's general obligation bonds were made during the fiscal year.
- The District's other long-term liabilities as of June 30, 2012 are comprised of compensated absences, capital leases payable and other post-retirement benefits payable.

**For the Future**

The Scotch Plains-Fanwood School District is in sound financial condition. The District is proud of its community support and student involvement in the public schools. Major concerns are the increased reliance on local property taxes, potential reductions in State aid and a 2% revenue cap. Although the 2012-13 budget did not require voter approval due to the increase in the tax levy not exceeding the allowable cap increase, the School District's system for financial planning, budgeting, and internal financial controls are very strong and support the Board of Education's commitment to financial excellence for the future.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deborah Saridaki, Business Administrator/Board Secretary at Scotch Plains-Fanwood Regional School District Board of Education, Administration Building, Evergreen Avenue and Cedar Street, Scotch Plains, New Jersey 07076. Please visit our website at <http://www.spfk12.org/>.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

Exhibit A-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,731,473	\$ 722,739	\$ 8,454,212
Internal Balances	140,710	(140,710)	
Receivables from Other Governments	1,242,314	13,646	1,255,960
Other Receivables	57,435		57,435
Inventory		9,526	9,526
Restricted Assets:			
Capital Reserve Account - Cash	1,422,590		1,422,590
Maintenance Reserve Account - Cash	1,777,377		1,777,377
Prepaid Expenses	1,057,784		1,057,784
Unamortized Bond Issuance Costs	133,783		133,783
Capital Assets, Net:			
Sites (Land)	223,882		223,882
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	29,059,374	155,084	29,214,458
Total Assets	<u>42,846,722</u>	<u>760,285</u>	<u>43,607,007</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payable to State Government	1,558		1,558
Accounts Payable	922,151	80,468	1,002,619
Accrued Interest Payable	261,249		261,249
Deposits	34,380		34,380
Unamortized Bond Premiums	855,767		855,767
Deferred Revenue	82,338	9,474	91,812
Noncurrent Liabilities:			
Due Within One Year	1,706,948		1,706,948
Due Beyond One Year	12,956,938		12,956,938
Total Liabilities	<u>16,821,329</u>	<u>89,942</u>	<u>16,911,271</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	15,587,946	155,084	15,743,030
Restricted for:			
Capital Projects	1,422,590		1,422,590
Debt Service	169,184		169,184
Other Purposes	7,885,506		7,885,506
Unrestricted	960,167	515,259	1,475,426
Total Net Assets	<u>\$ 26,025,393</u>	<u>\$ 670,343</u>	<u>\$ 26,695,736</u>

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 35,282,492	\$ 299,174	\$ 3,254,442		\$ (31,728,876)	\$ (31,728,876)
Special Education	8,584,624		4,671,584		(3,913,040)	(3,913,040)
Other Special Instruction	999,260		90,064		(909,196)	(909,196)
Other Instruction	1,546,737		111,082		(1,435,655)	(1,435,655)
<b>Support Services:</b>						
Tuition	6,423,166				(6,423,166)	(6,423,166)
Student & Instruction Related Services	10,533,909		1,793,202		(8,740,707)	(8,740,707)
General Administrative Services	1,016,294		42,875		(973,419)	(973,419)
School Administrative Services	3,900,767		336,963		(3,563,804)	(3,563,804)
Central Services	1,096,883		94,336		(1,002,547)	(1,002,547)
Administrative Information Technology	395,203		25,882		(369,321)	(369,321)
Plant Operations and Maintenance	8,806,384		449,509		(8,356,875)	(8,356,875)
Pupil Transportation	2,773,873		90,114		(2,683,759)	(2,683,759)
Interest on Long-Term Debt	568,395				(568,395)	(568,395)
Unallocated Depreciation	1,135,544				(1,135,544)	(1,135,544)
<b>Total Governmental Activities</b>	<b>83,063,531</b>	<b>299,174</b>	<b>10,960,053</b>		<b>(71,804,304)</b>	<b>(71,804,304)</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Business-Type Activities:</b>							
Food Service	\$ 1,539,363	\$ 1,200,996	\$ 287,189		\$ (51,178)	\$ (51,178)	
Summer Community Education	52,188	70,216			18,028	18,028	
Total Business-Type Activities	1,591,551	1,271,212	287,189		(33,150)	(33,150)	
<b>Total Primary Government</b>	<b>\$ 84,655,082</b>	<b>\$ 1,570,386</b>	<b>\$ 11,247,242</b>	<b>\$ -0-</b>	<b>\$ (71,804,304)</b>	<b>(33,150)</b>	<b>(71,837,454)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, Levied for General Purposes, Net				73,596,374		73,596,374	
Taxes Levied for Debt Service				1,806,964		1,806,964	
Federal and State Aid not Restricted				25,731		25,731	
Investment Earnings				2,036	729	2,765	
Miscellaneous Income				148,776		148,776	
Total General Revenues				75,579,881	729	75,580,610	
Change in Net Assets				3,775,577	(32,421)	3,743,156	
Net Assets - Beginning				22,249,816	702,764	22,952,580	
Net Assets - Ending				\$ 26,025,393	\$ 670,343	\$ 26,695,736	

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

**FUND FINANCIAL STATEMENTS**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 7,522,726		\$ 39,563	\$ 169,184	\$ 7,731,473
Interfund Receivable	210,554				210,554
Receivables from Other Governments	1,027,173	\$ 215,141			1,242,314
Other Receivables	14,729	42,706			57,435
Restricted Cash and Cash Equivalents	3,199,967				3,199,967
Prepaid Expenses	1,057,784				1,057,784
<b>Total Assets</b>	<b>\$ 13,032,933</b>	<b>\$ 257,847</b>	<b>\$ 39,563</b>	<b>\$ 169,184</b>	<b>\$ 13,499,527</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable		\$ 69,844			\$ 69,844
Payable to State Government		1,558			1,558
Accounts Payable	\$ 773,531	109,057	\$ 39,563		922,151
Deposits	34,380				34,380
Deferred Revenue		82,338			82,338
<b>Total Liabilities</b>	<b>807,911</b>	<b>262,797</b>	<b>39,563</b>		<b>1,110,271</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Capital Reserve Account	1,422,590				1,422,590
Maintenance Reserve Account	1,777,377				1,777,377
Excess Surplus - Designated for Subsequent Year's Expenditures	3,562,171				3,562,171
Excess Surplus	2,545,958				2,545,958
Debt Service Fund				\$ 169,184	169,184
<b>Assigned:</b>					
Year-End Encumbrances	890,406				890,406
Designated for Subsequent Year's Expenditures	305,595				305,595
Unassigned/(Deficit)	1,720,925	(4,950)			1,715,975
<b>Total Fund Balances/(Deficit)</b>	<b>12,225,022</b>	<b>(4,950)</b>		<b>169,184</b>	<b>12,389,256</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,032,933</b>	<b>\$ 257,847</b>	<b>\$ 39,563</b>	<b>\$ 169,184</b>	<b>\$ 13,499,527</b>

Amounts reported for *Governmental Activities* in the Statement of Net Assets (A-1) are different because:

Total Fund Balances (Above)	\$ 12,389,256
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. The cost of the assets is \$48,208,621 and the accumulated depreciation is \$18,925,365.	29,283,256
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.	(14,663,886)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(261,249)
Bond Issuance costs are reported as expenditures in the Funds. These costs total \$213,760 and the accumulated amortization is \$79,977.	133,783
Bond Premiums are reported as revenue in the Funds. These premiums total \$1,089,161 and the accumulated amortization is \$233,394.	(855,767)
<b>Net Assets of Governmental Activities</b>	<b>\$ 26,025,393</b>

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

Exhibit B-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, 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
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 73,596,374			\$ 1,806,964	\$ 75,403,338
Tuition	299,174				299,174
Interest Earned on:					
Capital Reserve Funds	959				959
Maintenance Reserve Funds	1,077				1,077
Miscellaneous Revenues	127,884	\$ 135,195			263,079
<b>Total - Local Sources</b>	<b>74,025,468</b>	<b>135,195</b>		<b>1,806,964</b>	<b>75,967,627</b>
State Sources	8,504,746	530,548			9,035,294
Federal Sources	179,750	1,635,545			1,815,295
<b>Total Revenues</b>	<b>82,709,964</b>	<b>2,301,288</b>		<b>1,806,964</b>	<b>86,818,216</b>
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	24,661,211	223,854			24,885,065
Special Education Instruction	5,308,517	1,092,872			6,401,389
Other Special Instruction	709,762				709,762
Other Instruction	1,185,244				1,185,244
Support Services and Undistributed Costs:					
Tuition	6,423,166				6,423,166
Student & Instruction Related Services	7,015,380	981,093			7,996,473
General Administrative Services	802,193				802,193
School Administrative Services	2,757,311				2,757,311
Central Services	829,361				829,361
Administration Information Technology	310,974				310,974
Plant Operations and Maintenance	6,095,898				6,095,898
Pupil Transportation	2,567,372				2,567,372
Allocated and Unallocated Benefits	18,912,364				18,912,364
Debt Service:					
Principal				1,255,850	1,255,850
Interest and Other Charges				551,114	551,114
Capital Outlay	1,794,939	3,469	\$ 39,563		1,837,971
<b>Total Expenditures</b>	<b>79,373,692</b>	<b>2,301,288</b>	<b>39,563</b>	<b>1,806,964</b>	<b>83,521,507</b>
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	3,336,272		(39,563)		3,296,709
<b>OTHER FINANCING SOURCES</b>					
Capital Leases (non-budgeted)	640,000				640,000
Unexpended Balance of School					
Refunding Bonds Issuance Costs				20,892	20,892
<b>Total Other Financing Sources</b>	<b>640,000</b>			<b>20,892</b>	<b>660,892</b>
<b>Net Change in Fund Balances</b>	<b>3,976,272</b>		<b>(39,563)</b>	<b>20,892</b>	<b>3,957,601</b>
Fund Balance/(Deficit) - July 1	8,248,750	(4,950)	39,563	148,292	8,431,655
Fund Balance/(Deficit) - June 30	<u>\$ 12,225,022</u>	<u>\$ (4,950)</u>	<u>\$ -0-</u>	<u>\$ 169,184</u>	<u>\$ 12,389,256</u>

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

SCOTCH PLAINS-FANWOOD REGIONAL 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 (from B-2)		\$ 3,957,601
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of capital assets differs from capital outlays in the period.		
	Depreciation expense	\$ (1,433,652)
	Capital outlays	<u>239,924</u>
		(1,193,728)
Capital leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases long-term liabilities in the statement of net assets and is not reported in the statement of activities.		(640,000)
Repayment of capital leases 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.		648,516
Repayment of debt service 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.		1,255,850
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		23,190
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) and other post employment benefits 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 a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		(263,099)
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(13,898)
The governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)		77,797
The governmental funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		<u>(76,652)</u>
Change in Net Assets of Governmental Activities (A-2)		<u>\$ 3,775,577</u>

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

Exhibit B-4

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business-type Activities - Enterprise Funds Non-Major Funds
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 722,739
Accounts Receivable:	
Other Governments:	
Federal	12,663
State	983
Inventories	9,526
Total Current Assets	745,911
Non-Current Assets:	
Capital Assets	343,092
Less: Accumulated Depreciation	(188,008)
Total Non-Current Assets	155,084
Total Assets	900,995
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	80,468
Interfund Payable - General Fund	140,710
Deferred Revenue	9,474
Total Current Liabilities	230,652
Total Liabilities	230,652
<b>NET ASSETS:</b>	
Investment in Capital Assets, Net of Related Debt Unrestricted	155,084 515,259
Total Net Assets	\$ 670,343

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

Exhibit B-5

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds Non-Major Funds</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 733,470
Daily Sales - Non-Reimbursable Programs	462,905
Special Events	4,621
Program Fees	<u>70,216</u>
Total Operating Revenue	<u>1,271,212</u>
Operating Expenses:	
Cost of Sales	583,814
Salaries	664,569
Payroll Taxes	62,084
Employee Benefits	33,697
Purchased Property Services	8,949
Management Fee	66,446
Insurance	62,864
Supplies and Materials	69,139
Depreciation Expense	<u>39,989</u>
Total Operating Expenses	<u>1,591,551</u>
Operating Loss	<u>(320,339)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	182,016
Special Milk Program	5,983
Food Distribution Program	84,488
State Sources:	
School Lunch Program	14,702
Local Sources - Interest Revenue	<u>729</u>
Total Non-Operating Revenue	<u>287,918</u>
Change in Net Assets	(32,421)
Net Assets - Beginning of Year	<u>702,764</u>
Net Assets - End of Year	<u>\$ 670,343</u>

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

Exhibit B-6

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds Non-Major Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,299,227
Payments to Employees	(120,613)
Payments to Food Service Vendor	(1,088,444)
Payments to Suppliers	(36,216)
Net Cash Provided by Operating Activities	<u>53,954</u>
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(75,254)
Net Cash Used for Capital Financing Activities	<u>(75,254)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	187,581
State Sources	15,636
Net Cash Provided by Noncapital Financing Activities	<u>203,217</u>
Cash Flows from Investing Activities:	
Interest Revenue	729
Net Cash Provided by Investing Activities	<u>729</u>
Net Increase in Cash and Cash Equivalents	182,646
Cash and Cash Equivalents, July 1	<u>540,093</u>
Cash and Cash Equivalents, June 30	<u>\$ 722,739</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (320,339)
Adjustment to Reconcile Operating Loss to Cash Provided by Operating Activities:	
Depreciation	39,989
Federal Food Distribution Program	84,488
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	23,381
Decrease in Inventory	3,215
Increase in Accounts Payable	77,876
Increase in Interfund Payable	140,710
Increase in Deferred Revenue	4,634
Net Cash Provided by Operating Activities	<u>\$ 53,954</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$84,488 for the fiscal year ended June 30, 2012.

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

Exhibit B-7

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Account Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 533,651	\$ 369,785	\$ 9,123
Total Assets	<u>533,651</u>	<u>369,785</u>	<u>9,123</u>
<b>LIABILITIES:</b>			
Payroll Deductions and Withholdings	339,480		
Due to Student Groups	<u>194,171</u>		
Total Liabilities	<u>533,651</u>	<u>-0-</u>	<u>-0-</u>
<b>NET ASSETS:</b>			
Held in Trust for:			
Unemployment Claims		369,785	
Flexible Spending Claims			<u>9,123</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 369,785</u>	<u>\$ 9,123</u>

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

## Exhibit B-8

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Account Trust</u>
ADDITIONS:		
Contributions:		
Plan Members	\$ 66,762	\$ 17,875
Employer	50,000	
Total Contributions	<u>116,762</u>	<u>17,875</u>
Investment Earnings:		
Interest	475	2
Net Investment Earnings	<u>475</u>	<u>2</u>
Total Additions	<u>117,237</u>	<u>17,877</u>
DEDUCTIONS:		
Quarterly Contribution Reports and Unemployment Benefit Claims	193,512	
Flexible Spending Claims		8,754
Total Deductions	<u>193,512</u>	<u>8,754</u>
Change in Net Assets	(76,275)	9,123
Net Assets - Beginning of the Year	<u>446,060</u>	
Net Assets - End of the Year	<u>\$ 369,785</u>	<u>\$ 9,123</u>

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Scotch Plains-Fanwood Regional School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of 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 District over which the Board exercises operating control. The operations of the District include five elementary schools, two middle schools and one high school which comprise the Scotch Plains-Fanwood Regional School District. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

B. 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. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by Board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

Enterprise (Food Service and Summer Community Education Programs) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria and summer community education program operations. The food service and summer community education programs are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, the Payroll Agency Fund the Unemployment Compensation Insurance Trust Fund and the Flexible Spending Account Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the District's Food Service and Summer Community Education Enterprise Programs are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday in April 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Additionally, the special revenue budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund and Special Revenue Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 82,872,017	\$ 2,322,422
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP basis does not.		
Current Year Encumbrances		(22,682)
Prior Year Encumbrances		1,548
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	36,569	4,950
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	<u>(198,622)</u>	<u>(4,950)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 82,709,964</u>	<u>\$ 2,301,288</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 79,373,692	\$ 2,322,422
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(22,682)
Prior Year Encumbrances		1,548
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 79,373,692</u>	<u>\$ 2,301,288</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenue at fiscal year end.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

H. Encumbrances: (Cont'd)

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.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise and general funds represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost, including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Building Improvements	20 to 30 years
Machinery and Equipment	10 to 15 years
Office and Computer Equipment	5 to 10 years
Vehicles	8 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2012.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In addition, the Board of Education has cooperated with the Education Association in the establishment of a Sick Leave Bank. Any Association member may participate in the Bank on a voluntary basis by donating one personal day to the Sick Leave Bank.

In the District-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

O. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$12,225,022 General Fund balance at June 30, 2012, \$890,406 is assigned for encumbrances; \$3,199,967 is restricted (\$1,422,590 in the capital reserve account and \$1,777,377 in the maintenance reserve account); \$305,595 is assigned and included as anticipated revenue for the year ending June 30, 2013; \$6,108,129 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended (\$3,562,171 is prior year excess surplus and is included as anticipated revenue for the year ending June 30, 2013 and the remaining \$2,545,958 is current year excess surplus and will be included as anticipated revenue for the year ending June 30, 2014); and \$1,720,925 is unassigned which is \$198,622 less on the GAAP basis than the calculated maximum unassigned fund balance due to the June State Aid payments that are not recognized until the fiscal year ending June 30, 2013.

Special Revenue Fund: There is a deficit fund balance of \$4,950 in the Special Revenue Fund on a GAAP basis due to the June state aid payments that are not recognized until the fiscal year ending June 30, 2013.

Debt Service Fund: The Debt Service Fund balance at June 30, 2012 of \$169,184 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2012 as defined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$198,622 as reported in the fund statements (modified accrual basis) and the Special Revenue Fund by \$4,950 as reported in the fund statements (grant accounting budgetary basis). N.J.A.C. 6A:23A-8.5(j) provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

Q. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, a maintenance reserve and the debt service fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2012.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2012.

R. Deficit Fund Balance:

The District has a deficit in unassigned fund balance in the Special Revenue Fund of \$(4,950) as of June 30, 2012 due to the non-recognition of the June state aid payments as explained in Note 1P on the previous page. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

S. 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 balance of any borrowing 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's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activities of the Enterprise Funds. For the School District, these revenues are sales for food service and fees for the summer community education program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statutes permit 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 the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the District to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

Investments: (Cont'd)

New Jersey statutes permit the District to purchase the following types of securities: (Cont'd)

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2012, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Reserve Accounts		
		Capital	Maintenance	
Checking Accounts	\$ 9,366,771	\$ 875,000	\$ 1,777,377	\$ 12,019,148
Certificates of Deposit		547,590		547,590
	<u>\$ 9,366,771</u>	<u>\$ 1,422,590</u>	<u>\$ 1,777,377</u>	<u>\$ 12,566,738</u>

During the period ended June 30, 2012, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2012 was \$12,566,738 and the bank balance was \$15,797,564.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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	\$ 546,631
Interest Earnings	959
Deposit by Board Resolution - June 28, 2012	<u>875,000</u>
Ending Balance, June 30, 2012	<u>\$ 1,422,590</u>

The balance in the capital reserve account at June 30, 2012 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$200,000 was established by Board resolution on June 25, 2009. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 1,251,300
Interest Earnings	1,077
Deposit by Board Resolution - June 28, 2012	925,000
Withdrawals by Board Resolution	<u>(400,000)</u>
Ending Balance, June 30, 2012	<u>\$ 1,777,377</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012, the District transferred \$135,915 to the capital outlay accounts for equipment; therefore, approval from the County Superintendent was not required.

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 223,882			\$ 223,882
Total Capital Assets Not Being Depreciated	<u>223,882</u>			<u>223,882</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	42,529,917	\$ 132,110		42,662,027
Machinery and Equipment	5,255,898	107,814	\$ (41,000)	5,322,712
Total Capital Assets Being Depreciated	<u>47,785,815</u>	<u>239,924</u>	<u>(41,000)</u>	<u>47,984,739</u>
Governmental Activities Capital Assets	<u>48,009,697</u>	<u>239,924</u>	<u>(41,000)</u>	<u>48,208,621</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(14,585,536)	(900,105)		(15,485,641)
Machinery and Equipment	(2,947,177)	(533,547)	41,000	(3,439,724)
	<u>(17,532,713)</u>	<u>(1,433,652)</u>	<u>41,000</u>	<u>(18,925,365)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 30,476,984</u>	<u>\$(1,193,728)</u>	<u>\$ -0-</u>	<u>\$ 29,283,256</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 278,338	\$ 75,254	\$ 10,500	\$ 343,092
Less Accumulated Depreciation	(158,519)	(39,989)	(10,500)	(188,008)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 119,819</u>	<u>\$ 35,265</u>	<u>\$ -0-</u>	<u>\$ 155,084</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

The increases totaling \$315,178 represent current year capitalized expenditures in the general fund and the food service enterprise fund.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 44,019
Student and Instruction Related Services	36,921
General Administrative Services	73,242
School Administrative Services	8,283
Plant Operations and Maintenance	102,266
Pupil Transportation	33,377
Unallocated	<u>1,135,544</u>
	<u>\$ 1,433,652</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>6/30/2011</u>	<u>Issued/</u> <u>Added</u>	<u>Retired/</u> <u>Defeased</u>	<u>Balance</u> <u>6/30/2012</u>
Serial Bonds Payable	\$ 14,061,700		\$ 1,255,850	\$ 12,805,850
Less: Deferred Amount on Refunding	<u>(919,824)</u>		<u>(76,652)</u>	<u>(843,172)</u>
Net Serial Bonds Payable	13,141,876		1,179,198	11,962,678
Capital Leases Payable	897,976	\$ 640,000	648,516	889,460
Compensated Absences Payable	550,236	123,912	135,428	538,720
Other Postemployment Benefits Payable	<u>998,413</u>	<u>274,615</u>		<u>1,273,028</u>
	<u>\$ 15,588,501</u>	<u>\$ 1,038,527</u>	<u>\$ 1,963,142</u>	<u>\$ 14,663,886</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be liquidated through the debt service fund.

On February 11, 2010, the District issued \$12,180,000 refunding bonds with interest rates ranging from 3.00% to 5.00% to advance refund \$12,058,500 school bonds with interest rates ranging from 4.50% to 5.00%. The refunding bonds mature on July 15, 2010 through 2022. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on November 1, 2011 and July 15, 2012, respectively. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

A. Bonds Payable: (Cont'd.)

As a result of the advance refunding, the District reduced its total debt service requirements by \$557,189, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$440,967.

The District had bonds outstanding as of June 30, 2012 as follows:

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
01/01/02	07/15/12	4.50%	\$ 755,850
02/11/10	07/15/22	3.00% - 5.00%	12,050,000
			<u>\$ 12,805,850</u>

Principal and interest due on the District's serial bonds outstanding is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,250,850	\$ 499,082	\$ 1,749,932
2014	1,250,000	449,650	1,699,650
2015	1,240,000	399,850	1,639,850
2016	1,225,000	356,675	1,581,675
2017	1,210,000	317,125	1,527,125
Thereafter:			
2018-2022	5,890,000	864,375	6,754,375
2023	740,000	18,500	758,500
	<u>\$ 12,805,850</u>	<u>\$ 2,905,257</u>	<u>\$ 15,711,107</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2012, the Board had no bonds authorized but not issued.

C. Bond Anticipation Notes Payable:

As of June 30, 2012, the Board had no bond anticipation notes payable.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

D. Capital Leases Payable:

The District has three capital leases payable for computer equipment as of June 30, 2012. All of the leases are for four years with the final payments occurring in fiscal years 2012-13, 2013-14 and 2014-15. The schedule of the future minimum lease payments under the District's capital leases and the present value of the net minimum lease payments at June 30, 2012 is detailed below.

<u>Year</u>	<u>Amount</u>
2013	\$ 424,601
2014	337,405
2015	164,874
	<u>926,880</u>
Less: Amount representing interest	<u>(37,420)</u>
Present value of net minimum lease payments	<u>\$ 889,460</u>

The current portion of capital leases payable at June 30, 2012 is \$401,358 and the long-term portion is \$488,102. The General Fund will be used to liquidate capital leases payable.

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of compensated absences payable at June 30, 2012 is \$54,740 and the long-term portion is \$483,980.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the Proprietary Funds.

F. Other Post-employment Benefits Payable:

The liability for other post-employment benefits of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of other post-employment benefits payable at June 30, 2012 is \$-0- and the long-term portion is \$998,413. See Note 10 for further information on these benefits.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. However, if an employee is ineligible to enroll in the TPAF or PERS, the employee may be eligible to enroll in the Defined Contribution Retirement Program (DCRP). These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during the years of creditable service. Vesting occurs after 8 to 10 years of service. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, NJ, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.5% to 6.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the TPAF and PERS. The actuarially determined employer contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. Employee contributions for DCRP are based on a percentage of 5.50% of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to \$955,223, \$950,947 and \$747,071 for 2012, 2011 and 2010, respectively.

The State of New Jersey contributed \$1,035,989, \$-0- and \$-0- to the TPAF for normal pension benefits on behalf of the District for the fiscal years ending June 30, 2012, 2011 and 2010, respectively.

Employee contributions to the DCRP for the fiscal years ended June 30, 2012, 2011 and 2010 were \$26,947, \$15,425, and \$2,049, respectively. Employer contributions to the DCRP for the fiscal years ended June 30, 2012, 2011 and 2010 were \$14,698, \$8,414 and \$1,118, respectively.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and 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 post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees receiving post-retirement 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 benefits 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 attributed to P.L. 1992, c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired 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 for Fiscal Year 2011.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$2,082,609, \$2,197,737 and \$2,078,669 for 2012, 2011 and 2010, respectively.

The Scotch Plains-Fanwood Regional School District accounts for certain post-employment health care benefits provided by the Board of Education in accordance with Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. GASB Statement No. 45 requires governments to account for other post-employment benefits, primarily health care, on an accrual rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Government-Wide Statement of Activities when a future retiree earns their post-employment benefits rather than when they use their post-employment benefits. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Government-Wide Statement of Net Assets over time. Accordingly, for financial reporting purposes, no liability is reported for the post-employment health care benefits liability at the date of transition.

Plan Description

The District provides post-employment medical benefits, including prescription drug coverage, and dental care, in accordance with state statute, to active employees, participating retirees and their beneficiaries. As of June 30, 2012, the valuation date, approximately 340 retirees and 637 active members meet the eligibility requirements put forth in P.L. 1992, c 126. The District sponsors and participates in a single-employer defined benefit OPEB plan. The OPEB plan is administered by the District and does not issue a stand-alone financial statement.

Individuals with a minimum of twenty years of service with the School District and less than twenty-five years of service with the state of New Jersey are eligible for subsidized medical coverage. A minimum of twenty years of service is required for subsidized dental coverage with no migration to the state plan if exceeding twenty-five years of service.

Funding Policy

The obligations of the plan members and School District are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and members vary depending on the applicable agreement. Retirees' contribution rates currently range from 10% in the second year of retirement to 50% at 6 years or more. The District currently contributes enough money to the plan to satisfy current obligations, administrative costs, and anticipated inflationary increases on a pay-as-you-go basis. The costs of administering the plan are paid by the General Fund.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer. The District has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities over a period not to exceed 30 years.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

Annual OPEB Cost and Net OPEB Obligation (Cont'd)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the District's net OPEB obligation to the Plan at June 30, 2010, 2011 and 2012:

**Benefit Obligations and Normal Cost**

	Valuation June 30,		
	2010	2011	2012
Actuarial accrued liability (AAL):			
Retired employees	\$9,798,632	\$ 9,473,202	\$ 9,209,665
Active employees	4,935,793	5,751,878	6,654,026
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,734,425</u>	<u>\$ 15,225,080</u>	<u>\$ 15,863,691</u>
Normal Cost with interest	\$ 443,927	\$ 525,505	\$ 557,035
Amortization factor based on 30 years	\$ 466,418	\$ 466,418	\$ 466,418
Annual covered payroll	\$ 44,688,159	\$ 44,396,745	\$ 44,807,596
UAAL as a percentage of covered payroll	32.97%	34.29%	35.40%

**Level Dollar Amortization**

Calculation of ARC under Projected Unit Credit Method

ARC normal cost with interest to end of year	\$ 443,927	\$ 525,505	\$ 557,035
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	466,418	466,418	466,418
Annual Required Contribution (ARC)	910,345	991,923	1,023,453
Interest on net OPEB obligation		50,012	59,905
Adjustment to ARC		415,725	(1,045)
Annual OPEB cost (expense)	910,345	1,457,660	1,082,313
Pay as you go benefits	(493,575)	(876,017)	(807,698)
Net OPEB expense at June 30,:			
2010, 2011 and 2012, respectively	416,770	581,643	274,615
Prior year		416,770	998,413
Net OPEB obligation June 30,:			
2010, 2011 and 2012, respectively	<u>\$ 416,770</u>	<u>\$ 998,413</u>	<u>\$ 1,273,028</u>
Unfunded actuarial accrued liability (June 30, 2010)			<u>\$ 14,734,425</u>
Projected unfunded actuarial accrued liability (June 30, 2011)			<u>\$ 15,225,080</u>
Projected unfunded actuarial accrued liability (June 30, 2012)			<u>\$ 15,863,691</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District and Plan members are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and the Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization over 30 years. The actuarial assumptions include a 6% discount rate and an initial health care cost trend rate of 9%, leveling off to 5% with 1% annual decrements.

NOTE 11. RISK MANAGEMENT

The 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 District has commercial insurance coverage for general liability, property and auto insurance. Health benefits are provided through Horizon Blue Cross Blue Shield of NJ.

The Scotch Plains-Fanwood Regional School District is a member of the South Bergen Region VII Workers' Compensation Pool (the "Pool") through which the District is provided workers' compensation coverage. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Pool is a risk-sharing public entity risk pool that is an insured and self-administered groups of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Pool are elected.

As a member of the Pool, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Pool were to be exhausted, members would become responsible for their respective shares of the Pool's liabilities. The Pool can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The June 30, 2012 audit was not available as of the date of this report. Selected, summarized financial information for the Pool as of June 30, 2011 is as follows:

	<u>South Bergen Region VII Workers' Compensation Pool</u>
Total Assets	\$ 10,488,320
Net Assets	\$ 3,911,679
Total Revenue	\$ 1,908,349
Total Expenses	\$ 2,890,485
Net Assets Distribution to Participating Members	\$ -0-
Change in Net Assets for the Year Ended June 30, 2011	\$ (982,136)

Financial statements for the Pool are available at the Pool's Executive Directors' Office:

Bergen Risk Managers, Inc.  
417 Boulevard  
P.O. Box 42  
Hasbrouck Heights, NJ 07641  
(201) 288-8844

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 50,000	\$ 475	\$ 66,762	\$ 193,512	\$ 369,785
2010-2011	300,000	570	67,855	247,101	446,060
2009-2010	225,000	368	45,925	136,514	324,736

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 210,554	
Special Revenue Fund		\$ 69,844
Proprietary Fund		140,710
	<u>\$ 210,554</u>	<u>\$ 210,554</u>

The interfund payables from the Special Revenue and Proprietary Funds due to the General Fund are for an interfund loan due to the timing lag between requests for reimbursement and actual receipt of federal grant funds from the State and disbursements made on-behalf of the Food Service Enterprise Fund, respectively.

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 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:

403(b)

- AIG-Retirement (Variable Annuity Life Insurance Company)
- AXA Equitable Life Assurance, Equi-Vest
- Financial Resources c/o TDS Group
- First Investors Corp.
- Lincoln Investments
- Lincoln Financial
- Siracusa

457

- MetLife

NOTE 15. TAX CALENDAR

Property taxes are levied by the District's constituent municipalities as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipalities and are remitted to the Regional School District on a predetermined mutually agreed-upon schedule.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2012:

	Governmental Activities			Total	Business- Type Activities
	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Funds	Proprietary Funds
Salaries	\$ 26,312			\$ 26,312	
Vendors	695,984	\$ 7,328	\$ 39,563	742,875	\$ 80,468
Due to Other Governmental Units	51,235	101,729		152,964	
	<u>\$ 773,531</u>	<u>\$ 109,057</u>	<u>\$ 39,563</u>	<u>\$ 922,151</u>	<u>\$ 80,468</u>

NOTE 17. CONTINGENCIESLitigation

The Board is periodically involved in claims and lawsuits arising in the normal course of business. The Board does not believe that the ultimate outcome of these claims will have a material adverse effect on the District's financial position.

Grant Programs

The District participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management of the District is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

Encumbrances

At June 30, 2012, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

Governmental Funds		
General	Special Revenue	Total
<u>\$ 890,406</u>	<u>\$ 22,682</u>	<u>\$ 913,088</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2012, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$22,682 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (Continued)

NOTE 18. RECEIVABLES FROM OTHER GOVERNMENTS

The following receivables due from other governments existed as of June 30, 2012:

	<u>Governmental Activities</u>			<u>Business- Type Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>	<u>Proprietary Funds</u>
Federal	\$ 114	\$ 202,608	\$ 202,722	\$ 12,663
State	1,027,059	12,533	1,039,592	983
	<u>\$ 1,027,173</u>	<u>\$ 215,141</u>	<u>\$ 1,242,314</u>	<u>\$ 13,646</u>

**BUDGETARY COMPARISON SCHEDULES**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 73,596,374		\$ 73,596,374	\$ 73,596,374	
Tuition from Individuals	225,000		225,000	280,475	\$ 55,475
Tuition from Other LEA's				18,699	18,699
Interest Earned on Capital Reserve Funds				959	959
Interest Earned on Maintenance Reserve Funds				1,077	1,077
Unrestricted Miscellaneous Revenues	305,000		305,000	127,884	(177,116)
<b>Total - Local Sources</b>	<b>74,126,374</b>		<b>74,126,374</b>	<b>74,025,468</b>	<b>(100,906)</b>
State Sources:					
Special Education Categorical Aid	1,429,442		1,429,442	2,199,793	770,351
Nonpublic School Transportation Costs				37,051	37,051
Extraordinary Special Education Costs Aid	450,000		450,000	869,040	419,040
On-Behalf TPAF Contributions:					
Post-Retirement Medical (Non-Budgeted)				2,082,609	2,082,609
Pension (Non-Budgeted)				1,035,989	1,035,989
Reimbursed TPAF Social Security (Non-Budgeted)				2,442,317	2,442,317
<b>Total State Sources</b>	<b>1,879,442</b>		<b>1,879,442</b>	<b>8,666,799</b>	<b>6,787,357</b>
Federal Sources:					
Medicaid Reimbursement	25,000		25,000	25,731	731
Education Jobs Fund	149,340	\$ 4,679	154,019	154,019	
<b>Total Federal Sources</b>	<b>174,340</b>	<b>4,679</b>	<b>179,019</b>	<b>179,750</b>	<b>731</b>
<b>TOTAL REVENUES</b>	<b>76,180,156</b>	<b>4,679</b>	<b>76,184,835</b>	<b>82,872,017</b>	<b>6,687,182</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 317,375	\$ 18,812	\$ 336,187	\$ 336,187	
Kindergarten - Salaries of Teachers	606,901	(23,136)	583,765	583,762	\$ 3
Grades 1-5 - Salaries of Teachers	8,605,226	(260,487)	8,344,739	8,344,546	193
Grades 6-8 - Salaries of Teachers	6,411,142	483,451	6,894,593	6,894,552	41
Grades 9-12 - Salaries of Teachers	6,662,604	(24,801)	6,637,803	6,637,705	98
Regular Programs - Home Instruction:					
Salaries of Teachers	60,000	27,370	87,370	87,366	4
Purchased Professional - Educational Services		55,700	55,700	55,619	81
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	105,169	(3,396)	101,773	101,769	4
Purchased Professional - Educational Services	214,325	16,023	230,348	217,372	12,976
Purchased Technical Services	173,550	(72,568)	100,982	96,400	4,582
Other Purchased Services (400-500 series)	62,760	(30,344)	32,416	20,756	11,660
General Supplies	758,773	366,797	1,125,570	1,043,490	82,080
Textbooks	215,748	5,501	221,249	194,463	26,786
Other Objects	66,016	(8,285)	57,731	47,224	10,507
<b>Total Regular Programs - Instruction</b>	<b>24,259,589</b>	<b>550,637</b>	<b>24,810,226</b>	<b>24,661,211</b>	<b>149,015</b>
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	361,852	(115,307)	246,545	246,521	24
Other Salaries for Instruction	211,868	(9,918)	201,950	201,903	47
Purchased Professional - Educational Services	65,000	(9,800)	55,200	45,825	9,375
Other Purchased Services (400-500 series)	500		500	383	117
General Supplies	7,000		7,000	6,819	181
<b>Total Multiple Disabilities</b>	<b>646,220</b>	<b>(135,025)</b>	<b>511,195</b>	<b>501,451</b>	<b>9,744</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction: (Cont'd)					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 4,066,708	\$ (95,390)	\$ 3,971,318	\$ 3,960,904	\$ 10,414
Other Salaries for Instruction		484,726	484,726	484,618	108
Purchased Technical Services	1,000		1,000		1,000
General Supplies	5,700	600	6,300	5,978	322
Textbooks	4,200	(1,600)	2,600	1,377	1,223
Total Resource Room/Resource Center	<u>4,077,608</u>	<u>388,336</u>	<u>4,465,944</u>	<u>4,452,877</u>	<u>13,067</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	135,079	(53,427)	81,652	81,652	
Other Salaries for Instruction	55,315	1,736	57,051	57,048	3
Total Preschool Disabilities - Part-Time	<u>190,394</u>	<u>(51,691)</u>	<u>138,703</u>	<u>138,700</u>	<u>3</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers	125,441	(193)	125,248	125,248	
Other Salaries for Instruction	97,877	(8,919)	88,958	88,865	93
General Supplies	2,250	(121)	2,129	1,376	753
Total Preschool Disabilities - Full-Time	<u>225,568</u>	<u>(9,233)</u>	<u>216,335</u>	<u>215,489</u>	<u>846</u>
Total Special Education Instruction	<u>5,139,790</u>	<u>192,387</u>	<u>5,332,177</u>	<u>5,308,517</u>	<u>23,660</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	726,577	(72,193)	654,384	648,871	5,513
Purchased Technical Services		150	150		150
General Supplies	3,000	(150)	2,850	2,850	
Total Basic Skills/Remedial - Instruction	<u>729,577</u>	<u>(72,193)</u>	<u>657,384</u>	<u>651,721</u>	<u>5,663</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 52,698	\$ 6,086	\$ 58,784	\$ 58,041	\$ 743
General Supplies	500		500		500
<b>Total Bilingual Education - Instruction</b>	<b>53,198</b>	<b>6,086</b>	<b>59,284</b>	<b>58,041</b>	<b>1,243</b>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	304,150	(33,625)	270,525	267,021	3,504
Purchased Services (300-500 series)	18,000	6,675	24,675	22,977	1,698
Supplies and Materials	15,500	68,972	84,472	80,120	4,352
Other Objects	6,000	705	6,705	4,950	1,755
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>343,650</b>	<b>42,727</b>	<b>386,377</b>	<b>375,068</b>	<b>11,309</b>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	630,270	(25,319)	604,951	604,858	93
Purchased Services (300-500 series)	153,095	(529)	152,566	128,453	24,113
Supplies and Materials	55,500	10,187	65,687	57,187	8,500
Other Objects	18,180	1,858	20,038	19,678	360
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>857,045</b>	<b>(13,803)</b>	<b>843,242</b>	<b>810,176</b>	<b>33,066</b>
Summer School - Instruction:					
Salaries		30,000	30,000		30,000
<b>Total Summer School - Instruction</b>		<b>30,000</b>	<b>30,000</b>		<b>30,000</b>
<b>Total Instruction</b>	<b>31,382,849</b>	<b>735,841</b>	<b>32,118,690</b>	<b>31,864,734</b>	<b>253,956</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State - Regular	\$ 55,000		\$ 55,000	\$ 40,132	\$ 14,868
Tuition to Other LEAs Within the State - Special	2,636,487	\$ (158,138)	2,478,349	2,124,352	353,997
Tuition to County Vocational Schools - Regular	816,000	68,000	884,000	882,150	1,850
Tuition to County Vocational Schools - Special	38,500	(2,000)	36,500	31,200	5,300
Tuition to County Special Services Schools and Regional Day Schools		58,138	58,138	57,713	425
Tuition to Private Schools for the Disabled - Within the State	3,091,267	135,586	3,226,853	3,009,424	217,429
Tuition to Private Schools for the Disabled and Other LEA's - Outside the State	627,892	(266,000)	361,892	247,445	114,447
Tuition - State Facilities	25,000	5,750	30,750	30,750	
Tuition - Other	110,000	(105,750)	4,250		4,250
<b>Total Undistributed Expenditures - Instruction</b>	<b>7,400,146</b>	<b>(264,414)</b>	<b>7,135,732</b>	<b>6,423,166</b>	<b>712,566</b>
<b>Attendance and Social Work Services:</b>					
Salaries	67,354	(5,300)	62,054	51,500	10,554
<b>Total Attendance and Social Work Services</b>	<b>67,354</b>	<b>(5,300)</b>	<b>62,054</b>	<b>51,500</b>	<b>10,554</b>
<b>Health Services:</b>					
Salaries	632,866	(21,190)	611,676	611,663	13
Purchased Professional and Technical Services	15,000	(7,900)	7,100	7,055	45
Other Purchased Services (400-500 series)	600	(230)	370	370	
Supplies and Materials	7,500	34,900	42,400	6,354	36,046
Other Objects	400	(400)			
<b>Total Health Services</b>	<b>656,366</b>	<b>5,180</b>	<b>661,546</b>	<b>625,442</b>	<b>36,104</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 733,602	\$ (28,090)	\$ 705,512	\$ 705,511	\$ 1
Purchased Professional - Educational Services	554,270	192,750	747,020	687,193	59,827
Supplies and Materials	9,000		9,000	8,985	15
<b>Total Other Support Services - Speech, OT, PT and Related Services</b>	<b>1,296,872</b>	<b>164,660</b>	<b>1,461,532</b>	<b>1,401,689</b>	<b>59,843</b>
Other Support Services - Students - Extraordinary Services:					
Salaries	466,045	90,453	556,498	555,057	1,441
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>466,045</b>	<b>90,453</b>	<b>556,498</b>	<b>555,057</b>	<b>1,441</b>
Guidance:					
Salaries of Other Professional Staff	755,047	19,703	774,750	774,670	80
Salaries of Secretarial and Clerical Assistants	301,661	2,688	304,349	301,669	2,680
Other Salaries	12,300	(5,000)	7,300	277	7,023
Other Purchased Professional and Technical Services	5,480		5,480	5,315	165
Other Purchased Services (400-500 series)	500		500	80	420
Supplies and Materials	39,207	5,300	44,507	44,053	454
Other Objects	535		535	524	11
<b>Total Guidance</b>	<b>1,114,730</b>	<b>22,691</b>	<b>1,137,421</b>	<b>1,126,588</b>	<b>10,833</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Child Study Team:					
Salaries of Other Professional Staff	\$ 1,015,522	\$ (69,913)	\$ 945,609	\$ 874,225	\$ 71,384
Salaries of Secretarial and Clerical Assistants	257,796	658	258,454	258,454	
Purchased Professional - Educational Services	20,000	12,400	32,400	32,353	47
Other Purchased Professional and Technical Services		26,606	26,606	26,606	
Miscellaneous Purchased Services	500		500	500	
Supplies and Materials	5,000	800	5,800	5,779	21
Other Objects	1,000	(800)	200	125	75
<b>Total Child Study Team</b>	<b>1,299,818</b>	<b>(30,249)</b>	<b>1,269,569</b>	<b>1,198,042</b>	<b>71,527</b>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	436,211		436,211	425,216	10,995
Salaries of Other Professional Staff	61,221	51,520	112,741	86,115	26,626
Salaries of Secretarial and Clerical Assistants	88,219	(25,000)	63,219	59,065	4,154
Other Salaries	15,500	(3,819)	11,681	2,856	8,825
Purchased Professional - Educational Services	19,500		19,500	4,711	14,789
Supplies and Materials	20,000	(18,989)	1,011	711	300
Other Objects	2,000		2,000	390	1,610
<b>Total Improvement of Instructional Services</b>	<b>642,651</b>	<b>3,712</b>	<b>646,363</b>	<b>579,064</b>	<b>67,299</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Undistributed Expenditures:</b>					
<b>Educational Media Services/School Library:</b>					
Salaries	\$ 639,608	\$ 4,358	\$ 643,966	\$ 598,552	\$ 45,414
Other Purchased Services (400-500 series)	650	180	830	444	386
Supplies and Materials	77,435		77,435	76,886	549
Other Objects	380	(180)	200	199	1
<b>Total Educational Media Services/School Library</b>	<u>718,073</u>	<u>4,358</u>	<u>722,431</u>	<u>676,081</u>	<u>46,350</u>
<b>Instructional Staff Training Services:</b>					
Salaries of Supervisors of Instruction	618,896	(4,647)	614,249	607,694	6,555
Salaries of Other Professional Staff	1,000		1,000		1,000
Salaries of Secretarial and Clerical Assistants	50,419	4,647	55,066	53,966	1,100
Other Salaries	39,520	(39,520)			
Purchased Professional - Educational Services	157,671	(1,688)	155,983	138,494	17,489
Other Objects	10,000		10,000	1,763	8,237
<b>Total Instructional Staff Training Services</b>	<u>877,506</u>	<u>(41,208)</u>	<u>836,298</u>	<u>801,917</u>	<u>34,381</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 342,648		\$ 342,648	\$ 336,523	\$ 6,125
Legal Services	100,000	\$ (30,000)	70,000	67,035	2,965
Audit Fees	48,000		48,000	47,250	750
Other Purchased Professional Services	11,500		11,500	9,416	2,084
Purchased Technical Services	20,000	125,237	145,237	109,027	36,210
Communications/Telephone	178,000	(77,133)	100,867	92,925	7,942
BOE Other Purchased Services	4,000		4,000	1,985	2,015
Miscellaneous Purchased Services (400-500 series)	98,600	(8,227)	90,373	82,558	7,815
General Supplies	9,500		9,500	3,285	6,215
Miscellaneous Expenditures	34,600	(9,877)	24,723	22,001	2,722
BOE Membership Dues and Fees	34,100		34,100	30,188	3,912
<b>Total Support Services - General Administration</b>	<b>880,948</b>		<b>880,948</b>	<b>802,193</b>	<b>78,755</b>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,727,674	(3,375)	1,724,299	1,712,984	11,315
Salaries of Other Professional Staff	144,720	427	145,147	145,147	
Salaries of Secretarial and Clerical Assistants	791,247	2,948	794,195	786,684	7,511
Purchased Professional and Technical Services	6,500		6,500	4,001	2,499
Other Purchased Services (400-500 series)	106,000		106,000	98,944	7,056
Supplies and Materials	500	(280)	220	71	149
Other Objects	9,500	280	9,780	9,480	300
<b>Total Support Services - School Administration</b>	<b>2,786,141</b>		<b>2,786,141</b>	<b>2,757,311</b>	<b>28,830</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 821,823	\$ (20,482)	\$ 801,341	\$ 740,443	\$ 60,898
Purchased Professional Services	76,317		76,317	21,044	55,273
Purchased Technical Services	72,000	(5,265)	66,735	45,077	21,658
Miscellaneous Purchased Services (400-500 series)	4,200	(1,500)	2,700	2,185	515
Supplies and Materials	26,000	1,650	27,650	9,040	18,610
Miscellaneous Expenditures	14,000		14,000	11,572	2,428
Total Central Services	1,014,340	(25,597)	988,743	829,361	159,382
Administration Information Technology:					
Salaries	179,043	26,482	205,525	203,151	2,374
Purchased Professional Services	175,000		175,000	98,579	76,421
Purchased Technical Services	45,000		45,000	5,435	39,565
Other Purchased Services (400-500 series)	500	4,000	4,500		4,500
Supplies and Materials	3,993		3,993	3,809	184
Total Administration Information Technology	403,536	30,482	434,018	310,974	123,044
Required Maintenance for School Facilities:					
Salaries	665,042	(14,600)	650,442	595,533	54,909
Cleaning, Repair and Maintenance Services	452,954	476,843	929,797	289,180	640,617
General Supplies	165,000	47,922	212,922	194,397	18,525
Other Objects	2,000	8,804	10,804	10,804	
Total Required Maintenance for School Facilities	1,284,996	518,969	1,803,965	1,089,914	714,051

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 2,490,113	\$ (90,457)	\$ 2,399,656	\$ 2,287,174	\$ 112,482
Salaries of Non-Instructional Aides	426,584		426,584	227,252	199,332
Purchased Professional and Technical Services	346,515	95,609	442,124	392,155	49,969
Cleaning, Repair and Maintenance Services	110,250	10,323	120,573	84,681	35,892
Other Purchased Property Services	200,000		200,000	132,974	67,026
Insurance	185,000	797	185,797	185,797	
General Supplies	225,000	25,469	250,469	188,214	62,255
Energy (Natural Gas)	550,000	(56,500)	493,500	260,510	232,990
Energy (Electricity)	850,000		850,000	756,416	93,584
Energy (Gasoline)	20,000	7,700	27,700	27,678	22
Other Objects	300		300		300
Total Custodial Services	<u>5,403,762</u>	<u>(7,059)</u>	<u>5,396,703</u>	<u>4,542,851</u>	<u>853,852</u>
Care and Upkeep of Grounds:					
Salaries	274,290	20,119	294,409	275,625	18,784
Cleaning, Repair and Maintenance Services	20,000	(1,510)	18,490	9,261	9,229
General Supplies	20,000	32,010	52,010	35,569	16,441
Other Objects		200	200	75	125
Total Care and Upkeep of Grounds	<u>314,290</u>	<u>50,819</u>	<u>365,109</u>	<u>320,530</u>	<u>44,579</u>
Security:					
Salaries	<u>140,335</u>	<u>2,268</u>	<u>142,603</u>	<u>142,603</u>	
Total Security	<u>140,335</u>	<u>2,268</u>	<u>142,603</u>	<u>142,603</u>	

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 302,068		\$ 302,068	\$ 300,754	\$ 1,314
Other Than Between Home and School - Regular	95,000	\$ 67,000	162,000	115,743	46,257
Management Fee - ESC & CTSA Transportation Program	52,000		52,000	46,335	5,665
Other Purchased Professional and Technical Services		250	250	250	
Cleaning, Repair and Maintenance Services	3,500	(250)	3,250	1,198	2,052
Contracted Services:					
Between Home and School - Vendors	425,000	(3,596)	421,404	419,101	2,303
Other Than Between Home and School - Vendors	49,600	1,677	51,277	40,310	10,967
Special Education Students - Vendors	305,000	(8,500)	296,500	267,810	28,690
Regular Students - ESCs & CTSA	48,000	50,000	98,000	53,838	44,162
Special Education Students - ESCs & CTSA	1,350,000	(163,200)	1,186,800	1,124,558	62,242
Aid in Lieu Payments - Nonpublic Schools	132,600	16,796	149,396	146,994	2,402
Miscellaneous Purchased Services	3,800		3,800	2,438	1,362
General Supplies	2,000	2,000	4,000	1,136	2,864
Transportation Supplies	46,000	10,500	56,500	46,907	9,593
Other Objects	2,000	(2,000)			
Total Student Transportation Services	<u>2,816,568</u>	<u>(29,323)</u>	<u>2,787,245</u>	<u>2,567,372</u>	<u>219,873</u>
Allocated Benefits:					
Regular Programs - Instruction:					
Tuition Reimbursement	123,000		123,000	122,197	803
Total Allocated Benefits - Regular Programs - Instruction	<u>123,000</u>		<u>123,000</u>	<u>122,197</u>	<u>803</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Allocated Benefits:					
Special Programs - Instruction:					
Tuition Reimbursement	\$ 27,000	\$ 1,000	\$ 28,000	\$ 12,693	\$ 15,307
Total Allocated Benefits - Special Programs - Instruction	<u>27,000</u>	<u>1,000</u>	<u>28,000</u>	<u>12,693</u>	<u>15,307</u>
Operation and Maintenance of Plant Services:					
Other Retirement Contributions - PERS	1,099,500	(55,765)	1,043,735	955,223	88,512
Total Allocated Benefits - Operation and Maintenance of Plant Services	<u>1,099,500</u>	<u>(55,765)</u>	<u>1,043,735</u>	<u>955,223</u>	<u>88,512</u>
Total Allocated Benefits	<u>1,249,500</u>	<u>(54,765)</u>	<u>1,194,735</u>	<u>1,090,113</u>	<u>104,622</u>
Unallocated Benefits:					
Social Security Contributions	1,150,000	(135,700)	1,014,300	915,277	99,023
Other Retirement Contributions - Regular		17,000	17,000	16,691	309
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	240,000	153,000	393,000	327,161	65,839
Health Benefits	12,216,858	(569,829)	11,647,029	10,930,781	716,248
Other Employee Benefits	20,000	1,500	21,500	21,426	74
Total Unallocated Benefits	<u>13,676,858</u>	<u>(534,029)</u>	<u>13,142,829</u>	<u>12,261,336</u>	<u>881,493</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
On-Behalf TPAF Contributions:					
Post-Retirement Medical (Non-Budgeted)				\$ 2,082,609	\$ (2,082,609)
Pension (Non-Budgeted)				1,035,989	(1,035,989)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,442,317	(2,442,317)
Total On-Behalf and Reimbursed Contributions				<u>5,560,915</u>	<u>(5,560,915)</u>
Total Personal Services - Employee Benefits	<u>\$ 14,926,358</u>	<u>\$ (588,794)</u>	<u>\$ 14,337,564</u>	<u>18,912,364</u>	<u>(4,574,800)</u>
Total Undistributed Expenses	<u>44,510,835</u>	<u>(98,352)</u>	<u>44,412,483</u>	<u>45,714,019</u>	<u>(1,301,536)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>75,893,684</u>	<u>637,489</u>	<u>76,531,173</u>	<u>77,578,753</u>	<u>(1,047,580)</u>
CAPITAL OUTLAY					
Undistributed Expenditures:					
Instruction	138,761	30,601	169,362	123,708	45,654
Required Maintenance for School Facilities		76,021	76,021	67,021	9,000
Care and Upkeep of Grounds		3,000	3,000	2,821	179
Noninstructional Equipment		<u>26,293</u>	<u>26,293</u>	<u>5,809</u>	<u>20,484</u>
Total Equipment	<u>138,761</u>	<u>135,915</u>	<u>274,676</u>	<u>199,359</u>	<u>75,317</u>
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	75,000		75,000	24,800	50,200
Construction Services	350,000		350,000	176,373	173,627
Lease Purchase Agreements - Principal	677,000		677,000	676,234	766
Other Objects (Debt Service Assessment)	<u>78,173</u>		<u>78,173</u>	<u>78,173</u>	
Total Facilities Acquisition and Construction Services	<u>1,180,173</u>		<u>1,180,173</u>	<u>955,580</u>	<u>224,593</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Assets Acquired Under Capital Leases (Non-Budgeted):					
Undistributed Expenditures:					
Instruction				\$ 640,000	\$ (640,000)
Total Assets Acquired Under Capital Leases (Non-Budgeted)				640,000	(640,000)
TOTAL CAPITAL OUTLAY	\$ 1,318,934	\$ 135,915	\$ 1,454,849	1,794,939	(340,090)
Transfer of Funds to Charter Schools	31,163	979	32,142		32,142
TOTAL EXPENDITURES	77,243,781	774,383	78,018,164	79,373,692	(1,355,528)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,063,625)	(769,704)	(1,833,329)	3,498,325	5,331,654
Other Financing Sources:					
Capital Leases (Non-Budgeted)				640,000	640,000
Total Other Financing Sources				640,000	640,000

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Excess/(Deficiency) of Revenues and Other Financing Sources					
Over/(Under) Expenditures	\$ (1,063,625)	\$ (769,704)	\$ (1,833,329)	\$ 4,138,325	\$ 5,971,654
Fund Balance, July 1	8,285,319		8,285,319	8,285,319	
Fund Balance, June 30	\$ 7,221,694	\$ (769,704)	\$ 6,451,990	\$ 12,423,644	\$ 5,971,654
Recapitulation:					
Restricted:					
Excess Surplus				\$ 2,545,958	
Excess Surplus - Designated for Subsequent Year's Expenditures				3,562,171	
Capital Reserve				1,422,590	
Maintenance Reserve				1,777,377	
Assigned:					
Year-End Encumbrances				890,406	
Designated for Subsequent Year's Expenditures				305,595	
Unassigned				1,919,547	
				12,423,644	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				(198,622)	
Fund Balance per Governmental Funds (GAAP)				\$ 12,225,022	

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$ 444,500	\$ 87,606	\$ 532,106	\$ 530,548	\$ (1,558)
Federal Sources	1,075,500	720,730	1,796,230	1,656,679	(139,551)
Local Sources		217,534	217,534	135,195	(82,339)
<b>Total Revenues</b>	<u>1,520,000</u>	<u>1,025,870</u>	<u>2,545,870</u>	<u>2,322,422</u>	<u>(223,448)</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Personal Services - Salaries	1,125,000	(743,980)	381,020	363,133	17,887
Purchased Professional/Educational Services		52,471	52,471	13,428	39,043
Other Purchased Services		727,361	727,361	727,361	
General Supplies		169,887	169,887	130,079	39,808
Textbooks	55,000	(6,901)	48,099	47,730	369
Other Objects		38,960	38,960	38,960	
<b>Total Instruction</b>	<u>1,180,000</u>	<u>237,798</u>	<u>1,417,798</u>	<u>1,320,691</u>	<u>97,107</u>
<b>Support Services</b>					
Personal Services - Salaries		95,500	95,500		95,500
Personal Services - Employee Benefits		18,081	18,081	15,550	2,531
Purchased Professional/Educational Services	340,000	619,270	959,270	952,771	6,499
Other Purchased Services		34,328	34,328	15,427	18,901
Supplies and Materials		17,424	17,424	14,514	2,910
<b>Total Support Services</b>	<u>340,000</u>	<u>784,603</u>	<u>1,124,603</u>	<u>998,262</u>	<u>126,341</u>
<b>Facilities Acquisition:</b>					
Instructional Equipment		3,469	3,469	3,469	
<b>Total Facilities Acquisition</b>		<u>3,469</u>	<u>3,469</u>	<u>3,469</u>	
<b>Total Expenditures</b>	<u>1,520,000</u>	<u>1,025,870</u>	<u>2,545,870</u>	<u>2,322,422</u>	<u>223,448</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 82,872,017	\$ 2,322,422
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(22,682)
Prior Year Encumbrances		1,548
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	36,569	4,950
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(198,622)	(4,950)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 82,709,964	\$ 2,301,288
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 79,373,692	\$ 2,322,422
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, not in the Year the Supplies are Received for Financial Reporting Purposes		
Current Year Encumbrances		(22,682)
Prior Year Encumbrances		1,548
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 79,373,692	\$ 2,301,288

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday in April 2011. 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 items accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General and Special Revenue Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	No Child Left Behind				I.D.E.A. - Part B, Basic Regular	
	Title I		Title II A		Title III D	
	2011-12	2010-11 Summer	2011-12	2010-11 Summer	2010-11	2011-12
<b>REVENUE:</b>						
State Sources						
Federal Sources	\$ 89,947	\$ 38,009	\$ 76,411	\$ 9,538	\$ 22	\$ 1,163,278
Local Sources						
<b>Total Revenue</b>	<b>\$ 89,947</b>	<b>\$ 38,009</b>	<b>\$ 76,411</b>	<b>\$ 9,538</b>	<b>\$ 22</b>	<b>\$ 1,163,278</b>
<b>EXPENDITURES:</b>						
Instruction:						
Personal Services - Salaries	\$ 60,388		\$ 53,981			\$ 4,705
Purchased Professional/Educational Services						
Other Purchased Services						702,230
General Supplies	18,919	\$ 38,009	5,830	\$ 2,626	\$ 22	23,879
Textbooks						
Other Objects						
<b>Total Instruction</b>	<b>79,307</b>	<b>38,009</b>	<b>59,811</b>	<b>2,626</b>	<b>22</b>	<b>730,814</b>
Support Services:						
Personal Services - Employee Benefits	7,810		7,740			
Purchased Professional/Educational Services	2,250		7,437	6,785		420,906
Other Purchased Services	580		1,423	127		4,726
Supplies and Materials						6,832
<b>Total Support Services</b>	<b>10,640</b>		<b>16,600</b>	<b>6,912</b>		<b>432,464</b>
Facilities Acquisition:						
Instructional Equipment						
<b>Total Facilities Acquisition</b>						
<b>Total Expenditures</b>	<b>\$ 89,947</b>	<b>\$ 38,009</b>	<b>\$ 76,411</b>	<b>\$ 9,538</b>	<b>\$ 22</b>	<b>\$ 1,163,278</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	I.D.E.A. - Part B, Basic Regular		I.D.E.A. - Part B, Basic Preschool		NJ Nonpublic	
	2010-11 Summer	2009-11 ARRA	2011-12	2009-11 ARRA	Textbooks	Nursing
<b>REVENUE:</b>						
State Sources					\$ 47,730	\$ 67,836
Federal Sources	\$ 197,042	\$ 27,252	\$ 53,077	\$ 2,103		
Local Sources						
<b>Total Revenue</b>	<b>\$ 197,042</b>	<b>\$ 27,252</b>	<b>\$ 53,077</b>	<b>\$ 2,103</b>	<b>\$ 47,730</b>	<b>\$ 67,836</b>
<b>EXPENDITURES:</b>						
Instruction:						
Personal Services - Salaries	\$ 137,742			\$ 2,103		
Purchased Professional/Educational Services						
Other Purchased Services	25,131					
General Supplies		\$ 21,272				
Textbooks					\$ 47,730	
Other Objects						
<b>Total Instruction</b>	<b>162,873</b>	<b>21,272</b>		<b>2,103</b>	<b>47,730</b>	
Support Services:						
Personal Services - Employee Benefits						
Purchased Professional/Educational Services	28,048	950	\$ 53,077			\$ 67,836
Other Purchased Services						
Supplies and Materials	6,121	1,561				
<b>Total Support Services</b>	<b>34,169</b>	<b>2,511</b>	<b>53,077</b>			<b>67,836</b>
Facilities Acquisition:						
Instructional Equipment		3,469				
<b>Total Facilities Acquisition</b>		<b>3,469</b>				
<b>Total Expenditures</b>	<b>\$ 197,042</b>	<b>\$ 27,252</b>	<b>\$ 53,077</b>	<b>\$ 2,103</b>	<b>\$ 47,730</b>	<b>\$ 67,836</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Preschool Education Aid 2011-12	Nonpublic Auxiliary Services (Chapter 192)			
		Compensatory Education	English as a Second Language	Transportation	Home Instruction
REVENUE:					
State Sources	\$ 49,500	\$ 67,626	\$ 8,189	\$ 22,147	\$ 12,533
Federal Sources					
Local Sources					
Total Revenue	<u>\$ 49,500</u>	<u>\$ 67,626</u>	<u>\$ 8,189</u>	<u>\$ 22,147</u>	<u>\$ 12,533</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	\$ 49,500				
Purchased Professional/Educational Services					
Other Purchased Services					
General Supplies					
Textbooks					
Other Objects					
Total Instruction	<u>49,500</u>				
Support Services:					
Personal Services - Employee Benefits					
Purchased Professional/Educational Services		\$ 67,626	\$ 8,189	\$ 22,147	\$ 12,533
Other Purchased Services					
Supplies and Materials					
Total Support Services		<u>67,626</u>	<u>8,189</u>	<u>22,147</u>	<u>12,533</u>
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	<u>\$ 49,500</u>	<u>\$ 67,626</u>	<u>\$ 8,189</u>	<u>\$ 22,147</u>	<u>\$ 12,533</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Nonpublic Handicapped Services (Chapter 193)</u>			<u>Other Local Programs</u>	<u>Totals June 30, 2012</u>
	<u>Supplementary Instruction</u>	<u>Examination &amp; Classification</u>	<u>Corrective Speech</u>		
<b>REVENUE:</b>					
State Sources	\$ 102,352	\$ 127,992	\$ 24,643		\$ 530,548
Federal Sources					1,656,679
Local Sources				\$ 135,195	135,195
<b>Total Revenue</b>	<u>\$ 102,352</u>	<u>\$ 127,992</u>	<u>\$ 24,643</u>	<u>\$ 135,195</u>	<u>\$ 2,322,422</u>
<b>EXPENDITURES:</b>					
Instruction:					
Personal Services - Salaries				\$ 54,714	\$ 363,133
Purchased Professional/Educational Services				13,428	13,428
Other Purchased Services					727,361
General Supplies				19,522	130,079
Textbooks					47,730
Other Objects				38,960	38,960
<b>Total Instruction</b>				<u>126,624</u>	<u>1,320,691</u>
Support Services:					
Personal Services - Employee Benefits					15,550
Purchased Professional/Educational Services	\$ 102,352	\$ 127,992	\$ 24,643		952,771
Other Purchased Services				8,571	15,427
Supplies and Materials					14,514
<b>Total Support Services</b>	<u>102,352</u>	<u>127,992</u>	<u>24,643</u>	<u>8,571</u>	<u>998,262</u>
Facilities Acquisition:					
Instructional Equipment					3,469
<b>Total Facilities Acquisition</b>					<u>3,469</u>
<b>Total Expenditures</b>	<u>\$ 102,352</u>	<u>\$ 127,992</u>	<u>\$ 24,643</u>	<u>\$ 135,195</u>	<u>\$ 2,322,422</u>

Exhibit E-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 49,500	\$ 49,500	
Total Instruction	<u>49,500</u>	<u>49,500</u>	
 Total Expenditures	 <u>\$ 49,500</u>	 <u>\$ 49,500</u>	 <u>\$ -0-</u>

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2011-2012 Preschool Education Aid Allocation	\$ 49,500
Add: Actual Preschool Education Carryover (June 30, 2011)	<u>-0-</u>
Total Preschool Education Aid Funds Available for 2011-2012 Budget	49,500
Less: 2011-2012 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>(49,500)</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2012	-0-
 Add: June 30, 2012 Unexpended Preschool Education Aid	 <u>-0-</u>
 2011-2012 Carryover - Preschool Education Aid	 <u>\$ -0-</u>
 2011-2012 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2012-2013	 <u>\$ -0-</u>

**CAPITAL PROJECTS FUND**

Exhibit F-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2012

Revenue and Other Financing Sources:	
Total Revenue and Other Financing Sources	<u>\$ -0-</u>
Expenditures:	
Construction Services	<u>39,563</u>
Total Expenditures	<u>39,563</u>
Deficit of Revenue and Other Financing Sources	
Under Expenditures	(39,563)
Fund Balance - Beginning	<u>39,563</u>
Fund Balance - Ending	<u><u>\$ -0-</u></u>

Exhibit F-1a

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
GYMNASIUM IMPROVEMENTS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
Transfer from Capital Outlay	\$ 265,032		\$ 265,032	\$ 265,032
Total Revenue and Other Financing Sources	265,032	\$ -0-	265,032	265,032
Expenditures:				
Purchased Professional and Technical Services	15,160		15,160	15,160
Construction Services	210,309	39,563	249,872	249,872
Total Expenditures	225,469	39,563	265,032	265,032
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 39,563	\$ (39,563)	\$ -0-	\$ -0-

## Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 265,032
Change Orders	\$ -0-
Revised Authorized Cost	\$ 265,032
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	11/30/07
Revised Target Completion Date	6/30/12

**PROPRIETARY FUNDS**

Exhibit G-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Summer Community Education Program</u>	<u>Totals</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 610,210	\$ 112,529	\$ 722,739
Accounts Receivable:			
Other Governments:			
Federal	12,663		12,663
State	983		983
Inventories	9,526		9,526
Total Current Assets	<u>633,382</u>	<u>112,529</u>	<u>745,911</u>
Non-Current Assets:			
Capital Assets	343,092		343,092
Less: Accumulated Depreciation	<u>(188,008)</u>		<u>(188,008)</u>
Total Non-Current Assets	<u>155,084</u>	<u>-0-</u>	<u>155,084</u>
Total Assets	<u>788,466</u>	<u>112,529</u>	<u>900,995</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	80,468		80,468
Interfund Payable - General Fund	140,710		140,710
Deferred Revenue	<u>9,474</u>		<u>9,474</u>
Total Current Liabilities	<u>230,652</u>	<u>-0-</u>	<u>230,652</u>
Total Liabilities	<u>230,652</u>	<u>-0-</u>	<u>230,652</u>
<u>NET ASSETS:</u>			
Investment in Capital Assets, Net of Related Debt	155,084		155,084
Unrestricted	<u>402,730</u>	<u>112,529</u>	<u>515,259</u>
Total Net Assets	<u>\$ 557,814</u>	<u>\$ 112,529</u>	<u>\$ 670,343</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Summer Community Education Program</u>	<u>Total</u>
Operating Revenue:			
Charges for Services:			
Daily Sales - Reimbursable Programs:			
School Lunch Program	\$ 723,774		\$ 723,774
Special Milk Program	9,696		9,696
Total Daily Sales - Reimbursable Programs	733,470		733,470
Daily Sales - Non-Reimbursable Programs	462,905		462,905
Special Events	4,621		4,621
Program Fees		\$ 70,216	70,216
Total Operating Revenue	1,200,996	70,216	1,271,212
Operating Expenses:			
Cost of Sales	583,814		583,814
Salaries	614,007	50,562	664,569
Payroll Taxes	62,084		62,084
Employee Benefits	33,697		33,697
Purchased Property Services	8,949		8,949
Management Fee	66,446		66,446
Insurance	62,864		62,864
Supplies and Materials	67,513	1,626	69,139
Depreciation Expense	39,989		39,989
Total Operating Expenses	1,539,363	52,188	1,591,551
Operating Income/(Loss)	(338,367)	18,028	(320,339)
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	182,016		182,016
Special Milk Program	5,983		5,983
Food Distribution Program	84,488		84,488
State Sources:			
School Lunch Program	14,702		14,702
Local Sources - Interest Revenue	656	73	729
Total Non-Operating Revenue	287,845	73	287,918
Change in Net Assets	(50,522)	18,101	(32,421)
Net Assets - Beginning of Year	608,336	94,428	702,764
Net Assets - End of Year	\$ 557,814	\$ 112,529	\$ 670,343

Exhibit G-3

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Summer Community Education Program</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 1,229,011	\$ 70,216	\$ 1,299,227
Payments to Employees	(70,051)	(50,562)	(120,613)
Payments to Food Service Vendor	(1,088,444)		(1,088,444)
Payments to Suppliers	(34,590)	(1,626)	(36,216)
Net Cash Provided by Operating Activities	<u>35,926</u>	<u>18,028</u>	<u>53,954</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(75,254)		(75,254)
Net Cash Used for Capital Financing Activities	<u>(75,254)</u>	<u>-0-</u>	<u>(75,254)</u>
Cash Flows from Noncapital Financing Activities:			
Federal Sources	187,581		187,581
State Sources	15,636		15,636
Net Cash Provided by Noncapital Financing Activities	<u>203,217</u>	<u>-0-</u>	<u>203,217</u>
Cash Flows from Investing Activities:			
Interest Revenue	656	73	729
Net Cash Provided by Investing Activities	<u>656</u>	<u>73</u>	<u>729</u>
Net Increase in Cash and Cash Equivalents	164,545	18,101	182,646
Cash and Cash Equivalents, July 1	445,665	94,428	540,093
Cash and Cash Equivalents, June 30	<u>\$ 610,210</u>	<u>\$ 112,529</u>	<u>\$ 722,739</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ (338,367)	\$ 18,028	\$ (320,339)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by Operating Activities:			
Depreciation	39,989		39,989
Federal Food Distribution Program	84,488		84,488
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	23,381		23,381
Decrease in Inventory	3,215		3,215
Increase in Accounts Payable	77,876		77,876
Increase in Interfund Payable	140,710		140,710
Increase in Deferred Revenue	4,634		4,634
Net Cash Provided by Operating Activities	<u>\$ 35,926</u>	<u>\$ 18,028</u>	<u>\$ 53,954</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$84,488 for the fiscal year ended June 30, 2012.

**FIDUCIARY FUNDS**

Exhibit H-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Account Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>			<u>Total</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 194,171	\$ 339,480	\$ 533,651	\$ 369,785	\$ 9,123
Total Assets	194,171	339,480	533,651	369,785	9,123
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings		339,480	339,480		
Due to Student Groups	194,171		194,171		
Total Liabilities	194,171	339,480	533,651	-0-	-0-
<u>NET ASSETS:</u>					
Held in Trust for:					
Unemployment Claims				369,785	
Flexible Spending Claims					9,123
Total Net Assets	\$ -0-	\$ -0-	\$ -0-	\$ 369,785	\$ 9,123

Exhibit H-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Account Trust</u>
ADDITIONS:		
Contributions:		
Plan Members	\$ 66,762	\$ 17,875
Employer	<u>50,000</u>	
Total Contributions	<u>116,762</u>	<u>17,875</u>
Investment Earnings:		
Interest	<u>475</u>	<u>2</u>
Net Investment Earnings	<u>475</u>	<u>2</u>
Total Additions	<u>117,237</u>	<u>17,877</u>
DEDUCTIONS:		
Quarterly Contribution Reports and Unemployment Benefit Claims	193,512	
Flexible Spending Claims		<u>8,754</u>
Total Deductions	<u>193,512</u>	<u>8,754</u>
Change in Net Assets	(76,275)	9,123
Net Assets - Beginning of the Year	<u>446,060</u>	
Net Assets - End of the Year	<u>\$ 369,785</u>	<u>\$ 9,123</u>

Exhibit H-3

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 193,780	\$ 700,023	\$ 699,632	\$ 194,171
Total Assets	<u>\$ 193,780</u>	<u>\$ 700,023</u>	<u>\$ 699,632</u>	<u>\$ 194,171</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 193,780	\$ 700,023	\$ 699,632	\$ 194,171
Total Liabilities	<u>\$ 193,780</u>	<u>\$ 700,023</u>	<u>\$ 699,632</u>	<u>\$ 194,171</u>

Exhibit H-4

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Senior High School:				
Scotch Plains-Fanwood	\$ 170,418	\$ 447,256	\$ 448,162	\$ 169,512
Student Athletic Account	10,144	106,153	110,406	5,891
Middle Schools:				
Park	4,322	53,974	49,134	9,162
Terrill	8,896	92,265	91,555	9,606
Elementary Schools		375	375	
Total All Schools	<u>\$ 193,780</u>	<u>\$ 700,023</u>	<u>\$ 699,632</u>	<u>\$ 194,171</u>

Exhibit H-5

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 335,676	\$ 48,176,258	\$ 48,172,454	\$ 339,480
Total Assets	<u>\$ 335,676</u>	<u>\$ 48,176,258</u>	<u>\$ 48,172,454</u>	<u>\$ 339,480</u>
<u>LIABILITIES:</u>				
Interfund Payable:				
General Fund		\$ 661	\$ 661	
Payroll Deductions and Withholdings	\$ 335,676	48,175,597	48,171,793	\$ 339,480
Total Liabilities	<u>\$ 335,676</u>	<u>\$ 48,176,258</u>	<u>\$ 48,172,454</u>	<u>\$ 339,480</u>

**LONG-TERM DEBT**

Exhibit I-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2011	Retired/ Matured	Balance June 30, 2012
			Date	Amount				
School Bonds	05/01/01	\$ 9,000,000				\$ 450,000	\$ 450,000	
School Bonds	01/01/02	15,117,000	07/15/12	\$ 755,850	4.500%	1,511,700	755,850	\$ 755,850
School Refunding Bonds	02/11/10	12,180,000	07/15/12	495,000	3.000%			
			07/15/13	1,250,000	4.000%			
			07/15/14	1,240,000	4.000%			
			07/15/15	1,225,000	3.000%			
			07/15/16	1,210,000	3.500%			
			07/15/17	1,195,000	4.000%			
			07/15/18	1,185,000	4.000%			
			07/15/19	1,175,000	4.000%			
			07/15/20	1,170,000	5.000%			
			07/15/21	1,165,000	5.000%			
			07/15/22	740,000	5.000%			
						<u>12,100,000</u>	<u>50,000</u>	<u>12,050,000</u>
						<u>\$ 14,061,700</u>	<u>\$ 1,255,850</u>	<u>\$ 12,805,850</u>

Exhibit I-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Item	Interest Rate	Original Issue	Balance July 1, 2011	Issued	Retired/ Matured	Balance June 30, 2012
Computer Equipment	3.220%	540,000	\$ 137,328		\$ 137,328	
Computer Equipment	3.370%	540,000	270,648		133,084	\$ 137,564
Computer Equipment	2.790%	540,000	490,000		158,860	331,140
Computer Equipment	1.970%	640,000		\$ 640,000	219,244	420,756
			<u>\$ 897,976</u>	<u>\$ 640,000</u>	<u>\$ 648,516</u>	<u>\$ 889,460</u>

Exhibit I-3

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 1,806,964		\$ 1,806,964	\$ 1,806,964	
<b>Total Revenues</b>	<b>1,806,964</b>		<b>1,806,964</b>	<b>1,806,964</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	551,114		551,114	551,114	
Redemption of Principal	1,255,850		1,255,850	1,255,850	
<b>Total Regular Debt Service</b>	<b>1,806,964</b>		<b>1,806,964</b>	<b>1,806,964</b>	
<b>Total Expenditures</b>	<b>1,806,964</b>		<b>1,806,964</b>	<b>1,806,964</b>	
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	-0-		-0-	-0-	
<b>Other Financing Sources:</b>					
Unexpended Balance of School Refunding Bonds Issuance Costs				20,892	\$ 20,892
<b>Total Other Financing Sources</b>				<b>20,892</b>	<b>20,892</b>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	-0-		-0-	20,892	20,892
Fund Balance, July 1	148,292		148,292	148,292	
Fund Balance, June 30	\$ 148,292	\$ -0-	\$ 148,292	\$ 169,184	\$ 20,892
<b>Recapitulation of Fund Balance at June 30, 2012:</b>					
Restricted				<u>\$ 169,184</u>	

**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 13,230,936	\$ 14,871,772	\$ 16,729,024	\$ 12,936,920	\$ 13,568,963	\$ 15,176,305	\$ 15,517,308	\$ 15,587,946
Restricted	5,191,566	5,040,203	2,008,755	365,656	(20,310)	1,729,678	5,853,356	9,477,280
Unrestricted	907,205	970,716	433,382	443,268	149,198	(284,303)	879,152	960,167
<b>Total governmental activities net assets</b>	<b>\$ 19,329,707</b>	<b>\$ 20,882,691</b>	<b>\$ 19,171,161</b>	<b>\$ 13,745,844</b>	<b>\$ 13,697,851</b>	<b>\$ 16,621,680</b>	<b>\$ 22,249,816</b>	<b>\$ 26,025,393</b>
<b>Business-type Activities:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 33,148	\$ 28,438	\$ 23,728	\$ 49,430	\$ 78,583	\$ 81,810	\$ 119,819	\$ 155,084
Unrestricted	1,184	28,314	265,090	381,584	413,196	544,629	582,945	515,259
<b>Total business-type activities net assets</b>	<b>\$ 34,332</b>	<b>\$ 56,752</b>	<b>\$ 288,818</b>	<b>\$ 431,014</b>	<b>\$ 491,779</b>	<b>\$ 626,439</b>	<b>\$ 702,764</b>	<b>\$ 670,343</b>
<b>District-wide:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 13,264,084	\$ 14,900,210	\$ 16,752,752	\$ 12,986,350	\$ 13,647,546	\$ 15,258,115	\$ 15,637,127	\$ 15,743,030
Restricted	5,191,566	5,040,203	2,008,755	365,656	(20,310)	1,729,678	5,853,356	9,477,280
Unrestricted	908,389	999,030	698,472	824,852	562,394	260,326	1,462,097	1,475,426
<b>Total District Net Assets</b>	<b>\$ 19,364,039</b>	<b>\$ 20,939,443</b>	<b>\$ 19,459,979</b>	<b>\$ 14,176,858</b>	<b>\$ 14,189,630</b>	<b>\$ 17,248,119</b>	<b>\$ 22,952,580</b>	<b>\$ 26,695,736</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>								
<b>Governmental Activities:</b>								
<b>Instruction:</b>								
Regular	\$ 27,664,184	\$ 28,001,841	\$ 32,086,076	\$ 32,546,072	\$ 33,546,405	\$ 34,892,752	\$ 34,974,613	\$ 35,282,492
Special Education	6,017,612	5,645,819	6,794,746	8,126,570	8,038,031	8,262,388	8,054,577	8,584,624
Other Special Instruction		1,031,594	1,176,988	1,148,311	1,093,917	1,197,979	1,108,568	999,260
Other Instruction	2,531,839	1,580,873	1,806,398	1,723,244	1,742,805	1,758,112	1,482,290	1,546,737
<b>Support Services:</b>								
Tuition	3,666,547	4,553,437	4,531,507	5,190,826	6,205,373	6,932,769	6,965,007	6,423,166
Student & Instruction Related Services	9,705,248	10,687,973	12,257,349	12,070,136	11,958,099	10,937,889	9,937,521	10,533,909
General Administrative Services	2,817,645	2,687,553	2,740,923	1,054,929	979,670	1,028,764	933,389	1,016,294
School Administrative Services	3,189,653	3,386,806	3,516,173	3,782,650	3,653,271	3,844,802	3,795,205	3,900,767
Central Services				1,329,852	1,354,749	1,368,378	1,297,661	1,096,883
Administrative Information Technology				542,494	521,197	503,050	468,516	395,203
Plant Operations and Maintenance	7,218,315	7,765,008	8,151,273	9,060,286	8,376,992	8,430,303	8,634,741	8,806,384
Pupil Transportation	2,469,500	2,692,147	2,998,088	3,022,634	3,054,463	2,796,350	2,618,482	2,773,873
Special Schools		41,955						
Charter Schools		870,638		17,284	9,653	46,894	28,347	
Capital Outlay			1,243,230					
Interest on Long-term Debt	1,030,183	972,115	905,325	856,669	883,477	676,764	634,086	568,395
Unallocated Depreciation	1,559,331	1,641,019	1,715,442	1,696,066	972,500	971,967	1,144,601	1,135,544
<b>Total Governmental Activities Expenses</b>	<b>67,870,057</b>	<b>71,558,778</b>	<b>79,923,518</b>	<b>82,168,023</b>	<b>82,390,602</b>	<b>83,649,161</b>	<b>82,077,604</b>	<b>83,063,531</b>
<b>Business-type Activities:</b>								
Food Service	1,136,399	1,190,194	1,087,176	1,237,042	1,269,772	1,235,126	1,306,592	1,539,363
Summer Community Education Program			51,393	75,818	83,622	85,797	61,365	52,188
<b>Total Business-type Activities Expenses</b>	<b>1,136,399</b>	<b>1,190,194</b>	<b>1,138,569</b>	<b>1,312,860</b>	<b>1,353,394</b>	<b>1,320,923</b>	<b>1,367,957</b>	<b>1,591,551</b>
<b>Total District-wide Expenses</b>	<b>69,006,456</b>	<b>72,748,972</b>	<b>81,062,087</b>	<b>83,480,883</b>	<b>83,743,996</b>	<b>84,970,084</b>	<b>83,445,561</b>	<b>84,655,082</b>
<b>Program Revenues:</b>								
<b>Governmental Activities:</b>								
<b>Charges for Services:</b>								
Instruction (Tuition)	7,052	103,859	46,197					
Instruction (Preschool Tuition)						229,550	225,670	299,174
Other Instruction (Student Activity Fees)						135,600	111,820	
Operating Grants and Contributions	1,067,329	1,009,036	13,162,797	13,327,272	11,199,836	11,835,634	9,377,705	10,960,053
Capital Grants and Contributions				634,534	12,264	224,561	312,842	
<b>Total Governmental Activities Program Revenues</b>	<b>1,074,381</b>	<b>1,112,895</b>	<b>13,208,994</b>	<b>13,961,806</b>	<b>11,212,100</b>	<b>12,425,345</b>	<b>10,028,037</b>	<b>11,259,227</b>
<b>Business-type Activities:</b>								
<b>Charges for Services:</b>								
Food Service	1,026,500	1,092,720	1,057,955	1,129,645	1,121,874	1,118,173	1,116,135	1,200,996
Summer Community Education Program			122,056	70,142	65,704	72,726	61,958	70,216
Operating Grants and Contributions	102,668	113,781	173,465	217,652	224,017	263,493	265,235	287,189
<b>Total Business-type Activities Revenues</b>	<b>1,129,168</b>	<b>1,206,501</b>	<b>1,333,476</b>	<b>1,417,439</b>	<b>1,411,595</b>	<b>1,454,392</b>	<b>1,443,328</b>	<b>1,558,401</b>
<b>Total District-wide Program Revenues</b>	<b>2,203,549</b>	<b>2,319,396</b>	<b>14,562,470</b>	<b>15,379,245</b>	<b>12,623,695</b>	<b>13,879,737</b>	<b>11,471,365</b>	<b>12,817,628</b>

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue:</b>								
Governmental Activities	\$ (66,795,676)	\$ (70,445,883)	\$ (66,714,524)	\$ (68,206,217)	\$ (71,178,502)	\$ (71,223,816)	\$ (72,049,567)	\$ (71,804,304)
Business-type Activities	(7,231)	16,307	214,907	104,579	58,201	133,469	75,371	(33,150)
<b>Total District-wide Net (Expense)/Revenue</b>	<b>(66,802,907)</b>	<b>(70,429,576)</b>	<b>(66,499,617)</b>	<b>(68,101,638)</b>	<b>(71,120,301)</b>	<b>(71,090,347)</b>	<b>(71,974,196)</b>	<b>(71,837,454)</b>
<b>General Revenues and Other Changes in Net Assets:</b>								
<b>Governmental Activities:</b>								
Property Taxes Levied for General Purposes, Net	55,338,242	58,662,794	62,140,004	65,455,759	67,753,660	71,122,752	74,107,662	73,596,374
Taxes Levied for Debt Service	2,607,469	2,560,652	2,487,477	2,410,146	2,343,994	2,343,994	2,343,855	1,806,964
Unrestricted Grants and Contributions	10,015,713	10,201,213	458,060	568,314	422,447	422,540	69,752	25,731
Investment Earnings	177,652	380,197	498,482	293,172	90,716	33,365	24,112	2,036
Miscellaneous Income	232,229	348,251	53,505	284,729	519,692	224,994	1,132,322	148,776
<b>Total Governmental Activities General Revenues and Other Changes in Net Assets</b>	<b>68,371,305</b>	<b>72,153,107</b>	<b>65,637,528</b>	<b>69,012,120</b>	<b>71,130,509</b>	<b>74,147,645</b>	<b>77,677,703</b>	<b>75,579,881</b>
<b>Business-type Activities:</b>								
Investment Earnings	2,201	6,113	17,159	7,205	2,564	1,191	954	729
<b>Total Business-type Activities General Revenues and Other Changes in Net Assets</b>	<b>2,201</b>	<b>6,113</b>	<b>17,159</b>	<b>7,205</b>	<b>2,564</b>	<b>1,191</b>	<b>954</b>	<b>729</b>
<b>Total District-wide General Revenues and Other Changes in Net Assets</b>	<b>68,373,506</b>	<b>72,159,220</b>	<b>65,654,687</b>	<b>69,019,325</b>	<b>71,133,073</b>	<b>74,148,836</b>	<b>77,678,657</b>	<b>75,580,610</b>
<b>Change in Net Assets:</b>								
Governmental Activities	1,575,629	1,707,224	(1,076,996)	805,903	(47,993)	2,923,829	5,628,136	3,775,577
Business-type Activities	(5,030)	22,420	232,066	111,784	60,765	134,660	76,325	(32,421)
<b>Total District-wide Change in Net Assets</b>	<b>\$ 1,570,599</b>	<b>\$ 1,729,644</b>	<b>\$ (844,930)</b>	<b>\$ 917,687</b>	<b>\$ 12,772</b>	<b>\$ 3,058,489</b>	<b>\$ 5,704,461</b>	<b>\$ 3,743,156</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund:</b>								
Reserved	\$ 2,292,304	\$ 2,361,979	\$ 920,110	\$ 889,856	\$ 444,874	\$ 2,021,523		
Unreserved	1,275,409	1,317,193	1,454,458	1,457,559	1,724,333	1,985,653		
Restricted							\$ 5,705,064	\$ 9,308,096
Assigned							718,663	1,196,001
Unassigned							1,825,023	1,720,925
<b>Total General Fund</b>	<b><u>\$ 3,567,713</u></b>	<b><u>\$ 3,679,172</u></b>	<b><u>\$ 2,374,568</u></b>	<b><u>\$ 2,347,415</u></b>	<b><u>\$ 2,169,207</u></b>	<b><u>\$ 4,007,176</u></b>	<b><u>\$ 8,248,750</u></b>	<b><u>\$ 12,225,022</u></b>
<b>All Other Governmental Funds:</b>								
Reserved				\$ 349,902	\$ 508,540			
Unreserved, Reported in:								
Special Revenue Fund/(Deficit)						\$ (4,946)		
Capital Projects Fund/(Deficit)	\$ 2,899,261	\$ 2,667,263	\$ 1,077,685	(874,102)	(973,863)	(397,147)		
Debt Service Fund	1	10,961	10,960		139	110,248		
Restricted							\$ 148,292	\$ 169,184
Committed							39,563	
Unassigned/(Deficit)							(4,950)	(4,950)
<b>Total All Other Governmental Funds/ (Deficit)</b>	<b><u>\$ 2,899,262</u></b>	<b><u>\$ 2,678,224</u></b>	<b><u>\$ 1,088,645</u></b>	<b><u>\$ (524,200)</u></b>	<b><u>\$ (465,184)</u></b>	<b><u>\$ (291,845)</u></b>	<b><u>\$ 182,905</u></b>	<b><u>\$ 164,234</u></b>
<b>Total Governmental Funds</b>	<b><u>\$ 6,466,975</u></b>	<b><u>\$ 6,357,396</u></b>	<b><u>\$ 3,463,213</u></b>	<b><u>\$ 1,823,215</u></b>	<b><u>\$ 1,704,023</u></b>	<b><u>\$ 3,715,331</u></b>	<b><u>\$ 8,431,655</u></b>	<b><u>\$ 12,389,256</u></b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>								
Tax Levy	\$ 57,945,711	\$ 61,223,446	\$ 64,627,481	\$ 67,865,905	\$ 70,097,654	\$ 73,466,746	\$ 76,451,517	\$ 75,403,338
Tuition Charges	7,052	103,859	46,197			229,550	225,670	299,174
Interest Earnings	177,652	380,197	498,482	293,172	90,716			
Miscellaneous	232,229	348,251	53,505	277,976	519,692	393,959	299,769	129,920
Local Sources	27,026	41,656	66,439	76,711	126,819	127,151	101,925	135,195
State Sources	9,714,040	9,968,147	12,064,532	12,973,897	10,135,611	10,358,250	7,074,596	9,035,294
Federal Sources	1,341,976	1,200,446	1,489,886	1,479,512	1,372,117	1,997,334	2,270,936	1,815,295
<b>Total Revenues</b>	<b>69,445,686</b>	<b>73,266,002</b>	<b>78,846,522</b>	<b>82,967,173</b>	<b>82,342,609</b>	<b>86,572,990</b>	<b>86,424,413</b>	<b>86,818,216</b>
<b>Expenditures:</b>								
<b>Instruction:</b>								
Regular Instruction	20,603,478	20,484,986	23,544,346	23,006,070	23,611,676	24,566,429	24,389,000	24,885,065
Special Education Instruction	4,388,422	4,028,662	4,959,100	6,069,105	6,072,699	6,385,070	6,143,604	6,401,389
Other Special Instruction	698,495	734,345	844,824	800,617	780,118	853,019	771,855	709,762
Other Instruction	1,255,415	1,198,916	1,369,340	1,284,472	1,310,668	1,326,815	1,111,359	1,185,244
<b>Support Services:</b>								
Tuition	3,666,547	4,553,437	4,531,507	5,190,826	6,205,373	6,932,769	6,965,007	6,423,166
Student & Instruction Related Services	7,501,626	8,030,444	9,249,780	8,955,785	9,029,123	8,256,256	7,421,142	7,996,473
General Administrative Services	1,998,304	2,111,949	956,225	864,174	775,710	811,213	768,157	802,193
School Administrative Services	2,313,554	2,447,314	2,449,750	2,645,341	2,620,307	2,718,318	2,703,928	2,757,311
Plant Operations and Maintenance	5,780,352	6,241,630	6,429,216	6,609,710	6,728,714	6,705,686	6,886,933	6,095,898
Pupil Transportation	2,325,172	2,537,608	2,815,856	2,836,576	2,874,739	2,607,932	2,383,885	2,567,372
Central Services			1,014,843	972,279	1,026,734	1,027,952	996,535	829,361
Administrative Information Technology			389,464	394,652	380,180	373,367	405,678	310,974
Unallocated Benefits	14,095,831	15,401,498	17,482,339	19,048,824	17,338,957	18,371,255	17,781,481	18,912,364
Special Schools		29,634						
Charter Schools				17,284	9,653	46,894	28,347	
Capital Outlay	1,760,311	2,871,226	2,582,103	3,497,103	2,300,230	2,258,122	2,590,562	1,837,971
<b>Debt Service:</b>								
Principal	1,555,850	1,555,850	1,555,850	1,555,850	2,044,850	2,079,150	1,912,550	1,255,850
Interest and Other Charges	1,051,618	993,842	931,628	865,256	849,005	654,735	583,251	551,114
<b>Total Expenditures</b>	<b>68,994,975</b>	<b>73,221,341</b>	<b>81,106,171</b>	<b>84,613,924</b>	<b>83,958,736</b>	<b>85,974,982</b>	<b>83,843,274</b>	<b>83,521,507</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>450,711</b>	<b>44,661</b>	<b>(2,259,649)</b>	<b>(1,646,751)</b>	<b>(1,616,127)</b>	<b>598,008</b>	<b>2,581,139</b>	<b>3,296,709</b>
<b>Other Financing Sources (Uses):</b>								
Premium on Temporary Note				6,753				
Capital Leases (non-budgeted)					996,935	540,000	540,000	640,000
Prior Year Accounts Payable Canceled							968,485	
Unexpended Balance of School Refunding Bonds Issuance Costs								20,892
Transfers In	32,020	1,209,014	315,257	6,753	1,373,520	1,405,018	816,690	
Transfers Out		(1,209,014)	(315,257)	(6,753)	(873,520)	(531,718)	(189,990)	
<b>Total Other Financing Sources (Uses)</b>	<b>32,020</b>	<b>-0-</b>	<b>-0-</b>	<b>6,753</b>	<b>1,496,935</b>	<b>1,413,300</b>	<b>2,135,185</b>	<b>660,892</b>
<b>Net Change in Fund Balances</b>	<b>\$ 482,731</b>	<b>\$ 44,661</b>	<b>\$ (2,259,649)</b>	<b>\$ (1,639,998)</b>	<b>\$ (119,192)</b>	<b>\$ 2,011,308</b>	<b>\$ 4,716,324</b>	<b>\$ 3,957,601</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>3.9%</b>	<b>3.6%</b>	<b>3.2%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>3.3%</b>	<b>3.1%</b>	<b>2.2%</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

Exhibit J-5

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Preschool Tuition and Application Fees	Student Activity Fees	Other	Total
2003	\$ 134,614	\$ 47,658			\$ 199,383	\$ 381,655
2004	63,964	5,753			200,103	269,820
2005	177,652	7,052			232,229	416,933
2006	380,197	103,859			348,251	832,307
2007	498,482	46,197			53,505	598,184
2008	293,172	-0-			277,976	571,148
2009	90,716	-0-			519,692	610,408
2010	33,365	-0-	\$ 229,550	\$ 135,600	224,994	623,509
2011	24,112	-0-	225,670	111,820	163,837	525,439
2012	18,954	-0-	299,174		110,966	429,094

Source: Scotch Plains-Fanwood Regional School District records.

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST EIGHT YEARS**  
**UNAUDITED**

**BOROUGH OF FANWOOD**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 1,461,800	\$ 205,338,100	\$ -0-	\$ -0-	\$ 11,858,900	\$ 2,586,000	\$ -0-	\$ 221,244,800	\$ 166,627	\$ 221,411,427	\$ 7,526,600	\$ 5.6110	\$ 825,435,733
2005	1,394,400	206,646,200	-0-	-0-	13,015,600	2,586,000	-0-	223,642,200	123,636	223,765,836	7,464,900	5.9910	932,487,251
2006	1,564,500	208,054,700	-0-	-0-	12,407,200	2,487,000	-0-	224,513,400	99,969	224,613,369	7,141,500	6.3100	1,061,405,665
2007	1,727,600	208,944,400	-0-	-0-	12,284,500	2,487,000	-0-	225,443,500	90,930	225,534,430	7,505,900	6.5190	1,132,051,574
2008	1,930,300	209,549,200	-0-	-0-	12,152,500	2,456,500	-0-	226,088,500	91,295	226,179,795	7,717,200	6.6810	1,183,897,197
2009	1,184,600	210,409,000	-0-	-0-	14,217,700	2,284,100	-0-	228,095,400	103,302	228,198,702	8,009,500	7.1640	1,236,990,322
2010	1,294,100	210,556,900	-0-	-0-	14,837,700	2,284,100	-0-	228,972,800	99,851	229,072,651	6,797,800	7.5700	1,226,437,723
2011	1,438,300	210,103,900	-0-	-0-	14,620,900	2,284,100	-0-	228,447,200	88,274	228,535,474	6,713,400	7.4090	1,152,140,049

**TOWNSHIP OF SCOTCH PLAINS**

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 5,793,000	\$ 857,842,500	\$ 1,437,100	\$ 29,100	\$ 65,308,600	\$ 6,222,800	\$ 33,244,200	\$ 969,877,300	\$ 1,072,397	\$ 970,949,697	\$ 195,893,900	\$ 4.5520	\$ 2,921,652,130
2005	8,610,700	864,529,500	1,098,900	14,500	64,400,300	5,737,800	29,240,400	973,632,100	951,617	974,583,717	199,689,100	4.8030	3,397,929,186
2006	7,441,300	878,129,900	1,098,900	14,500	64,284,700	5,737,800	29,240,400	985,947,500	787,335	986,734,835	202,403,600	4.9960	3,812,312,734
2007	7,007,200	887,625,400	1,098,900	14,500	64,006,200	5,737,800	27,940,400	993,430,400	706,796	994,137,196	206,096,700	5.2280	4,107,366,668
2008	7,323,800	892,649,700	1,098,900	14,500	62,877,700	6,537,800	23,855,500	994,357,900	696,589	995,054,489	206,096,700	5.4450	4,299,079,613
2009	7,061,100	895,773,700	1,098,900	14,500	59,423,800	6,537,800	23,755,500	993,665,300	809,816	994,475,116	210,783,900	5.6490	4,281,470,492
2010	6,594,600	895,519,200	1,098,900	14,500	60,068,800	6,537,800	23,755,500	993,589,300	855,487	994,444,787	211,229,600	5.8560	4,164,816,201
2011	6,990,300	893,232,800	1,076,500	14,500	59,842,200	6,511,400	25,155,500	992,823,200	682,667	993,505,867	210,082,400	5.9140	3,984,577,500

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation.  
 Reassessment occurs when ordered by the County Board of Taxation.

a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.  
 b - Tax rates are per \$100 of assessed value.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessors.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(Rate per \$100 of Assessed Value)*

BOROUGH OF FANWOOD

Year Ended December 31,	Scotch Plains-Fanwood Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Borough of Fanwood	Union County	
2002	\$ 4.6360	\$ 0.1920	\$ 4.828	\$ 1.634	\$ 1.286	\$ 7.748
2003	5.0965	0.2555	5.352	1.733	1.434	8.519
2004	5.3585	0.2525	5.611	1.752	1.505	8.868
2005	5.7404	0.2506	5.991	1.803	1.583	9.377
2006	6.0671	0.2429	6.310	1.888	1.673	9.871
2007	6.2875	0.2315	6.519	2.027	1.752	10.298
2008	6.4576	0.2234	6.681	2.348	1.802	10.831
2009	6.9354	0.2286	7.164	2.450	1.913	11.527
2010	7.3379	0.2321	7.570	2.541	2.054	12.165
2011	7.2314	0.1776	7.409	2.616	2.151	12.176

TOWNSHIP OF SCOTCH PLAINS

Year Ended December 31,	Scotch Plains-Fanwood Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Township of Scotch Plains	Union County	
2002	\$ 3.8111	\$ 0.1239	\$ 3.935	\$ 1.080	\$ 1.105	\$ 6.120
2003	4.0632	0.1888	4.252	1.260	1.154	6.666
2004	4.3419	0.2101	4.552	1.290	1.214	7.056
2005	4.5956	0.2074	4.803	1.351	1.324	7.478
2006	4.7966	0.1994	4.996	1.411	1.368	7.775
2007	5.0357	0.1923	5.228	1.461	1.442	8.131
2008	5.2581	0.1869	5.445	1.541	1.487	8.473
2009	5.4650	0.1840	5.649	1.463	1.520	8.632
2010	5.6733	0.1827	5.856	1.538	1.603	8.997
2011	5.7548	0.1592	5.914	1.585	1.707	9.206

**a** - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

**b** - Rates for debt service are based on each year's requirements.

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

Exhibit J-8

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

BOROUGH OF FANWOOD

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
CRP Fanwood LLC	\$ 2,464,900	1	1.08%			
Partners Profit Fanwood Group LLC	943,500	2	0.41%			
Fanwood Plaza Partners I	827,000	3	0.36%			
Fanwood Plaza Partners I	669,200	4	0.29%			
105 South Ave, Inc. - A&P	600,000	5	0.26%			
Individual Taxpayer #1	558,200	6	0.24%	\$ 558,200	5	0.25%
222 South Avenue LLC	523,600	7	0.23%			
Enchantment Properties LLC	500,000	8	0.22%			
Individual Taxpayer #2	479,500	9	0.21%	477,500	8	0.22%
Seaboard Associates	477,500	10	0.21%			
Fanwood Assisted Living				1,308,200	1	0.59%
Stormcrest				656,200	2	0.30%
Individual Taxpayer #3				646,200	3	0.29%
The RVS-RHK Partnership				580,100	4	0.26%
Individual Taxpayer #4				521,000	6	0.24%
Sun Tavern				479,000	7	0.22%
Fanwood Equities				406,100	9	0.18%
J&S Associates				400,000	10	0.18%
<b>Total</b>	<b>\$ 8,043,400</b>		<b>3.51%</b>	<b>\$ 6,032,500</b>		<b>2.73%</b>

TOWNSHIP OF SCOTCH PLAINS

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Lamberts Mill Village	\$ 8,500,000	1	0.86%	\$ 11,973,200	1	1.25%
Ashbrook Manor	7,500,000	2	0.75%	9,515,400	2	0.99%
Snuffy Pantagis	4,496,600	3	0.45%	4,548,500	4	0.47%
Shackamaxon Country Club	3,168,000	4	0.32%	5,377,500	3	0.56%
Riverside Village	2,900,000	5	0.29%	4,488,400	5	0.47%
Automatic Associates	1,900,000	6	0.19%	1,526,700	8	0.16%
Dombush	1,750,000	7	0.18%	3,100,000	6	0.32%
VS Realty	1,243,200	8	0.13%			
Scotch Plains Gardens	1,200,000	9	0.12%	1,950,000	7	0.20%
Greenbrook Plaza	1,146,400	10	0.12%			
Ashbrook Manor Associates				1,406,400	9	0.15%
New Jersey Bell				1,379,500	10	0.14%
<b>Total</b>	<b>\$ 33,804,200</b>		<b>3.40%</b>	<b>\$ 45,265,600</b>		<b>4.71%</b>

Note - Individual taxpayers in 2002 and 2011 may be different.

Source: Municipal Tax Assessors.

Exhibit J-9

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

BOROUGH OF FANWOOD

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 10,627,022	\$ 10,627,022	100.00%	\$ -0-
2004	11,815,835	11,815,835	100.00%	-0-
2005	12,423,078	12,423,078	100.00%	-0-
2006	13,406,729	13,406,729	100.00%	-0-
2007	14,173,116	14,173,116	100.00%	-0-
2008	14,701,841	14,701,841	100.00%	-0-
2009	15,112,019	15,112,019	100.00%	-0-
2010	16,347,049	16,347,049	100.00%	-0-
2011	17,340,244	17,340,244	100.00%	-0-
2012	16,932,647	16,932,647	100.00%	-0-

TOWNSHIP OF SCOTCH PLAINS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 39,184,200	\$ 39,184,200	100.00%	\$ -0-
2004	42,500,599	42,500,599	100.00%	-0-
2005	45,522,633	45,522,633	100.00%	-0-
2006	47,816,717	47,816,717	100.00%	-0-
2007	50,454,365	50,454,365	100.00%	-0-
2008	53,164,064	53,164,064	100.00%	-0-
2009	54,985,635	54,985,635	100.00%	-0-
2010	57,119,697	57,119,697	100.00%	-0-
2011	59,111,273	59,111,273	100.00%	-0-
2012	58,470,691	58,470,691	100.00%	-0-

<sup>a</sup> - 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: Scotch Plains-Fanwood Regional School District records, including the Certificate and Report of Report of School Taxes (A4F form).

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST EIGHT FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2005	\$ 22,644,300	\$ -0-	\$1,453,048	\$ -0-	\$ -0-	\$24,097,348	1.89%	\$ 808.61	
2006	21,088,450	-0-	1,302,544	-0-	-0-	22,390,994	1.69%	749.16	
2007	19,532,600	-0-	1,064,480	-0-	-0-	20,597,080	1.42%	690.60	
2008	17,976,750	-0-	513,359	2,000,000	-0-	20,490,109	1.35%	686.92	
2009	16,431,900	-0-	964,214	1,500,000	-0-	18,896,114	1.21%	632.21	
2010	15,347,550	-0-	957,614	626,700	-0-	16,931,864	1.15%	561.07	
2011	14,061,700	-0-	897,976	-0-	-0-	14,959,676	0.96%	484.34	
2012	12,805,850	-0-	889,460	-0-	-0-	13,695,310	0.88%	441.74	

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

Exhibit J-11

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST EIGHT FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation Taxable <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 22,644,300	\$ -0-	\$22,644,300	1.899%	\$ 759.85
2006	21,088,450	-0-	21,088,450	1.760%	705.58
2007	19,532,600	-0-	19,532,600	1.612%	654.91
2008	17,976,750	-0-	17,976,750	1.474%	602.66
2009	16,431,900	-0-	16,431,900	1.346%	549.76
2010	15,347,550	-0-	15,347,550	1.255%	508.57
2011	14,061,700	-0-	14,061,700	1.149%	455.26
2012	12,805,850	-0-	12,805,850	1.048%	413.05

**a** - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

**b** - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District Financial Reports.

Exhibit J-12

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2011  
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Fanwood	\$ 11,503,023	100.00%	\$ 11,503,023
Township of Scotch Plains	18,031,562	100.00%	18,031,562
Union County General Obligation Debt	559,371,968	7.23%	<u>40,440,722</u>
Subtotal, Overlapping Debt			69,975,307
Scotch Plains-Fanwood Regional School District Direct Debt			<u>12,805,850</u>
Total Direct and Overlapping Debt			<u>\$ 82,781,157</u>

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

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 residents and businesses of Fanwood and Scotch Plains. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Union County Board of Taxation; debt outstanding data provided by each governmental unit.

Exhibit J-13

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2012

Year Ended December 31,	Borough of Fanwood	Township of Scotch Plains	Equalized Valuation Basis
2009	\$1,219,761,497	\$ 4,157,595,397	\$ 5,377,356,894
2010	1,152,934,542	3,980,726,362	5,133,660,904
2011	1,139,387,531	3,995,264,386	5,134,651,917
	<u>\$3,512,083,570</u>	<u>\$ 12,133,586,145</u>	<u>\$ 15,645,669,715</u>
Average Equalized Valuation of Taxable Property			<u>\$ 5,215,223,238</u>
Debt Limit (4% of Average Equalization Value) <sup>a</sup>			\$ 208,608,930
Net Bonded School Debt			<u>12,805,850</u>
Legal Debt Margin			<u>\$ 195,803,080</u>

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt Limit	\$ 119,311,751	\$ 132,292,987	\$ 146,940,098	\$ 164,427,090	\$ 184,600,382
Total Net Debt Applicable to Limit	<u>25,756,000</u>	<u>24,200,150</u>	<u>24,644,300</u>	<u>21,088,450</u>	<u>19,532,600</u>
Legal Debt Margin	<u>\$ 93,555,751</u>	<u>\$ 108,092,837</u>	<u>\$ 122,295,798</u>	<u>\$ 143,338,640</u>	<u>\$ 165,067,782</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	21.59%	18.29%	16.77%	12.83%	10.58%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	\$ 203,299,156	\$ 215,485,944	\$ 217,924,045	\$ 213,492,146	\$ 208,608,930
Total Net Debt Applicable to Limit	<u>19,976,750</u>	<u>17,931,900</u>	<u>15,974,250</u>	<u>14,061,700</u>	<u>12,805,850</u>
Legal Debt Margin	<u>\$ 183,322,406</u>	<u>\$ 197,554,044</u>	<u>\$ 201,949,795</u>	<u>\$ 199,430,446</u>	<u>\$ 195,803,080</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.83%	8.32%	7.33%	6.59%	6.14%

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

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,  
Department of Treasury, Division of Taxation.

Exhibit J-14

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS  
UNAUDITED

BOROUGH OF FANWOOD

Year	Population <sup>a</sup>	Union County Per Capita Personal Income <sup>b</sup>	Personal Income (thousands of dollars) <sup>c</sup>	Borough Unemployment Rate <sup>d</sup>
2002	7,213	\$ 40,759	\$ 293,994,667	3.1%
2003	7,189	41,452	297,998,428	3.0%
2004	7,142	42,775	305,499,050	2.6%
2005	7,101	44,243	314,169,543	2.8%
2006	7,066	48,636	343,661,976	2.9%
2007	7,078	50,752	359,222,656	2.6%
2008	7,072	52,307	369,915,104	3.4%
2009	7,124	48,723	347,102,652	6.0%
2010	7,333	50,448	369,935,184	6.1%
2011	7,360	50,448 *	371,297,280 *	6.1%

TOWNSHIP OF SCOTCH PLAINS

Year	Population <sup>a</sup>	Union County Per Capita Personal Income <sup>b</sup>	Personal Income (thousands of dollars) <sup>c</sup>	Township Unemployment Rate <sup>d</sup>
2002	22,855	\$ 40,759	\$ 931,546,945	4.0%
2003	22,767	41,452	943,737,684	3.9%
2004	22,659	42,775	969,238,725	2.4%
2005	22,787	44,243	1,008,165,241	2.6%
2006	22,759	48,636	1,106,906,724	2.7%
2007	22,751	50,752	1,154,658,752	2.5%
2008	22,817	52,307	1,193,488,819	3.2%
2009	23,054	48,723	1,123,260,042	5.6%
2010	23,554	50,448	1,188,252,192	5.7%
2011	23,643	50,448 *	1,192,742,064 *	5.7%

\* - Latest Union County per capita personal income data available (2010) was used for calculation purposes.

Source:

a - Population information provided by the US Department of Census - Population Division.

b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS,  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Information was not available as of the date of these financial statements.

Exhibit J-16

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST EIGHT FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Instruction:</b>								
Regular	354	362	367	374	371	375	382	381
Special Education	74	80	87	87	88	80	76	76
<b>Support Services:</b>								
Student & Instruction Related Services	100	102	104	109	101	96	97	97
General Administrative Services	3	3	3	3	3	3	3	3
School Administrative Services	59	59	61	62	69	63	60	55
Plant Operations and Maintenance	65	64	73	75	70	65	62	60
Pupil Transportation	6	6	7	6	6	6	6	6
Business and Other Support Services	36	37	37	34	32	29	25	25
Food Service	8	8	8	4	4	4	2	2
<b>Total</b>	<u>705</u>	<u>721</u>	<u>747</u>	<u>754</u>	<u>744</u>	<u>721</u>	<u>713</u>	<u>705</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District Personnel Records.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST EIGHT FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff <sup>d</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>e</sup>	Average Daily Attendance (ADA) <sup>e</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School				
2005	5,147	\$ 64,627,196	\$ 12,556	5.66%	428	16:1	14:1	14:1	5,067	4,873	3.18%	96.17%
2006	5,320	67,800,423	12,744	1.50%	442	16:1	14:1	14:1	5,220	5,012	3.02%	96.02%
2007	5,456	76,036,593	13,936	9.35%	454	16:1	13:1	15:1	5,340	5,130	2.30%	96.07%
2008	5,452	78,695,715	14,434	3.57%	461	15:1	13:1	14:1	5,333	5,123	-0.13%	96.06%
2009	5,502	78,764,651	14,316	-0.82%	459	16:1	14:1	16:1	5,398	5,179	1.22%	95.94%
2010	5,546	80,982,975	14,602	2.00%	455	18:1	15:1	16:1	5,439	5,228	0.76%	96.12%
2011	5,574	78,756,911	14,129	-3.24%	458	19:1	15:1	16:1	5,514	5,287	1.38%	95.88%
2012	5,583	79,876,572	14,307	1.26%	457	20:1	16:1	16:1	5,478	5,278	-0.65%	96.35%

a - Enrollment is obtained from October 15 Enrollment Summary, including students placed out of district.

b - Operating expenditures equal total expenditures less debt service and capital outlay.

c - Cost per pupil is calculated based upon enrollment and operating expenditures as presented and may not be the same as other (State) cost per pupil calculations.

d - Teaching staff includes only full-time equivalents of certificated staff.

e - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District records.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST EIGHT FISCAL YEARS  
UNAUDITED

	2005	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>								
<u>Elementary Schools</u>								
Howard B. Brunner (1961)								
Square Feet	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580
Capacity (students)	383	383	383	383	383	383	383	383
Enrollment	403	449	468	460	463	407	411	410
J. Ackerman Coles (1963)								
Square Feet	50,850	50,850	50,850	50,850	50,850	50,850	50,850	50,850
Capacity (students)	440	440	440	440	440	440	440	440
Enrollment	541	548	545	528	519	552	539	517
Evergreen (1951)								
Square Feet	36,958	36,958	36,958	36,958	36,958	36,958	36,958	36,958
Capacity (students)	339	339	339	339	339	339	339	339
Enrollment	337	348	370	395	405	415	414	418
William J. McGinn (1973)								
Square Feet	47,182	47,182	47,182	47,182	47,182	47,182	47,182	47,182
Capacity (students)	389	389	389	389	389	389	389	389
Enrollment	458	474	474	475	474	494	481	485
School One (1972)								
Square Feet	44,328	44,328	44,328	44,328	44,328	44,328	44,328	44,328
Capacity (students)	337	337	337	337	337	337	337	337
Enrollment	338	371	390	388	389	392	375	379
<u>Middle Schools</u>								
Park (1922)								
Square Feet	114,483	114,483	114,483	114,483	114,483	114,483	114,483	117,633
Capacity (students)	795	795	795	795	795	795	795	895
Enrollment	775	744	745	794	823	875	924	927
Terrill (1964)								
Square Feet	94,179	94,179	94,179	97,973	97,973	97,973	97,973	97,973
Capacity (students)	637	637	637	737	737	737	737	737
Enrollment	783	819	863	841	847	858	847	865
<u>High School</u>								
Scotch Plains-Fanwood								
Square Feet	265,876	265,876	265,876	265,876	265,876	265,876	265,876	265,876
Capacity (students)	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479
Enrollment	1,423	1,473	1,502	1,461	1,467	1,426	1,483	1,505

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST EIGHT FISCAL YEARS  
UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>								
<u>Other</u>								
Administration Wing								
Square Feet	6,380	6,380	6,380	6,380	6,380	6,380	6,380	6,380
Maintenance Offices								
Square Feet	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
Outbuilding								
Square Feet	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581

Number of Schools at June 30, 2012

Elementary School = 5

Middle School = 2

High School = 1

Other = 3

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Scotch Plains-Fanwood Regional School District.

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES**  
**LAST TEN FISCAL YEARS**  
**UNAUDITED**

Undistributed Expenditures - Required Maintenance  
 For School Facilities - Account #11-000-261-XXX:

School Facilities*	Project # (s)	Fiscal Year Ended June 30,									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Howard B. Brunner Elementary	N/A	\$ 27,491	\$ 45,800	\$ 76,459	\$ 76,189	\$ 74,405	\$ 69,235	\$ 75,664	\$ 77,393	\$ 90,271	\$ 68,977
J. Ackerman Coles Elementary	N/A	30,442	42,659	81,304	81,017	65,104	73,622	80,458	77,806	90,753	69,345
Evergreen Elementary	N/A	26,795	44,365	65,793	65,561	74,405	59,577	65,109	56,550	65,959	59,113
William J. McGinn Elementary	N/A	30,321	40,935	74,810	74,546	74,405	67,742	74,032	72,192	84,206	64,343
School One Elementary	N/A	49,719	37,468	69,845	69,599	55,804	63,247	69,119	67,826	79,113	60,451
Park Middle	N/A	43,874	77,818	171,813	171,208	120,908	155,581	170,027	175,171	204,320	175,088
Terrill Middle	N/A	55,151	86,828	141,455	140,957	139,509	128,091	139,984	149,909	174,854	137,747
Scotch Plains-Fanwood High	N/A	167,084	206,379	348,577	347,349	325,522	315,645	344,951	406,817	474,513	454,850
Total School Facilities		<u>430,877</u>	<u>582,252</u>	<u>1,030,056</u>	<u>1,026,426</u>	<u>930,062</u>	<u>932,740</u>	<u>1,019,344</u>	<u>1,083,664</u>	<u>1,263,989</u>	<u>1,089,914</u>
Grand Total		<u>\$ 430,877</u>	<u>\$ 582,252</u>	<u>\$ 1,030,056</u>	<u>\$ 1,026,426</u>	<u>\$ 930,062</u>	<u>\$ 932,740</u>	<u>\$ 1,019,344</u>	<u>\$ 1,083,664</u>	<u>\$ 1,263,989</u>	<u>\$ 1,089,914</u>

N/A - Not Applicable.

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

Source: Scotch Plains-Fanwood Regional School District records.

Exhibit J-20

1 of 2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Utica Insurance Company		
<b>MULTI PERIL PACKAGE POLICY</b>		
<b>Property</b>		
Property - Blanket Building and Contents -		
Replacement Cost Values	\$ 140,810,024	\$ 1,000
Extra Expense	1,000,000	1,000
Flood	10,000,000	1,000
Musical Instruments	Included in property limit	1,000
Miscellaneous Equipment	5,000,000	1,000
Computer Equipment	Included in property limit	1,000
Demolition/Increase Cost of Construction	Included in property limit	1,000
<b>Energy Systems</b>		
Spoilage	Included in property limit	
<b>Commercial Liability</b>		
Bodily Injury and Property Damage	Per occurrence 1,000,000	
	Aggregate 3,000,000	
Fire Damage	1,000,000	
Medical Expense Limit (excluding students)	10,000	
Employee Benefit Liability	Per occurrence and aggregate 1,000,000/2,000,000	
<b>Crime Coverage</b>		
Employee Dishonesty with Faithful Performance	400,000	1,000
Theft, Disappearance and Destruction -		
Money and Securities - Inside and Out	50,000	1,000
Forgery and Alteration	50,000	1,000
Computer Fraud	50,000	1,000
<b>Business Automotive Coverage</b>		
Bodily Injury and Property Damage (each)	1,000,000	
Personal Injury Protection	Statutory	
Uninsured and Underinsured	1,000,000	
Comprehensive Deductible		500
Collision Deductible		1,000

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Utica Insurance Company EXCESS UMBRELLA	Limit of liability \$ 10,000,000	\$ 10,000
Fireman's Fund CAP	Limit of liability (group aggregate) 50,000,000	
Selective Insurance Company FLOOD		
Elementary School #1 -		
Building	500,000	5,000
Contents	500,000	5,000
Chubb Insurance Company ENVIRONMENTAL IMPAIRMENT LIABILITY		
Limit of liability (each loss)	5,000,000	10,000
Bollinger Insurance Company STUDENT ACCIDENT	Limit of liability 5,000,000	
Utica Insurance Company EDUCATION LEGAL LIABILITY	1,000,000/3,000,000	10,000
Selective Insurance Company PUBLIC OFFICIAL BONDS		
Treasurer	400,000	
Business Administrator/Board Secretary	400,000	
South Bergen Workmen's Compensation Pool Worker's Compensation	Statutory	

Source: Scotch Plains-Fanwood Regional School District records.

**SINGLE AUDIT SECTION**



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Independent Auditors' Report on Internal Control Over Financial Reporting and  
 on Compliance and Other Matters Based on an Audit of Financial Statements  
 Performed in Accordance with *Government Auditing Standards*

The Honorable President and Members  
 of the Board of Education  
 Scotch Plains-Fanwood Regional School District  
 County of Union, New Jersey

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 Board of Education of the Scotch Plains-Fanwood Regional School District, in the County of Union (the "Board") 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 October 26, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 above.

The Honorable President and Members  
of the Board of Education  
Scotch Plains-Fanwood Regional School District  
Page 2

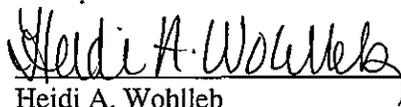
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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 Office of School Finance, Department of Education, State of New Jersey. However, we have noted certain matters that we have reported to the Board in a separate report, the *Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance*, dated October 26, 2012.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be, used by anyone other than these specified parties.

Mount Arlington, New Jersey  
October 26, 2012

NISIVOCCIA LLP



Heidi A. Wohlleb  
Licensed Public School Accountant #2140  
Certified Public Accountant



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Independent Auditors' 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 New Jersey OMB's Circular 04-04

The Honorable President and Members  
 of the Board of Education  
 Scotch Plains-Fanwood Regional School District  
 County of Union, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Scotch Plains-Fanwood Regional School District in the County of Union (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the New Jersey *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board's major federal and state programs for the fiscal year ended June 30, 2012. The Board's major federal and state programs are identified in the summary of auditors' 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 Board's management. Our responsibility is to express an opinion on the Board'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; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, Federal OMB Circular A-133, and New Jersey OMB's Circular 04-04 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 Board'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 Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the 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.

The Honorable President and Members  
of the Board of Education  
Scotch Plains-Fanwood Regional School District  
Page 2

### Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our 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 the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

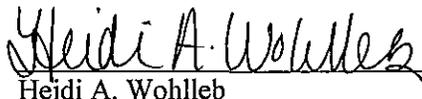
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 would not necessarily 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, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey  
October 26, 2012

NISIVOCCIA LLP

  
Heidi A. Wohlleb  
Licensed Public School Accountant #2140  
Certified Public Accountant

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2011			Balance at June 30, 2012			
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue
U.S. Department of Education - Passed-through												
State Department of Education:												
General Fund:												
Education Jobs Fund	84.410	N/A	8/1/10	9/30/12	\$ 154,019				\$ 154,019	\$ (154,019)		
Total General Fund									154,019	(154,019)		
Special Revenue Fund:												
Special Education Cluster:												
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4670-12	9/1/11	8/31/12	1,262,144				983,256	(1,163,278)	\$ (180,022)	
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4670-11	9/1/10	8/31/11	1,298,638	\$ (520,397)			520,397			
I.D.E.A. - Part B, Basic Regular - Summer	84.027	IDEA-4670-11	9/1/10	8/31/11	1,298,638				196,211	(197,042)	(831)	
I.D.E.A. - Part B, Basic Regular - ARRA	84.391	ARRA-4670-10	7/1/09	8/31/11	1,330,322	(156,400)			183,652	(27,252)		
I.D.E.A. - Part B, Preschool	84.173	IDEA-4670-12	9/1/11	8/31/12	56,199				53,077	(53,077)		
I.D.E.A. - Part B, Preschool	84.173	IDEA-4670-11	9/1/10	8/31/11	57,527	(13,472)			13,472			
I.D.E.A. - Part B, Preschool - ARRA	84.392	ARRA-4670-10	7/1/09	8/31/11	48,129	(1,964)			4,067	(2,103)		
Subtotal Special Education Cluster						(692,233)			1,954,132	(1,442,752)	(180,853)	
No Child Left Behind:												
Title I	84.010	NCLB-4670-12	9/1/11	8/31/12	122,730				67,256	(89,947)	(22,691)	
Title I	84.010	NCLB-4670-11	9/1/10	8/31/11	109,864	(17,462)			17,462			
Title I - Summer	84.010	NCLB-4670-11	9/1/10	8/31/11	109,864				38,009	(38,009)		
Title I - Summer	84.010	NCLB-4670-10	9/1/09	8/31/10	97,183	(6,089)			6,089			
Title II A	84.367A	NCLB-4670-12	9/1/11	8/31/12	79,979				59,297	(76,411)	(17,114)	
Title II A	84.367A	NCLB-4670-11	9/1/10	8/31/11	91,221	(28,529)			28,529			
Title II A - Summer	84.367A	NCLB-4670-11	9/1/10	8/31/11	91,221				4,928	(9,538)	(4,610)	
Title II A - Summer	84.367A	NCLB-4670-10	9/1/09	8/31/10	85,287	(8,243)			8,243			
Title II D	84.318	NCLB-4670-11	9/1/10	8/31/11	636	(255)			255	(22)	(22)	
Title IV	84.186A	NCLB-4670-11	9/1/10	8/31/11	1,429	(1,429)			1,429			
Total Special Revenue Fund						(754,240)			2,185,629	(1,656,679)	(225,290)	
Total U.S. Department of Education						(754,240)			2,339,648	(1,810,698)	(225,290)	
U.S. Department of Health and Human Services - Passed-through State Department of Human Services:												
Medical Assistance Program (SEMI)	93.778	N/A	7/1/11	6/30/12	25,731				25,617	(25,731)	(114)	
Medical Assistance Program (SEMI)	93.778	N/A	7/1/10	6/30/11	28,991	(5,676)			5,676			
Total U.S. Department of Health and Human Services						(5,676)			31,293	(25,731)	(114)	

N/A - Not Available/Applicable

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2011			Balance at June 30, 2012					
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Agriculture - Passed-through State Department of Education:														
Child Nutrition Cluster:														
Special Milk Program	10.556	N/A	7/1/11	6/30/12	\$ 5,983				\$ 5,576	\$ (5,983)	\$ (407)			
Special Milk Program	10.556	N/A	7/1/10	6/30/11	4,927	\$ (376)			376					
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	182,016				169,760	(182,016)	(12,256)			
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	165,308	(11,869)			11,869					
Federal Food Distribution Program	10.555	N/A	7/1/11	6/30/12	84,488				84,488	(84,488)				
Subtotal Child Nutrition Cluster						(12,245)			272,069	(272,487)	(12,663)			
Total U.S. Department of Agriculture						(12,245)			272,069	(272,487)	(12,663)			
TOTAL FEDERAL AWARDS						\$ (772,161)	\$ -0-	\$ -0-	\$ 2,643,010	\$ (2,108,916)	\$ (238,067)	\$ -0-	\$ -0-	

N/A - Not Available/Applicable

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2011				Repayment of Prior Years' Balances	Balance at June 30, 2012			MEMO		
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures		GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
<b>State Department of Education:</b>															
<b>General Fund:</b>															
Special Education Categorical Aid	12-495-034-5120-089	7/1/11	6/30/12	\$ 2,199,793										\$ 198,622	\$ 2,199,793
Special Education Categorical Aid	11-495-034-5120-089	7/1/10	6/30/11	659,090	\$ (36,569)			\$ 2,001,171	36,569						
Extraordinary Special Education Costs Aid	12-100-034-5120-473	7/1/11	6/30/12	869,040					(869,040)		\$ (869,040)			869,040	869,040
Extraordinary Special Education Costs Aid	11-100-034-5120-473	7/1/10	6/30/11	719,704	(719,704)			719,704							
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	37,051					(37,051)		(37,051)			37,051	37,051
Nonpublic School Transportation Costs	11-495-034-5120-014	7/1/10	6/30/11	28,032	(28,032)			28,032							
TPAF Social Security Aid	12-495-034-5095-002	7/1/11	6/30/12	2,442,317				2,321,349	(2,442,317)		(120,968)			120,968	2,442,317
TPAF Social Security Aid	11-495-034-5095-002	7/1/10	6/30/11	2,450,407	(119,203)			119,203							
<b>Total General Fund State Aid</b>					<b>(903,508)</b>			<b>5,226,028</b>	<b>(5,548,201)</b>		<b>(1,027,059)</b>			<b>1,225,681</b>	<b>5,548,201</b>
<b>Special Revenue Fund:</b>															
<b>NJ Nonpublic Aid:</b>															
Textbook Aid (Chapter 194)	12-100-034-5120-064	7/1/11	6/30/12	48,099				48,099	(47,730)					\$ 369	47,730
Textbook Aid (Chapter 194)	11-100-034-5120-064	7/1/10	6/30/11	56,271		\$ 359				\$ (359)					
Nursing Services (Chapter 226)	12-100-034-5120-070	7/1/11	6/30/12	68,702				68,702	(67,836)					866	67,836
Nursing Services (Chapter 226)	11-100-034-5120-070	7/1/10	6/30/11	66,676		241				(241)					
<b>Auxiliary Services (Chapter 192):</b>															
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	67,626				67,626	(67,626)						67,626
Compensatory Education	11-100-034-5120-067	7/1/10	6/30/11	65,307		13,396				(13,396)					
English as a Second Language	12-100-034-5120-067	7/1/11	6/30/12	8,189				8,189	(8,189)						8,189
Transportation	12-100-034-5120-068	7/1/11	6/30/12	22,147				22,147	(22,147)						22,147
Home Instruction	12-100-034-5120-067	7/1/11	6/30/12	12,533					(12,533)		(12,533)			12,533	12,533
Home Instruction	11-100-034-5120-067	7/1/10	6/30/11	10,641	(10,641)			10,641							
<b>Handicapped Services (Chapter 193):</b>															
Supplementary Instruction	12-100-034-5120-066	7/1/11	6/30/12	102,352				102,352	(102,352)						102,352
Examination and Classification	12-100-034-5120-066	7/1/11	6/30/12	128,315				128,315	(127,992)					323	127,992
Examination and Classification	11-100-034-5120-066	7/1/10	6/30/11	133,785		13,387				(13,387)					
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	24,643				24,643	(24,643)						24,643
Preschool Education Aid	12-495-034-5120-086	7/1/11	6/30/12	49,500				44,550	(49,500)					4,950	49,500
Preschool Education Aid	11-495-034-5120-086	7/1/10	6/30/11	49,500	(4,950)			4,950							
<b>Total Special Revenue Fund</b>					<b>(15,591)</b>	<b>27,383</b>		<b>530,214</b>	<b>(530,548)</b>	<b>(27,383)</b>	<b>(12,533)</b>		<b>1,558</b>	<b>17,483</b>	<b>530,548</b>
<b>Enterprise Fund:</b>															
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	14,702				13,719	(14,702)		(983)			983	14,702
State School Lunch Program	11-100-010-3350-023	7/1/10	6/30/11	14,335	(1,115)			1,115							
State School Lunch Program - Supplemental	11-100-010-3350-023	7/1/10	6/30/11	802	(802)			802							
<b>Total Enterprise Fund</b>					<b>(1,917)</b>			<b>15,636</b>	<b>(14,702)</b>		<b>(983)</b>			<b>983</b>	<b>14,702</b>
<b>TOTAL STATE AWARDS</b>					<b>\$ (921,016)</b>	<b>\$ 27,383</b>		<b>\$ 5,771,878</b>	<b>\$ (6,093,451)</b>	<b>\$ (27,383)</b>	<b>\$ (1,040,575)</b>		<b>\$ -0-</b>	<b>\$ 1,558</b>	<b>\$ 1,244,147</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include federal and state awards activity of the Board of Education, Scotch Plains-Fanwood Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, if applicable, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

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 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 these payments are not recognized until the subsequent budget year due to the state deferral and recording of the 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 revenue, whereas the GAAP basis does not. The special revenue fund also does not recognize the June state aid payments in the current year.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(162,053) for the general fund and \$(21,134) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post-Retirement Medical Benefits and Pension Contributions revenue of \$2,082,609 and \$1,035,989, respectively. Awards and financial assistance revenue are reported on the Board's financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 179,750	\$ 8,504,746	\$ 8,684,496
Special Revenue Fund	1,635,545	530,548	2,166,093
Food Service Enterprise Fund	<u>272,487</u>	<u>14,702</u>	<u>287,189</u>
Total Financial Assistance	<u>\$ 2,087,782</u>	<u>\$ 9,049,996</u>	<u>\$11,137,778</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. OTHER

TPAF Social Security contributions represent 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. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal and state programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*, or New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District's major federal and state programs for the current fiscal year consisted of the following:

	<u>C.F.D.A. Number/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. - Part B, Basic:				
Regular:				
2011-12	84.027	9/1/11-8/31/12	\$ 1,262,144	\$ 1,163,278
2010-11 Summer	84.027	9/1/10-8/31/11	1,298,638	197,042
2009-11 ARRA	84.391	7/1/09-8/31/11	1,330,322	27,252
Preschool:				
2011-12	84.173	9/1/11-8/31/12	56,199	53,077
2009-11 ARRA	84.392	7/1/09-8/31/11	48,129	2,103
<u>State:</u>				
Special Education				
Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	2,199,793	2,199,793

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

Summary of Auditors' Results: (Cont'd)

- The threshold for distinguishing both federal and state Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the federal Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in Federal OMB Circular A-133.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

The District had no prior year audit findings.