

**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, 2010**

**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, 2010**

**Prepared by**

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

**Finance Department**

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**INTRODUCTORY SECTION**

# Scotch Plains-Fanwood Public Schools

Evergreen Avenue and Cedar Street  
SCOTCH PLAINS, NEW JERSEY 07076

November 22, 2010

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, 2010. 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 Nonprofit Organizations*, and the New Jersey OMB Circular NJOMB 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 616 school districts in the State of New Jersey and one of 24 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 Government 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 2009-2010 school year with an enrollment of 5,546 students, compared to 5,502 students as of June 30, 2009. 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>
2009-2010	5,439	0.76%
2008-2009	5,398	1.22%
2007-2008	5,333	-0.13%
2006-2007	5,340	2.30%
2005-2006	5,220	3.02%

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, 93.1% of our eleventh grade general education students scored proficient or above in language arts literacy and 91.4% of our eleventh grade general education students scored proficient or above in mathematics. All of our Elementary Schools met the No Child Left Behind AYP Benchmarks, along with Terrill Middle School's fifth grades. Park Middle School's fifth graders met the benchmarks in all groups, except for the students with disabilities subgroup, who did not meet the benchmarks for Language Arts. Scotch Plains-Fanwood High School met the benchmarks for Language Arts but not in Math in the subgroup of students with disabilities. Park Middle School did not meet the Math Benchmarks for students with disabilities. We continue to work on addressing the needs of these subgroups.

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.

Construction at each of our five elementary schools included a new multipurpose room. Terrill Middle School's construction included the addition of twelve additional classrooms and a new multipurpose room. Additional classrooms were also added to J.A. Coles School. The High School's construction and remodeling included auditorium renovations, the installation of new windows, two elevators, and a second floor bridge between the old and new wings. Park Middle School, our oldest school, received extensive renovations, remodeling, and a new gym. The work at both middle schools permitted us to accommodate the move of the 5th grades from the five elementary schools to the two middle schools.

In April 2007, voters supported a bond referendum to replace the running track and install two artificial turf fields at SPFHS. The contract was awarded in November 2007 and completed in August 2008.

In addition, a facilities study was completed by Potter Architects to address enrollment increases particularly in the middle schools. Based on the information provided, two (2) modular classrooms were installed at Terrill Middle School for the 2008-09 school year. These modulares continued to be used for 6<sup>th</sup> grade and 8<sup>th</sup> grade social studies classes during the 2009-10 school year.

### **Technology**

Technology initiatives included the upgrade throughout the district of administrative, student and teacher laptops. Additionally, multimedia carts equipped with LCD projectors and document cameras were distributed to grades three, four and five. Every two classrooms share one cart. Additionally, LCD projectors were mounted in designated classrooms in the high school and middle school. Professional Development was also provided to facilitate best practices in infusing technology into the curriculum. For example, a team of teachers participated in the 21<sup>st</sup> Century Learning Initiative sponsored by The Center for Mathematics, Science and Computer Education.

### **Mathematics**

During the 2009-10 school year, the Mathematics Department's professional development activities focused on preparation for New Jersey's anticipated adoption of the Common Core Standards. Teachers at the middle and high school levels met in vertical teams, where they studied how to write tasks that deepen student understanding of key concepts across grade levels. Teachers also met in grade level groups and observed sample lessons to study the role of tasks in differentiating instruction. Teachers examined existing classroom assessments from multiple grade levels and used PSAT items to investigate how students' problem-solving strategies develop over time. Each of these activities informed development of revisions of the content of grade 9 mathematics, and the adoption of a new text for grade 9 students.

### **Language Arts**

In the Language Arts Department, the textbook and trade book resource inventory continued to be replenished during the 2009-2010 school year. These resources included some of the following titles: A Midsummer Night's Dream, The Grapes of Wrath, Ethan Frome, The Outsiders, and The Giver. Further additional titles

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

were also purchased for the new and successful AP Language course, now in its second year: The Poisonwood Bible and The Kite Runner. Additionally the vocabulary textbook inventory was renewed. Each elementary school also purchased resources to further implement guided reading, build their individual classroom libraries, and increase the number of mentor texts for writing. Beyond replenishing and increasing resources, teachers were provided with multiple opportunities to insure that the curriculum was aligned to NJCCCS.

### **Social Studies**

The Social Studies Department budget focus for 2009-10 involved the purchase of primary resources for kindergarten and eleventh grade. Each program had a variety of resources implemented as opposed to one textbook. For kindergarten, curriculum kits from the Teachers Curriculum Institute were purchased and Nystrom floor maps and trade books were supplementary. Global Perspectives, the eleventh grade course, required a whole new set of resources since it was a course that had not existed in prior years. Student resources purchased through the Department included electronic database subscriptions, mini-laptops to access the online material, literature and trade books, print curriculum materials, and maps. Aside from these two courses, curriculum kits were purchased for second and fourth grade as a pilot program to determine whether a full scale adoption of Social Studies Alive would be appropriate for the next round of cyclical review.

### **Science**

The renewal of the Science curriculum at the middle school continued in the 2009-2010 school year with the sixth grade students as the first cohort to be engaged with the middle school's integrated science curriculum. Teachers in grade seven and eight continued to develop lessons and activities to be implemented as the curriculum integration moves into those grade levels in the 2010/11 and 2011/12 school years. Additionally, third grade teachers were joined by seventh grade Science teachers in a series of Lesson study sessions focused on analyzing the impact of inquiry based science instruction and student-to-student discourse on student learning and understanding in Science. The focus on writing in Science continued in many areas of the curriculum in the 2009-2010 school year, most notably at the second grade level. Teachers from each elementary school building collaborated on the development of a rubric to be utilized to evaluate and provide feedback on student work. At the high school, Biology teachers implemented a new textbook series, Miller and Levine – Biology, published by Pearson, which provided teachers and students with an approach to the teaching of Biology which is problem based.

### **World Language**

Since World Languages is primarily a non-textbook based content area, a good part of our budget continued to go towards supplies and resources that supported instruction and promoted the development of students' language proficiency. We 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 language magazines in Spanish, French and German at the Middle School levels. We purchased technology items such as Flip Video cameras for students to record, create, and digitally edit projects focusing on their communicative language skills, headsets with attached microphones that students used to create podcasts and add audio components to their digital projects, and good quality webcams and external microphones that teachers used to facilitate SKYPE interactions with students and other personalities in the global community.

The Honorable President and Members of  
the Board of Education  
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### **Professional Development**

In 2009-2010 the district continued to provide three days of staff development in September, February and June, as well as optional summer workshop opportunities. Staff development also took place in department and faculty meetings, in district study groups (including Lesson Study), program visitations, and out-of-district workshops. In August 2009, 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.

A major focus during the 2009-2010 school year was the development of School Based Professional Learning Communities. Numerous building level district wide meetings and workshops during the school year addressed this initiative.

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 are 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.

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 reservations of fund balance at June 30, 2010.

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.

The Honorable President and Members of  
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7) DEBT ADMINISTRATION: During the 2006/2007 year the voters of the District approved a referendum which authorized debt totaling \$2,000,000. During 2009/2010, the District paid down \$1,205,850 of bond principal related to the 2000/2001 voter approved referendum, \$873,300 of temporary note principal related to the 2006/2007 voter approved referendum and issued a \$626,700 temporary note. In addition, the District issued \$12,180,000 of School Refunding Bonds with regard to the 2000/2001 voter approved referendum bond issues. At June 30, 2010, the District had \$15,347,550 in outstanding bonds payable and \$957,614 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.

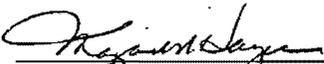
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on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

The District is a member of the School Alliance Insurance Fund (the "Fund") and the South Bergen Workmen's Compensation Pool (the "Pool"). The Fund and Pool are risk-sharing public entity risk pools that are both insured and self-administered groups of school districts established for the purpose of providing low-cost insurance coverage to their members. Additional information on the Fund and Pool is included in Note 13 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 & Company LLP, CPAs, was selected by the Board of Education at its last organization meeting. 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 Nonprofit Organizations*, and the New Jersey OMB Circular NJOMB 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.

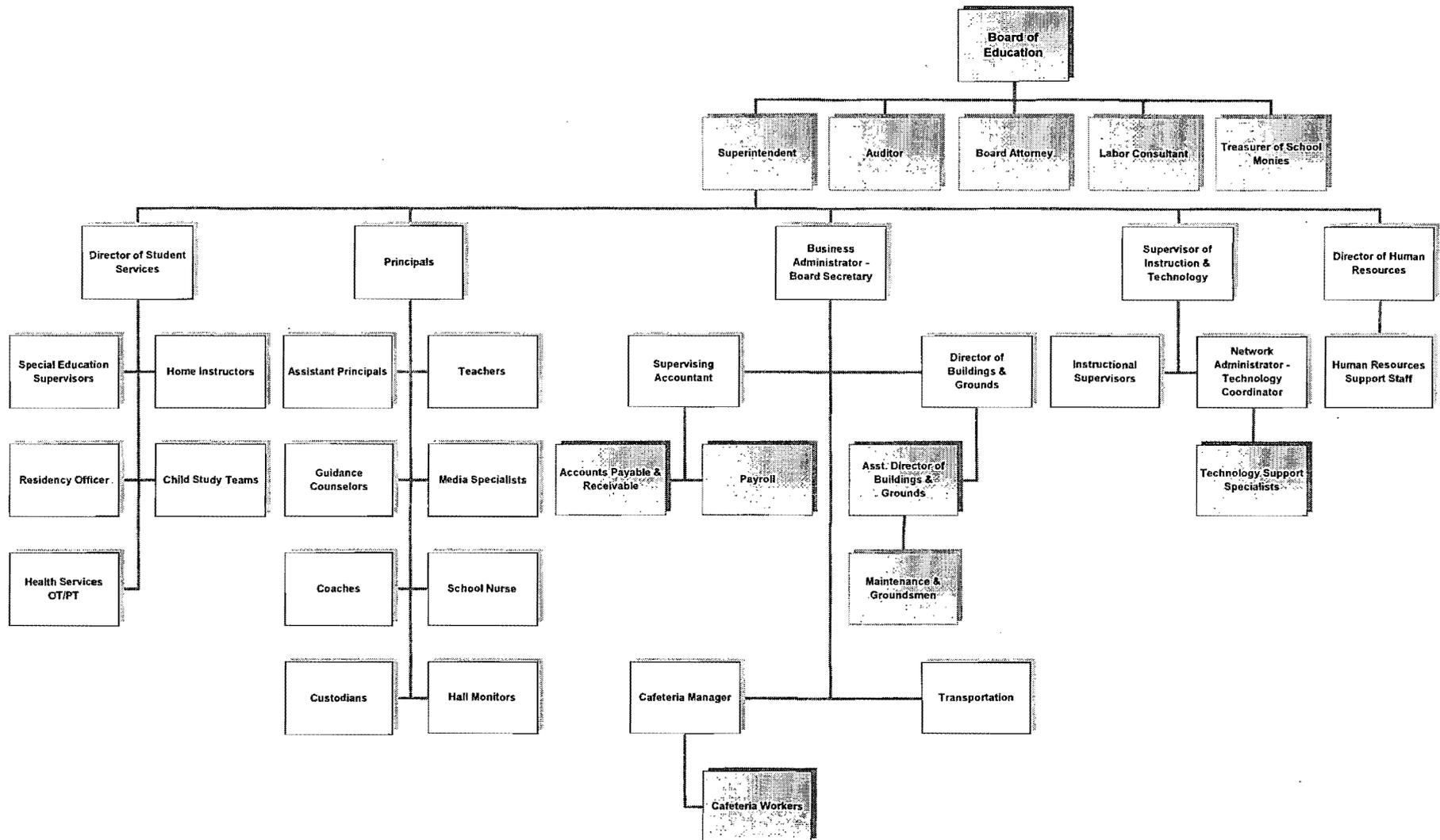
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Scotch Plains-Fanwood Regional School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and 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

  
\_\_\_\_\_  
Anthony DeSordi  
School Business Administrator/Board Secretary

# Organizational Chart Scotch Plains-Fanwood Public Schools 2009 - 2010



**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2010**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Norman "Trip" Whitehouse, President	2012
Rob O'Connor, Vice President	2011
Nancy Bauer	2013
David Gorbunoff	2013
Karen Kulikowski	2012
Warren McFall	2011
Donald Parisi	2011
Amy Winkler	2013
Betty Anne Woerner	2012

Other OfficialsTitle

Dr. Margaret W. Hayes	Superintendent of Schools
Anthony Del Sordi	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 & Company 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  
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**Official Depository**

TD Bank  
245 Park Avenue  
Scotch Plains, NJ 07076

**FINANCIAL SECTION**



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### 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, 2010 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 Division of 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2010 on our consideration of the Board of Education of the Scotch Plains-Fanwood Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

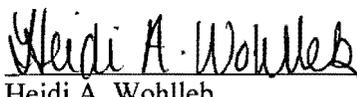
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of the Board of Education  
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The Management's Discussion and Analysis Section and Budgetary Comparison Information on Exhibits C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. The accompanying introductory section, other supplementary information, such as the combining and individual fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules, and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mount Arlington, New Jersey  
November 22, 2010

NISIVOCCIA & COMPANY LLP



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

**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, 2010  
(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, 2010. 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 (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

### **Financial Highlights**

- The District's financial status improved significantly, despite relatively flat state aid for several years.
- Overall revenue was \$88.03 million.
- District enrollment, with the exception of a slight decrease in 2007-08, has been increasing 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, 2010  
(Unaudited)**

**Figure A-1  
Organization of Scotch Plains-Fanwood Regional School District's Financial Report**

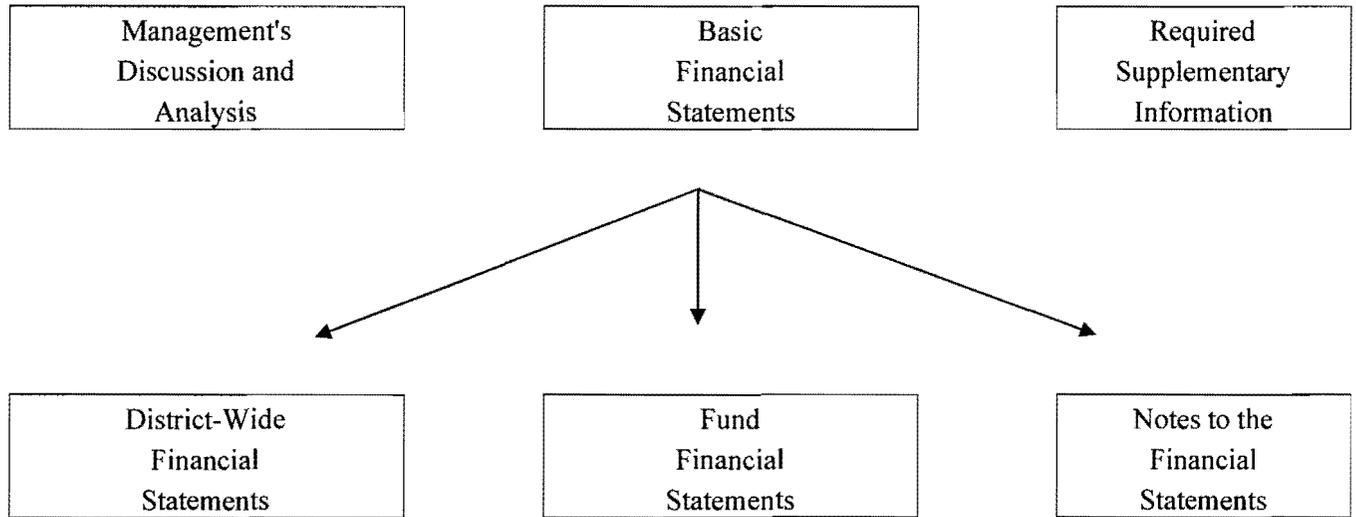


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(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  
For the Fiscal Year Ended June 30, 2010  
(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  
For the Fiscal Year Ended June 30, 2010  
(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 \$17,248,119 on June 30, 2010, \$3,058,489 or 21.55% more than the year before (See Figure A-3). Net assets invested in capital assets increased by \$1,610,569 due to bonded debt retired and defeased of \$1,205,850 and \$12,058,500, respectively, \$546,600 of capital leases retired, a net increase in unamortized deferred bond interest of \$996,476, and \$705,039 of capitalized expenditures, offset by \$12,180,000 refunding bonds issued, \$540,000 in new capital leases, and depreciation of \$1,175,123 and \$6,773 related to governmental and business-type capital assets, respectively. Restricted net assets increased by \$1,749,988 due to increases in excess surplus of \$344,962, encumbrances of \$1,030,881, debt service fund balance of \$110,109, and the capital reserve and maintenance reserve accounts of \$106 and \$200,700, respectively, the transfer to the capital projects fund of \$31,718 from capital outlay, \$224,561 of SDA grants revenue realized, and \$873,300 of temporary notes paid down, offset by \$561,403 in capital improvement expenditures, a transfer of \$500,000 to the debt service fund and the special revenue fund deficit fund balance of \$4,946. Unrestricted net assets decreased by \$302,068 due to an increase in encumbrances and unamortized bond premiums offset by unexpended budget appropriations and decreases in compensated absences and accrued interest payable.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	Change 2009/10
Current and Other Assets	\$ 9,094,605	\$ 5,701,619	\$ 544,629	\$ 440,065	\$ 9,639,234	\$ 6,141,684	56.95%
Capital Assets, Net	30,484,993	30,965,077	81,810	78,583	30,566,803	31,043,660	-1.54%
Total Assets	<u>39,579,598</u>	<u>36,666,696</u>	<u>626,439</u>	<u>518,648</u>	<u>40,206,037</u>	<u>37,185,344</u>	8.12%
Long-Term Debt Outstanding	16,456,200	18,708,965			16,456,200	18,708,965	-12.04%
Other Liabilities	6,501,718	4,259,880		26,869	6,501,718	4,286,749	51.67%
Total Liabilities	<u>22,957,918</u>	<u>22,968,845</u>		<u>26,869</u>	<u>22,957,918</u>	<u>22,995,714</u>	-0.16%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	15,176,305	13,568,963	81,810	78,583	15,258,115	13,647,546	11.80%
Restricted/(Deficit)	1,729,678	(20,310)			1,729,678	(20,310)	8616.39%
Unrestricted/(Deficit)	<u>(284,303)</u>	<u>149,198</u>	<u>544,629</u>	<u>413,196</u>	<u>260,326</u>	<u>562,394</u>	-53.71%
Total Net Assets	<u>\$ 16,621,680</u>	<u>\$ 13,697,851</u>	<u>\$ 626,439</u>	<u>\$ 491,779</u>	<u>\$ 17,248,119</u>	<u>\$ 14,189,630</u>	21.55%

**Scotch Plains-Fanwood Regional School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**(Unaudited)**

*Changes in Net Assets.* The District's combined net assets increased by \$3,058,489 or 21.55%. Net assets from governmental activities increased \$2,923,829 while net assets from business-type activities increased by \$134,660 (See Figure A-4).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 365,150		\$ 1,190,899	\$ 1,187,578	\$ 1,556,049	\$ 1,187,578	31.03%
Grants and Contributions:							
Operating	11,835,634	\$ 11,199,836	263,493	224,017	12,099,127	11,423,853	5.91%
Capital	224,561	12,264			224,561	12,264	1731.06%
General Revenue:							
Property Taxes	73,466,746	70,097,654			73,466,746	70,097,654	4.81%
Unrestricted State/ Federal Aid	422,540	422,447			422,540	422,447	0.02%
Other	258,359	610,408	1,191	2,564	259,550	612,972	-57.66%
Total Revenue	<u>86,572,990</u>	<u>82,342,609</u>	<u>1,455,583</u>	<u>1,414,159</u>	<u>88,028,573</u>	<u>83,756,768</u>	5.10%
Expenses:							
Instruction	46,111,231	44,421,158			46,111,231	44,421,158	3.80%
Pupil and Instruction Services	17,870,658	18,163,472			17,870,658	18,163,472	-1.61%
Administration and Business	6,744,994	6,508,887			6,744,994	6,508,887	3.63%
Maintenance and Operations	8,430,303	8,376,992			8,430,303	8,376,992	0.64%
Transportation	2,796,350	3,054,463			2,796,350	3,054,463	-8.45%
Other	1,695,625	1,865,630	1,320,923	1,353,394	3,016,548	3,219,024	-6.29%
Total Expenses	<u>83,649,161</u>	<u>82,390,602</u>	<u>1,320,923</u>	<u>1,353,394</u>	<u>84,970,084</u>	<u>83,743,996</u>	1.46%
Increase/(Decrease) in Net Assets	<u>\$ 2,923,829</u>	<u>\$ (47,993)</u>	<u>\$ 134,660</u>	<u>\$ 60,765</u>	<u>\$ 3,058,489</u>	<u>\$ 12,772</u>	23846.83%

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

*Revenue Sources.* The District's total revenue for the 2009/10 school year was \$88,028,573 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$73,466,746 of the total or 83.46 percent (See Figure A-5). The remaining 16.54 percent of revenue is comprised of 14.33 percent state formula aid and federal and state categorical grants, 1.77 percent charges for services and .44 percent other miscellaneous sources. It is important to note that, included in the \$12,619,077 federal and state categorical grants and state formula aid revenue is over \$2.189 million of funds that are not paid to the District, but are included in funding for TPAF Non-Contributory Insurance 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 2010**

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 4,284,448	4.86%
Property Taxes	73,466,746	83.46%
Federal and State Categorical Grants	8,334,629	9.47%
Charges for Services	1,556,049	1.77%
Other	386,701	0.44%
	<u>\$ 88,028,573</u>	<u>100.00%</u>

The total cost of all programs and services was \$84,970,084. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (78.59 percent) (See Figure A-6). The District's administrative and business activities accounted for 7.94 percent of total costs. The most significant contributors to the high cost of maintenance and operations were higher energy costs, including fuel, and insurance. It is important to note that expenses include \$1,175,123 and \$6,773 of depreciation related to governmental and business-type capital assets, respectively.

**Figure A-6  
Expenses for Fiscal Year 2010**

Expense Category:	Amount	Percentage
Instruction	\$ 46,111,231	54.27%
Pupil and Instruction Services	17,870,658	21.03%
Administration and Business	6,744,994	7.94%
Maintenance and Operations	8,430,303	9.92%
Transportation	2,796,350	3.29%
Other	3,016,548	3.55%
	<u>\$ 84,970,084</u>	<u>100.00%</u>

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

### Governmental Activities

The financial position of the District increased 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. District resources are at a tighter level than in the past.

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	
	2009/2010	2008/2009	2009/2010	2008/2009
Instruction	\$ 46,111,231	\$ 44,421,158	\$ 37,162,774	\$ 36,443,198
Pupil and Instruction Services	17,870,658	18,163,472	16,440,138	16,700,475
Administration and Business	6,744,994	6,508,887	6,316,914	6,092,238
Maintenance and Operations	8,430,303	8,376,992	7,798,280	7,959,618
Transportation	2,796,350	3,054,463	1,810,085	2,117,343
Other	1,695,625	1,865,630	1,695,625	1,865,630
	<u>\$ 83,649,161</u>	<u>\$ 82,390,602</u>	<u>\$ 71,223,816</u>	<u>\$ 71,178,502</u>

- The cost of all governmental activities this year was \$83.649 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$8.07 million).
- Most of the District's costs, however, were financed by District taxpayers (\$73.47 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula (\$4.284 million).
- The remainder of funding came from investment earnings and miscellaneous revenues (\$0.39 million).

### Business-Type Activities

The net assets of the District's business-type activities increased by \$134,660 due to an increase in the net assets of the food service enterprise fund of \$147,522, offset by a decrease in the net assets of the summer community education enterprise program of \$12,862 (Refer to Figure A-4). The net increase is due primarily to excess food service sales and subsidy reimbursements.

**Scotch Plains-Fanwood Regional School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
(Unaudited)**

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

The District's financial condition increased significantly despite the difficult economic times. Interest from investments declined significantly during the current fiscal year. The District has had a multi-year practice of utilizing funds from the unappropriated balance to reduce the tax levy. 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 next several years. 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
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Sites (Land)	\$ 223,882	\$ 223,882			\$ 223,882	\$ 223,882	0.00%
Buildings and Building Improvements	28,213,926	28,458,534			28,213,926	28,458,534	-0.86%
Machinery and Equipment	2,047,185	2,252,001	\$ 81,810	\$ 78,583	2,128,995	2,330,584	-8.65%
Construction in Progress		30,660				30,660	-100.00%
Total Capital Assets, Net of Depreciation	<u>\$ 30,484,993</u>	<u>\$ 30,965,077</u>	<u>\$ 81,810</u>	<u>\$ 78,583</u>	<u>\$ 30,566,803</u>	<u>\$ 31,043,660</u>	<u>-1.54%</u>

The District invested \$705,039 in capital assets (\$561,403 associated with its authorized capital projects, \$133,636 and \$10,000 associated with governmental and business-type activities, respectively) and incurred \$1,175,123 and \$6,773 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, 2010  
(Unaudited)**

**Long-term Debt**

At year-end, the District had \$14,351,074 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
	2009/10	2008/09	
General Obligation Bonds, Net (Financed with Property Taxes)	\$ 14,351,074	\$ 16,431,900	-12.66%
Other Long-Term Liabilities	2,105,126	2,277,065	-7.55%
	<u>\$ 16,456,200</u>	<u>\$ 18,708,965</u>	<u>-12.04%</u>

- Principal payments of \$1,205,850 on the District's general obligation bonds were made during the fiscal year.
- The District refunded \$12,058,500 of its outstanding bonds and issued \$12,180,000 of refunding bonds.
- The District's other long-term liabilities as of June 30, 2010 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. A major concern is the increased reliance on local property taxes, a reduction in State aid, a 2% revenue cap and a mild growth in enrollment. The 2010-11 budget for the Scotch Plains-Fanwood school district was defeated at the polls in April 2010. As a result of the defeat, the two governing bodies agreed to reduce the tax levy by an additional \$860,000. 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.

**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 Anthony Del Sordi, 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**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,795,589	\$ 511,003	\$ 7,306,592
Internal Balances	9,104	(9,104)	
Receivables from Other Governments	1,674,874	14,438	1,689,312
Other Receivables	6,168	16,124	22,292
Inventory		12,168	12,168
Restricted Assets:			
Capital Reserve Account - Cash	46,591		46,591
Maintenance Reserve Account - Cash	400,700		400,700
Unamortized Bond Issuance Costs, Net	161,579		161,579
Capital Assets, Net:			
Sites (Land) and Construction in Progress	223,882		223,882
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	30,261,111	81,810	30,342,921
Total Assets	<u>39,579,598</u>	<u>626,439</u>	<u>40,206,037</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payable to State Government	2,102		2,102
Accounts Payable	2,317,477		2,317,477
Notes Payable	626,700		626,700
Accrued Interest Payable	272,662		272,662
Deposits	17,894		17,894
Accrued Liability for Health Benefit Claims	1,903,924		1,903,924
Accrued Liability for Workers' Compensation Claims	208,387		208,387
Unamortized Bond Premiums, Net	1,011,361		1,011,361
Deferred Revenue	141,211		141,211
Noncurrent Liabilities:			
Due Within One Year	1,935,884		1,935,884
Due Beyond One Year	14,520,316		14,520,316
Total Liabilities	<u>22,957,918</u>		<u>22,957,918</u>
<b>NET ASSETS (Deficit)</b>			
Invested in Capital Assets, Net of Related Debt	15,176,305	81,810	15,258,115
Restricted for:			
Special Revenue	(4,946)		(4,946)
Capital Projects	(350,556)		(350,556)
Debt Service	110,248		110,248
Other Purposes	1,974,932		1,974,932
Unrestricted	(284,303)	544,629	260,326
Total Net Assets	<u>\$ 16,621,680</u>	<u>\$ 626,439</u>	<u>\$ 17,248,119</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 YEAR ENDED JUNE 30, 2010

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>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 34,892,752	\$ 229,550	\$ 2,633,943		\$ (32,029,259)		\$ (32,029,259)
Special Education	8,262,388		5,750,448		(2,511,940)		(2,511,940)
Other Special Instruction	1,197,979		89,048		(1,108,931)		(1,108,931)
Other Instruction	1,758,112	135,600	109,868		(1,512,644)		(1,512,644)
<b>Support Services:</b>							
Tuition	6,932,769				(6,932,769)		(6,932,769)
Student & Instruction Related Services	10,937,889		1,430,520		(9,507,369)		(9,507,369)
General Administrative Services	1,028,764		34,140		(994,624)		(994,624)
School Administrative Services	3,844,802		271,717		(3,573,085)		(3,573,085)
Central Services	1,368,378		89,387		(1,278,991)		(1,278,991)
Administrative Information Technology	503,050		32,836		(470,214)		(470,214)
Plant Operations and Maintenance	8,430,303		407,462	\$ 224,561	(7,798,280)		(7,798,280)
Pupil Transportation	2,796,350		986,265		(1,810,085)		(1,810,085)
Transfer of Funds to Charter Schools	46,894				(46,894)		(46,894)
Interest on Long-Term Debt	676,764				(676,764)		(676,764)
Unallocated Depreciation	971,967				(971,967)		(971,967)
<b>Total Governmental Activities</b>	<b>83,649,161</b>	<b>\$ 365,150</b>	<b>11,835,634</b>	<b>224,561</b>	<b>(71,223,816)</b>		<b>(71,223,816)</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

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
Business-Type Activities:							
Food Service	\$ 1,235,126	\$ 1,118,173	\$ 263,493		\$ 146,540	\$ 146,540	
Community Education	85,797	72,726			(13,071)	(13,071)	
Total Business-Type Activities	<u>1,320,923</u>	<u>1,190,899</u>	<u>263,493</u>		<u>133,469</u>	<u>133,469</u>	
Total Primary Government	<u>\$ 84,970,084</u>	<u>\$ 1,556,049</u>	<u>\$ 12,099,127</u>	<u>\$ 224,561</u>	<u>\$ (71,223,816)</u>	<u>133,469</u>	<u>(71,090,347)</u>
General Revenues:							
Taxes:							
					71,122,752		71,122,752
					2,343,994		2,343,994
					422,540		422,540
					33,365	1,191	34,556
					224,994		224,994
					<u>74,147,645</u>	<u>1,191</u>	<u>74,148,836</u>
					2,923,829	134,660	3,058,489
					<u>13,697,851</u>	<u>491,779</u>	<u>14,189,630</u>
					<u>\$ 16,621,680</u>	<u>\$ 626,439</u>	<u>\$ 17,248,119</u>

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, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,640,499		\$ 44,842	\$ 110,248	\$ 6,795,589
Interfund Receivable	533,625				533,625
Receivables from Other Governments	772,655	\$ 717,508	184,711		1,674,874
Other Receivables		6,168			6,168
Restricted Cash and Cash Equivalents	447,291				447,291
<b>Total Assets</b>	<b>\$ 8,394,070</b>	<b>\$ 723,676</b>	<b>\$ 229,553</b>	<b>\$ 110,248</b>	<b>\$ 9,457,547</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable		\$ 524,521			\$ 524,521
Payable to State Government		2,102			2,102
Accounts Payable	\$ 2,228,089	89,388			2,317,477
Notes Payable			\$ 626,700		626,700
Deposits	17,894				17,894
Accrued Liability for Health Benefit Claims	1,903,924				1,903,924
Accrued Liability for Workers' Compensation Claims	208,387				208,387
Deferred Revenue	28,600	112,611			141,211
<b>Total Liabilities</b>	<b>4,386,894</b>	<b>728,622</b>	<b>626,700</b>		<b>5,742,216</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Encumbrances	1,229,270				1,229,270
Capital Reserve Account	46,591				46,591
Maintenance Reserve Account	400,700				400,700
Excess Surplus	344,962				344,962
<b>Unreserved, Reported in:</b>					
Designated for Subsequent Year's Expenditures	560,000			\$ 139	560,139
General Fund	1,425,653				1,425,653
Special Revenue Fund/(Deficit)		(4,946)			(4,946)
Capital Projects Fund/(Deficit)			(397,147)		(397,147)
Debt Service Fund				110,109	110,109
<b>Total Fund Balances/(Deficit)</b>	<b>4,007,176</b>	<b>(4,946)</b>	<b>(397,147)</b>	<b>110,248</b>	<b>3,715,331</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,394,070</b>	<b>\$ 723,676</b>	<b>\$ 229,553</b>	<b>\$ 110,248</b>	<b>\$ 9,457,547</b>

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

Total Fund Balances (Above)	\$ 3,715,331
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds. The cost of the assets is \$46,718,494 and the accumulated depreciation is \$16,233,501.	30,484,993
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.	(16,456,200)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(272,662)
Bond Issuance costs are reported as expenditures in the Funds. These costs total \$213,760 and the accumulated amortization is \$52,181.	161,579
Bond Premiums are reported as revenue in the Funds. These premiums total \$1,089,161 and the accumulated amortization is \$77,800.	(1,011,361)
<b>Net Assets of Governmental Activities</b>	<b>\$ 16,621,680</b>

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 71,122,752			\$ 2,343,994	\$ 73,466,746
Miscellaneous Revenues	623,509	\$ 127,151			750,660
Total - Local Sources	71,746,261	127,151		2,343,994	74,217,406
State Sources	9,581,172	552,517	\$ 224,561		10,358,250
Federal Sources	16,742	1,980,592			1,997,334
Total Revenues	81,344,175	2,660,260	224,561	2,343,994	86,572,990
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	24,335,930	230,499			24,566,429
Special Education Instruction	4,776,895	1,608,175			6,385,070
Other Special Instruction	853,019				853,019
Other Instruction	1,326,815				1,326,815
Support Services and Undistributed Costs:					
Tuition	6,932,769				6,932,769
Student & Instruction Related Services	7,531,805	724,451			8,256,256
General Administrative Services	811,213				811,213
School Administrative Services	2,718,318				2,718,318
Central Services	1,027,952				1,027,952
Administration Information Technology	373,367				373,367
Plant Operations and Maintenance	6,705,686				6,705,686
Pupil Transportation	2,607,932				2,607,932
Unallocated Benefits	18,371,255				18,371,255
Debt Service:					
Principal				2,079,150	2,079,150
Interest and Other Charges				654,735	654,735
Capital Outlay	1,594,638	102,081	561,403		2,258,122
Transfer of Funds to Charter Schools	46,894				46,894
Total Expenditures	80,014,488	2,665,206	561,403	2,733,885	85,974,982
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	1,329,687	(4,946)	(336,842)	(389,891)	598,008
<b>OTHER FINANCING SOURCES/(USES)</b>					
Capital Leases (non-budgeted)	540,000				540,000
Transfers In			905,018	500,000	1,405,018
Transfers Out	(31,718)		(500,000)		(531,718)
Total Other Financing Sources/(Uses)	508,282		405,018	500,000	1,413,300
Net Change in Fund Balances	1,837,969	\$ (4,946)	68,176	110,109	2,011,308
Fund Balance/(Deficit) - July 1	2,169,207	-0-	(465,323)	139	1,704,023
Fund Balance/(Deficit) - June 30	\$ 4,007,176	\$ (4,946)	\$ (397,147)	\$ 110,248	\$ 3,715,331

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, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 2,011,308

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 exceeded capital outlays in the period.

	Depreciation expense	\$ (1,175,123)	
	Capital outlays	695,039	(480,084)

Capital leases entered into by the District are an other financing source in the governmental funds, but the acquisition increase long-term liabilities in the statement of net assets and is not reported in the statement of activities. (540,000)

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. 546,600

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. 1,205,850

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 (+). 27,577

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 165,339

Proceeds from debt issued for the advanced refunding less the amount of bonds defeased are not recorded in the governmental funds.

	School Refunding Bonds Issued	\$ (12,180,000)	
	School Bonds Defeased	12,058,500	
	Bond Issuance Costs	137,532	
	Bond Premiums	(1,089,161)	
	Deferred Bond Interest	1,073,129	-0-

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, 2010

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

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 (-)	\$ (13,908)
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 (+)	77,800
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>(76,653)</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,923,829</u>

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

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2010

	Business-type Activities - Enterprise Funds	Non-Major Funds
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$	511,003
Accounts Receivable:		
Other Governments:		
Federal		13,143
State		1,295
Other		16,124
Inventories		12,168
Total Current Assets		553,733
Non-Current Assets:		
Capital Assets		230,154
Less: Accumulated Depreciation		(148,344)
Total Non-Current Assets		81,810
Total Assets		635,543
<b>LIABILITIES:</b>		
Current Liabilities:		
Interfund Payable - General Fund		9,104
Total Current Liabilities		9,104
Total Liabilities		9,104
<b>NET ASSETS:</b>		
Investment in Capital Assets, Net of Related Debt		81,810
Unrestricted		544,629
Total Net Assets	\$	626,439

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

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, 2010

	Business-type Activities - Enterprise Funds <u>Non-Major Funds</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 717,010
Daily Sales - Non-Reimbursable Programs	390,688
Special Events	10,475
Program Fees	<u>72,726</u>
Total Operating Revenue	<u>1,190,899</u>
Operating Expenses:	
Cost of Sales	549,370
Salaries	481,900
Payroll Taxes	50,136
Employee Benefits	34,675
Purchased Property Services	37,955
Purchased Professional - Educational Services	11,760
Other Purchased Services	1,000
Management Fee	59,241
Insurance	46,424
Supplies and Materials	41,689
Depreciation Expense	<u>6,773</u>
Total Operating Expenses	<u>1,320,923</u>
Operating Loss	<u>(130,024)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	154,650
Special Milk Program	5,005
Food Distribution Program	88,074
State Sources - School Lunch Program	15,764
Local Sources - Interest Revenue	<u>1,191</u>
Total Non-Operating Revenue	<u>264,684</u>
Change in Net Assets	134,660
Net Assets - Beginning of Year	<u>491,779</u>
Net Assets - End of Year	<u>\$ 626,439</u>

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

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds Non-Major Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,194,433
Payments to Employees	(120,710)
Payments to Food Service Vendor	(1,071,449)
Payments to Suppliers	(60,601)
Net Cash Used for Operating Activities	<u>(58,327)</u>
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(10,000)
Net Cash Used for Capital Financing Activities	<u>(10,000)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources	158,029
State Sources	15,633
Net Cash Provided by Noncapital Financing Activities	<u>173,662</u>
Cash Flows from Investing Activities:	
Interest Revenue	1,191
Net Cash Provided by Investing Activities	<u>1,191</u>
Net Increase in Cash and Cash Equivalents	106,526
Cash and Cash Equivalents, July 1	<u>404,477</u>
Cash and Cash Equivalents, June 30	<u>\$ 511,003</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (130,024)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	6,773
Federal Food Distribution Program	88,074
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	3,534
Decrease in Inventory	244
(Decrease) in Accounts Payable	(26,869)
(Decrease) in Interfund Payable	(59)
Net Cash Used for Operating Activities	<u>\$ (58,327)</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 \$88,074 for the fiscal year ended June 30, 2010.

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 468,718	\$ 324,736
Total Assets	<u>468,718</u>	<u>324,736</u>
<b>LIABILITIES:</b>		
Payroll Deductions and Withholdings	298,160	
Due to Student Groups	<u>170,558</u>	
Total Liabilities	<u>468,718</u>	<u>-0-</u>
<b>NET ASSETS:</b>		
Held in Trust for: Unemployment Claims		<u>324,736</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 324,736</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, 2010

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Member	\$ 45,925
Employer	<u>225,000</u>
Total Contributions	<u>270,925</u>
Investment Earnings:	
Interest	<u>368</u>
Net Investment Earnings	<u>368</u>
Total Additions	<u>271,293</u>
DEDUCTIONS:	
Quarterly Contribution Reports	<u>136,514</u>
Total Deductions	<u>136,514</u>
Change in Net Assets	134,779
Net Assets - Beginning of the Year	<u>189,957</u>
Net Assets - End of the Year	<u><u>\$ 324,736</u></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, 2010

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, 2010  
(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 all expendable financial resources except those required to be accounted for 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 expense by Board resolution.

Special Revenue Fund: 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 to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (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.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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, Payroll Agency Fund and Unemployment Compensation Insurance 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.

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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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 budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 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.

The capital projects fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in full in the year the grants are awarded on the budgetary basis; but, are not recognized on the GAAP basis until they are expended and submitted for reimbursement.

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 81,398,286	\$ 2,714,607
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		(73,418)
Cancellation of Prior Year Encumbrances		(3,500)
Prior Year Encumbrances		27,517
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	379,416	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	(433,527)	(4,946)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 81,344,175	\$ 2,660,260
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 80,014,488	\$ 2,714,607
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		(73,418)
Cancellation of Prior Year Encumbrances		(3,500)
Prior Year Encumbrances		27,517
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 80,014,488	\$ 2,665,206
		<u>Capital Projects Fund</u>
		Fund
	Revenue	Balance/ (Deficit)
Revenue and Fund Balance per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)	\$ (87,585)	\$ (397,147)
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants Recognized/(Not Recognized) on GAAP Basis	312,146	- 0 -
Revenue and Fund Balance per Governmental Funds (GAAP)	\$ 224,561	\$ (397,147)

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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 reservations of 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, 2010  
(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 and prepaid expenses, 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 fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

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, 2010  
(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, 2010.

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.

P. Fund Balance Appropriated:

General Fund: Of the \$4,007,176 General Fund balance at June 30, 2010, \$1,229,270 is reserved for encumbrances; \$447,291 is reserved (\$46,591 in the capital reserve account and \$400,700 in the

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

General Fund: (Cont'd maintenance reserve account); \$344,962 is reserved as current year excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended and will be included as anticipated revenue for the year ending June 30, 2012; \$560,000 is unreserved and designated for subsequent year's expenditures; and \$1,425,653 is unreserved and undesignated which is \$433,527 less on the GAAP basis than the calculated maximum unreserved fund balance due to the June State Aid payments that are not recognized until the fiscal year ending June 30, 2011.

Special Revenue Fund: There is a deficit fund balance of \$4,946 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, 2011.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2010 of \$(397,147) is unreserved and undesignated.

Debt Service Fund: Of the \$110,248 Debt Service Fund balance at June 30, 2010, \$139 is unreserved and designated for subsequent year's expenditures; and \$110,109 is unreserved and undesignated.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Reserved 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 reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2010 as defined above.

The District's unreserved/undesignated fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$433,527 as reported in the fund statements (modified accrual basis) and the Special Revenue Fund by \$4,946 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 Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for excess surplus, encumbrances, a maintenance reserve and a capital reserve as defined by State law.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

R. Deficit Fund Balances/Net Assets:

The District has a deficit in unrestricted net assets and fund balance in the Special Revenue Fund of \$(4,946) as of June 30, 2010 due to the recognition of the June state aid payments as explained in Note 1P on the previous page. The deficit in the Capital Projects Fund balance of \$397,147 and the deficit in Net Assets Restricted for Capital Projects of \$350,556 is due to the \$626,700 temporary note for the local share of the project to replace the running track and install two artificial turf fields at Scotch Plains-Fanwood High School which has not been permanently financed as of June 30, 2010. There is a \$284,303 deficit in unrestricted net assets in Governmental Activities which is due primarily to unreserved General Fund fund balance offset by accrued interest payable, unamortized bond premiums and compensated absences payable. These deficits do 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.

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

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

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

U. Operating Revenue and Expenses: (Cont'd)

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.

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 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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

Deposits: (Cont'd)

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;
- (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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Reserve Accounts		Total
		Capital	Maintenance	
Checking Accounts	\$ 6,196,299	\$ 46,591	\$ 400,700	\$ 6,643,590
MBIA	1,903,747			1,903,747
	<u>\$ 8,100,046</u>	<u>\$ 46,591</u>	<u>\$ 400,700</u>	<u>\$ 8,547,337</u>

During the period ended June 30, 2010, 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, 2010 was \$8,547,337 and the bank balance was \$9,470,145. The \$1,903,747 in MBIA is uninsured and unregistered. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2009 was \$5,404,131 and the bank balance was \$6,095,875, including \$1,697,143 in MBIA which was uninsured and unregistered.

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, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 46,485
Interest Earnings	106
Deposits	-0-
Withdrawals	-0-
Ending Balance, June 30, 2010	<u>\$ 46,591</u>

The balance in the capital reserve account at June 30, 2010 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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 undesignated, unreserved general fund balance or by transferring excess, undesignated, unreserved 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 reserved and designated in the subsequent year's budget.

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, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 200,000
Interest Earnings	700
Deposits	200,000
Withdrawals	<u>-0-</u>
Ending Balance, June 30, 2010	<u>\$ 400,700</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District transferred \$881,280 to the capital outlay accounts. All of the transfers to the capital outlay accounts were for equipment; therefore, approval from the County Superintendent was not required.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 223,882			\$ 223,882
Construction in Progress	30,660	\$ 561,403	\$ (592,063)	
Total Capital Assets Not Being Depreciated	<u>254,542</u>	<u>561,403</u>	<u>(592,063)</u>	<u>223,882</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	41,214,620	51,184	592,063	41,857,867
Machinery and Equipment	4,554,293	82,452		4,636,745
Total Capital Assets Being Depreciated	<u>45,768,913</u>	<u>133,636</u>	<u>592,063</u>	<u>46,494,612</u>
Governmental Activities Capital Assets	<u>46,023,455</u>	<u>695,039</u>		<u>46,718,494</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(12,756,086)	(887,855)		(13,643,941)
Machinery and Equipment	(2,302,292)	(287,268)		(2,589,560)
	<u>(15,058,378)</u>	<u>(1,175,123)</u>		<u>(16,233,501)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 30,965,077</u>	<u>\$ (480,084)</u>	<u>\$ -0-</u>	<u>\$ 30,484,993</u>
	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
<b>Business Type Activities:</b>				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 220,154	\$ 10,000		\$ 230,154
Less Accumulated Depreciation	(141,571)	(6,773)		(148,344)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 78,583</u>	<u>\$ 3,227</u>	<u>\$ -0-</u>	<u>\$ 81,810</u>

The increases totaling \$705,039 represent current year capitalized expenditures in the general, capital projects and food service enterprise funds. The District had active construction projects totaling \$229,553 as of June 30, 2010 and no outstanding construction encumbrances.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 18,843
Student and Instruction Related Services	19,654
General Administrative Services	69,350
School Administrative Services	4,973
Plant Operations and Maintenance	58,121
Pupil Transportation	32,215
Unallocated	<u>971,967</u>
	<u>\$ 1,175,123</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2009	Issued/ Added	Retired/ Defeased	Balance 6/30/2010
Serial Bonds Payable	\$ 16,431,900	\$ 12,180,000	\$ 13,264,350	\$ 15,347,550
Less: Deferred Amount on Refunding		(1,073,129)	(76,653)	(996,476)
Net Serial Bonds Payable	16,431,900	11,106,871	13,187,697	14,351,074
Capital Leases Payable	964,214	540,000	546,600	957,614
Compensated Absences Payable	896,081	130,193	295,532	730,742
Other Postemployment Benefits Payable	416,770			416,770
	<u>\$ 18,708,965</u>	<u>\$ 11,777,064</u>	<u>\$ 14,029,829</u>	<u>\$ 16,456,200</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. Bond issuance costs are expenditures in the fund financial statements; but are amortized over the life of the shorter of the refunding issue or the refunded issues in the district-wide financial statements.

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, 2010 as follows:

Date of Issue	Final Maturity	Interest Rate	Amount
05/01/01	11/01/11	4.375%	\$ 900,000
01/01/02	07/15/12	4.40% - 4.50%	2,267,550
02/11/10	07/15/22	3.00% - 5.00%	12,180,000
			<u>\$ 15,347,550</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
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(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)A. Bonds Payable: (Cont'd.)

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

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,285,850	\$ 570,752	\$ 1,856,602
2012	1,255,850	551,114	\$ 1,806,964
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
Thereafter:			
2016-2020	5,990,000	1,347,550	7,337,550
2021-2023	3,075,000	209,125	3,284,125
	<u>\$ 15,347,550</u>	<u>\$ 4,027,123</u>	<u>\$ 19,374,673</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District has four capital leases payable for computer equipment, furniture and vehicles. Three of the leases are for four years with the final payments occurring in fiscal years 2010-11 and 2011-12 and one lease is for five years with the final payment occurring in the fiscal year 2010-11. 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, 2010 is detailed below.

<u>Year</u>	<u>Amount</u>
2011	\$ 582,945
2012	283,945
2013	142,196
	<u>1,009,086</u>
Less: Amount representing interest	<u>(51,472)</u>
Present value of net minimum lease payments	<u>\$ 957,614</u>

The current portion of capital leases payable at June 30, 2010 is \$549,638 and the long-term portion is \$407,976. The General Fund will be used to liquidate capital leases payable.

D. 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, 2010 is \$100,396 and the long-term portion is \$630,346.

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

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

D. Compensated Absences: (Cont'd)

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, 2010, no liability existed for compensated absences in the Proprietary Funds.

E. Other Postemployment Benefits Payable:

The liability for other postemployment 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 postemployment benefits payable at June 30, 2010 is \$-0- and the long-term portion is \$416,770. See Note 11 for further information on these benefits.

NOTE 9. BOND ANTICIPATION NOTES

At June 30, 2010, the District had bond anticipation notes outstanding as detailed below:

<u>Final Maturity</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Amount</u>
6/8/2011	Track and Field Improvements	2.00%	\$ 626,700

NOTE 10. 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. 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 non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

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, New Jersey, 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. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

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

NOTE 10. PENSION PLANS (Cont'd)

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	2,186,496	100.00%	2,186,496

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

Three-Year Trend for PERS			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 747,071	100.00%	\$ 747,071
2009	664,177	100.00%	664,177
2008	604,635	80.00%	483,708

NOTE 11. 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, 2009, there were 84,590 retirees eligible for 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 the 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 \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members for Fiscal Year 2009.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$2,078,669, \$2,024,246 and \$2,661,166 for 2010, 2009 and 2008, respectively.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 11. POST-RETIREMENT BENEFITS (Cont'd)

Effective for the 2008-09 fiscal year, the Scotch Plains-Fanwood Regional School District implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the Board of Education. Statement No. 45 requires governments to account for other postemployment 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 postemployment benefits rather than when they use their postemployment benefits. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the Government-Wide Statement of Net Assets over time. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for the benefits of \$13,928,073 at the June 30, 2009 date of transition being amortized over 30 years.

Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description

The District provides postemployment 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, 2009, the valuation date, approximately 689 retirees and 298 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  
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(Continued)

NOTE 11. POST-RETIREMENT BENEFITS (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, 2009 and June 30, 2010:

**Benefit Obligations and Normal Cost**

Actuarial accrued liability (AAL) Retired employees	\$ 9,107,891
Actuarial accrued liability (AAL) Active employees	4,092,607
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,200,498</u>
Normal cost at beginning of year	\$ 443,927
Amortization factor based on 30 years	\$ 466,418
Annual covered payroll	\$ 44,886,088
UAAL as a percentage of covered payroll	29.41%

**Level Dollar Amortization**

Calculation of ARC under Entry Age Method

ARC normal cost with interest to end of year	\$ 443,927
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	<u>466,418</u>
	910,345
Interest on net OPEB obligation	-0-
Adjustment to OPEB	-0-
Pay as you go benefits	(493,575)
Annual OPEB cost (expense)	-0-
Contribution for fiscal year ended June 30, 2009	<u>-0-</u>
Net OPEB obligation June 30, 2009 (initial year)	<u>\$ 416,770</u>

Funded Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability for benefits was of \$13,928,073, all of which was unfunded.

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. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

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-

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
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(Continued)

NOTE 11. POST-RETIREMENT BENEFITS (Cont'd)

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, 2009 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.

An update to the 2009 valuation was not prepared as there were no significant plan changes, significant population changes or changes in assumptions used to complete the valuation.

NOTE 12. 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 Scotch Plains-Fanwood Regional School District is a member of the School Alliance Insurance Fund (the "Fund"). The Fund provides general liability, property and automobile coverage for its members. The District is also a member of the South Bergen Region VII Worker's 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 Fund and the Pool are risk-sharing public entity risk pools that are insured and self-administered groups of school boards established for the purpose of providing low-cost insurance for their 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 Fund and the Pool are elected.

As a member of the Fund and the Pool, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund or the Pool were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund and 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.

Selected, summarized financial information for the Fund as of June 30, 2009 is as follows:

	School Alliance Insurance Fund (SAIF)	South Bergen Workmen's Compensation Pool
Total Assets	\$ 33,656,794	\$ 10,525,636
Net Assets	\$ 14,417,326	\$ 5,348,694
Total Revenue	\$ 28,042,089	\$ 2,304,698
Total Expenses	\$ 25,015,943	\$ 1,924,039
Net Assets Distribution to Participating Members	\$ 3,005,614	\$ -0-
Change in Net Assets for the Year Ended June 30	\$ 20,532	\$ 380,659

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(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

Financial statements for the Fund and the Pool are available at the Fund's Executive Directors' Offices:

Public Entity Group Administrative Services  
51 Everett Drive  
Suite B-40  
West Windsor, NJ 08550  
(609) 275-1155

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>
2009-2010	\$ 225,000	\$ 368	\$ 45,925	\$ 136,514	\$ 324,736
2008-2009	50,000	1,374	69,839	117,751	189,957
2007-2008	-0-	3,926	91,286	119,338	186,495

NOTE 13. HEALTH BENEFITS INSURANCE

The District maintained their medical and dental health care insurance with Connecticut General Life Insurance Company ("CIGNA") through July 31, 2010. The insurance plan was a traditionally funded, fully participating plan whereby the District participated in any margins or losses generated by claims experience and held reserves for its estimated liability for incurred but not reported claims which were calculated by CIGNA's actuary. Effective August 1, 2010, the District is obtaining their medical and dental health insurance from Horizon Blue Cross/Blue Shield of NJ on a premium based plan.

The accrued liability for health benefits claims represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of June 30. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the District, various other industry statistics, including the effects of inflation and other societal or economic factors, and the District's self-insured retention level. Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability. The unpaid losses are stated net of any recoveries from excess-loss insurance or reinsurance. The District has created a loss reserve for any potential unreported losses which have taken place but for which the District has not received notices or reports of losses. Loss reserves, which have been estimated by the claims administrator, are as follows:

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
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NOTE 13. HEALTH BENEFITS INSURANCE (Cont'd)

	<u>2009</u>	<u>2010</u>
Accrued Liability for Health Benefits Claims, July 1	\$ 1,568,402	\$ 1,650,457
Incurred Claims and Claims Adjustments Expenses	7,484,323	8,290,008
	<u>9,052,725</u>	<u>9,940,465</u>
Paid Claims and Claims Adjustments Expenses	<u>(7,402,268)</u>	<u>(8,036,541)</u>
Accrued Liability for Health Benefits Claims, June 30	<u>\$ 1,650,457</u>	<u>\$ 1,903,924</u>

NOTE 14. 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.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 533,625	
Special Revenue Fund		\$ 524,521
Proprietary Fund		9,104
	<u>\$ 533,625</u>	<u>\$ 533,625</u>

The interfund payable from the Special Revenue Fund due to the General Fund is for an interfund loan due to the timing lag between requests for reimbursement and actual receipt of federal grant funds from the State. The interfund payable from the Proprietary Fund to the General Fund is comprised of on-behalf expenditures disbursed by the General Fund but not remitted by the Food Service Fund as of June 30, 2010.

During the fiscal year ended June 30, 2010, \$31,718, comprised of budgeted Capital Outlay, was transferred from the General Fund to the Capital Projects Fund for the Howard B. Brunner Elementary School windows project and \$500,000 was transferred from the Capital Projects Fund to the Debt Service Fund for payment of debt service.

NOTE 16. 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, permits 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
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(Continued)

NOTE 16. DEFERRED COMPENSATION (Cont'd)

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 17. 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.

NOTE 18. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2010:

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Salaries	\$ 1,667,402		\$ 1,667,402
Vendors	528,844	\$ 22,461	551,305
Due to Other Governmental Units	31,843	66,927	98,770
	<u>\$ 2,228,089</u>	<u>\$ 89,388</u>	<u>\$ 2,317,477</u>

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NOTE 19. CONTINGENCIES

Litigation

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.

Arbitrage

The District may have a liability for arbitrage payable to the federal government and should evaluate whether there is any liability for arbitrage relative to its \$15,117,000 million school bond issue.

**BUDGETARY COMPARISON SCHEDULES**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 71,122,752		\$ 71,122,752	\$ 71,122,752	
Interest Earned on Capital Reserve Funds				106	\$ 106
Interest Earned on Maintenance Reserve Funds				700	700
Unrestricted Miscellaneous Revenues	845,590		845,590	622,703	(222,887)
<b>Total - Local Sources</b>	<b>71,968,342</b>		<b>71,968,342</b>	<b>71,746,261</b>	<b>(222,081)</b>
<b>State Sources:</b>					
Transportation Aid	1,094,428		1,094,428	926,761	(167,667)
Special Education Categorical Aid	3,003,877		3,003,877	3,003,877	
Security Aid	407,921		407,921	407,921	
Nonpublic School Transportation Costs				32,746	32,746
Extraordinary Special Education Costs Aid	283,000		283,000	612,343	329,343
<b>On-Behalf TPAF Contributions:</b>					
Post Retirement Medical (Non-Budgeted)				2,078,669	2,078,669
Non-Contributory Insurance (Non-Budgeted)				110,677	110,677
Reimbursed TPAF Social Security (Non-Budgeted)				2,462,289	2,462,289
<b>Total State Sources</b>	<b>4,789,226</b>		<b>4,789,226</b>	<b>9,635,283</b>	<b>4,846,057</b>
<b>Federal Sources:</b>					
Medicaid Reimbursement	9,410		9,410	16,742	7,332
<b>Total Federal Sources</b>	<b>9,410</b>		<b>9,410</b>	<b>16,742</b>	<b>7,332</b>
<b>TOTAL REVENUES</b>	<b>76,766,978</b>		<b>76,766,978</b>	<b>81,398,286</b>	<b>4,631,308</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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>					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 514,917	\$ (125,192)	\$ 389,725	\$ 353,473	\$ 36,252
Kindergarten - Salaries of Teachers	625,072		625,072	612,949	12,123
Grades 1-5 - Salaries of Teachers	8,675,531	8,210	8,683,741	8,683,642	99
Grades 6-8 - Salaries of Teachers	6,507,151	(75,810)	6,431,341	6,402,200	29,141
Grades 9-12 - Salaries of Teachers	6,581,545	173,700	6,755,245	6,753,341	1,904
Regular Programs - Home Instruction:					
Salaries of Teachers	60,000	75,550	135,550	134,397	1,153
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	185,307	(60,124)	125,183	125,133	50
Purchased Professional - Educational Services	211,400		211,400	197,046	14,354
Purchased Technical Services	141,959	7,444	149,403	115,508	33,895
Other Purchased Services (400-500 series)	70,965	(19,075)	51,890	13,435	38,455
General Supplies	800,497	7,769	808,266	773,836	34,430
Textbooks	233,276	(42,238)	191,038	124,295	66,743
Other Objects	74,084	(4,425)	69,659	46,675	22,984
<b>Total Regular Programs - Instruction</b>	<b>24,681,704</b>	<b>(54,191)</b>	<b>24,627,513</b>	<b>24,335,930</b>	<b>291,583</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	53,491	2,800	56,291	56,252	39
Other Salaries for Instruction	23,648	410	24,058	24,056	2
General Supplies	4,500	200	4,700	4,667	33
Textbooks	1,500	(200)	1,300	1,045	255
<b>Total Learning and/or Language Disabilities</b>	<b>83,139</b>	<b>3,210</b>	<b>86,349</b>	<b>86,020</b>	<b>329</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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	\$ 3,902,609	\$ 19,275	\$ 3,921,884	\$ 3,919,866	\$ 2,018
Purchased Technical Services	1,000		1,000		1,000
General Supplies	5,423	325	5,748	5,748	
Textbooks	4,585	(325)	4,260	4,044	216
	<u>3,913,617</u>	<u>19,275</u>	<u>3,932,892</u>	<u>3,929,658</u>	<u>3,234</u>
Total Resource Room/Resource Center					
Autism:					
Salaries of Teachers	173,792		173,792	173,060	732
Other Salaries for Instruction	160,301	(28,055)	132,246	123,933	8,313
Purchased Professional - Educational Services	75,000	(1,000)	74,000	46,193	27,807
Other Purchased Services (400-500 series)	500		500	297	203
General Supplies	9,900	2,000	11,900	11,675	225
Other Objects	2,075	(2,000)	75	58	17
	<u>421,568</u>	<u>(29,055)</u>	<u>392,513</u>	<u>355,216</u>	<u>37,297</u>
Total Autism					
Preschool Disabilities - Part-Time:					
Salaries of Teachers		127,152	127,152	127,147	5
Other Salaries for Instruction		63,784	63,784	63,784	
		<u>190,936</u>	<u>190,936</u>	<u>190,931</u>	<u>5</u>
Total Preschool Disabilities - Part-Time					

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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>					
Special Education - Instruction: (Cont'd)					
Preschool Disabilities - Full-Time:					
Salaries of Teachers	\$ 117,527		\$ 117,527	\$ 117,040	\$ 487
Other Salaries for Instruction	131,894		131,894	95,838	36,056
General Supplies	2,250		2,250	2,192	58
Total Preschool Disabilities - Full-Time	<u>251,671</u>		<u>251,671</u>	<u>215,070</u>	<u>36,601</u>
Total Special Education Instruction	<u>4,669,995</u>	<u>\$ 184,366</u>	<u>4,854,361</u>	<u>4,776,895</u>	<u>77,466</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	797,170	28,710	825,880	801,206	24,674
Purchased Technical Services		135	135		135
Other Purchased Services (400-500 series)	500		500		500
General Supplies	9,000		9,000	210	8,790
Other Objects	500	(135)	365		365
Total Basic Skills/Remedial - Instruction	<u>807,170</u>	<u>28,710</u>	<u>835,880</u>	<u>801,416</u>	<u>34,464</u>
Bilingual Education - Instruction:					
Salaries of Teachers	40,019	11,590	51,609	51,603	6
General Supplies	360		360		360
Total Bilingual Education - Instruction	<u>40,379</u>	<u>11,590</u>	<u>51,969</u>	<u>51,603</u>	<u>366</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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>					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 303,051	\$ (1,000)	\$ 302,051	\$ 292,289	\$ 9,762
Purchased Services (300-500 series)	3,900	6,935	10,835	8,010	2,825
Supplies and Materials	9,450	650	10,100	10,061	39
Other Objects	12,350	1,640	13,990	11,701	2,289
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>328,751</b>	<b>8,225</b>	<b>336,976</b>	<b>322,061</b>	<b>14,915</b>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	774,906		774,906	718,000	56,906
Purchased Services (300-500 series)	164,175	(8,539)	155,636	154,937	699
Supplies and Materials	59,400	2,233	61,633	61,436	197
Other Objects	22,165	6,306	28,471	28,466	5
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>1,020,646</b>		<b>1,020,646</b>	<b>962,839</b>	<b>57,807</b>
Community Services Programs/Operations:					
Salaries	43,801		43,801	41,915	1,886
<b>Total Community Services Programs/Operations</b>	<b>43,801</b>		<b>43,801</b>	<b>41,915</b>	<b>1,886</b>
<b>Total Instruction</b>	<b>31,592,446</b>	<b>178,700</b>	<b>31,771,146</b>	<b>31,292,659</b>	<b>478,487</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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		\$ 46,049	\$ 46,049	\$ 44,493	\$ 1,556
Tuition to Other LEAs Within the State - Special	\$ 3,001,687	(511,596)	2,490,091	2,391,237	98,854
Tuition to County Vocational Schools - Regular	635,000	32,000	667,000	666,950	50
Tuition to County Vocational Schools - Special	40,000	(3,500)	36,500	28,000	8,500
Tuition to County Special Services Schools and Regional Day Schools	2,500		2,500		2,500
Tuition to Private Schools for the Disabled - Within the State	3,739,850	(282,500)	3,457,350	3,424,614	32,736
Tuition to Private Schools for the Disabled and Other LEA's - Outside the State		282,500	282,500	274,305	8,195
Tuition - State Facilities	17,699		17,699	17,699	
Tuition - Other	104,000	(10,000)	94,000	85,471	8,529
<b>Total Undistributed Expenditures - Instruction</b>	<b>7,540,736</b>	<b>(447,047)</b>	<b>7,093,689</b>	<b>6,932,769</b>	<b>160,920</b>
<b>Attendance and Social Work Services:</b>					
Salaries	106,077		106,077	103,871	2,206
<b>Total Attendance and Social Work Services</b>	<b>106,077</b>		<b>106,077</b>	<b>103,871</b>	<b>2,206</b>
<b>Health Services:</b>					
Salaries	693,706	(54,485)	639,221	604,489	34,732
Purchased Professional and Technical Services	100,408		100,408	78,494	21,914
Other Purchased Services (400-500 series)	600		600	454	146
Supplies and Materials	7,650	125	7,775	7,759	16
Other Objects	400	(125)	275	160	115
<b>Total Health Services</b>	<b>802,764</b>	<b>(54,485)</b>	<b>748,279</b>	<b>691,356</b>	<b>56,923</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 693,320	\$ 8,770	\$ 702,090	\$ 676,884	\$ 25,206
Purchased Professional - Educational Services	482,471	20,800	503,271	498,031	5,240
Supplies and Materials	9,000		9,000	8,863	137
Total Other Support Services - Speech, OT, PT and Related Services	<u>1,184,791</u>	<u>29,570</u>	<u>1,214,361</u>	<u>1,183,778</u>	<u>30,583</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	<u>502,489</u>		<u>502,489</u>	<u>480,977</u>	<u>21,512</u>
Total Other Support Services - Students - Extraordinary Services	<u>502,489</u>		<u>502,489</u>	<u>480,977</u>	<u>21,512</u>
Guidance:					
Salaries of Other Professional Staff	872,699	4,110	876,809	876,807	2
Salaries of Secretarial and Clerical Assistants	297,543	22,920	320,463	320,459	4
Other Salaries	26,500	(1,115)	25,385	4,472	20,913
Other Purchased Professional and Technical Services	328	8,000	8,328	3,869	4,459
Supplies and Materials	67,097	3,650	70,747	40,994	29,753
Other Objects		550	550	495	55
Total Guidance	<u>1,264,167</u>	<u>38,115</u>	<u>1,302,282</u>	<u>1,247,096</u>	<u>55,186</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Child Study Team:					
Salaries of Other Professional Staff	\$ 1,171,200	\$ (3,080)	\$ 1,168,120	\$ 1,166,845	\$ 1,275
Salaries of Secretarial and Clerical Assistants	253,155	(300)	252,855	250,814	2,041
Purchased Professional - Educational Services	20,000	3,449	23,449	23,447	2
Miscellaneous Purchased Services	750		750	370	380
Supplies and Materials	9,000	(69)	8,931	8,890	41
Other Objects	1,250		1,250	1,232	18
Total Child Study Team	<u>1,455,355</u>		<u>1,455,355</u>	<u>1,451,598</u>	<u>3,757</u>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	569,598	(20,000)	549,598	539,104	10,494
Salaries of Other Professional Staff	30,807	(9,000)	21,807	21,565	242
Salaries of Secretarial and Clerical Assistants	102,155	32,200	134,355	134,339	16
Other Salaries	30,660	(250)	30,410	23,460	6,950
Purchased Professional - Educational Services	19,500		19,500	15,905	3,595
Supplies and Materials	27,000		27,000	24,376	2,624
Other Objects	3,400		3,400	396	3,004
Total Improvement of Instructional Services	<u>783,120</u>	<u>2,950</u>	<u>786,070</u>	<u>759,145</u>	<u>26,925</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Educational Media Services/School Library:					
Salaries	\$ 714,031		\$ 714,031	\$ 699,416	\$ 14,615
Purchased Professional and Technical Services		\$ 11,425	11,425	9,775	1,650
Other Purchased Services (400-500 series)	500		500	433	67
Supplies and Materials	84,350	280	84,630	83,496	1,134
Other Objects	655	(280)	375	186	189
Total Educational Media Services/School Library	<u>799,536</u>	<u>11,425</u>	<u>810,961</u>	<u>793,306</u>	<u>17,655</u>
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	621,540	(2,950)	618,590	610,245	8,345
Salaries of Other Professional Staff	28,308	(11,425)	16,883		16,883
Salaries of Secretarial and Clerical Assistants	49,600		49,600	47,930	1,670
Purchased Professional - Educational Services	179,001		179,001	153,235	25,766
Supplies and Materials		800	800	775	25
Other Objects	10,000	(800)	9,200	8,493	707
Total Instructional Staff Training Services	<u>888,449</u>	<u>(14,375)</u>	<u>874,074</u>	<u>820,678</u>	<u>53,396</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Support Services - General Administration:					
Salaries	\$ 338,725	\$ (1,910)	\$ 336,815	\$ 326,959	\$ 9,856
Legal Services	125,000	(50,000)	75,000	69,043	5,957
Audit Fees	44,000	1,910	45,910	45,908	2
Other Purchased Professional Services	11,663		11,663	10,095	1,568
Purchased Technical Services	27,500	38,310	65,810	3,023	62,787
Communications/Telephone	113,000	(35,200)	77,800	77,779	21
BOE Other Purchased Services	7,000		7,000	2,667	4,333
Other Purchased Services (400-500 series)	121,143	74,200	195,343	195,116	227
General Supplies	25,050	(15,000)	10,050	9,191	859
Miscellaneous Expenditures	70,810	(28,110)	42,700	41,900	800
BOE Membership Dues and Fees	30,500		30,500	29,532	968
Total Support Services - General Administration	<u>914,391</u>	<u>(15,800)</u>	<u>898,591</u>	<u>811,213</u>	<u>87,378</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,674,490	5,000	1,679,490	1,678,395	1,095
Salaries of Other Professional Staff	144,344		144,344	142,580	1,764
Salaries of Secretarial and Clerical Assistants	804,508	(5,000)	799,508	781,262	18,246
Purchased Professional and Technical Services	6,500	1,000	7,500	7,222	278
Other Purchased Services (400-500 series)	106,050		106,050	102,141	3,909
Supplies and Materials	450	(200)	250	250	250
Other Objects	7,500	200	7,700	6,718	982
Total Support Services - School Administration	<u>2,743,842</u>	<u>1,000</u>	<u>2,744,842</u>	<u>2,718,318</u>	<u>26,524</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Central Services:					
Salaries	\$ 848,370	\$ 7,700	\$ 856,070	\$ 856,060	\$ 10
Purchased Professional Services	78,607	20,000	98,607	84,133	14,474
Purchased Technical Services	128,995	(44,465)	84,530	45,091	39,439
Miscellaneous Purchased Services (400-500 series)	3,500	1,000	4,500	4,428	72
Supplies and Materials	62,550	(1,929)	60,621	23,108	37,513
Miscellaneous Expenditures	15,000	2,194	17,194	15,132	2,062
Total Central Services	<u>1,137,022</u>	<u>(15,500)</u>	<u>1,121,522</u>	<u>1,027,952</u>	<u>93,570</u>
Administration Information Technology:					
Salaries	366,125	(40,725)	325,400	314,470	10,930
Purchased Professional Services	3,000		3,000		3,000
Purchased Technical Services	70,834	18,525	89,359	55,212	34,147
Other Purchased Services (400-500 series)	1,000		1,000		1,000
Supplies and Materials	3,690		3,690	3,685	5
Total Administration Information Technology	<u>444,649</u>	<u>(22,200)</u>	<u>422,449</u>	<u>373,367</u>	<u>49,082</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Required Maintenance of School Facilities:					
Salaries	\$ 613,414	\$ (3,500)	\$ 609,914	\$ 609,516	\$ 398
Cleaning, Repair and Maintenance Services	417,295	(19,000)	398,295	320,307	77,988
Other Purchased Services (400-500 series)		1,000	1,000		1,000
General Supplies	203,492	(500)	202,992	153,841	49,151
Other Objects	2,000	(1,000)	1,000		1,000
	<u>1,236,201</u>	<u>(23,000)</u>	<u>1,213,201</u>	<u>1,083,664</u>	<u>129,537</u>
Total Required Maintenance of School Facilities					
Custodial Services:					
Salaries	2,531,848	(105,610)	2,426,238	2,426,230	8
Salaries of Non-Instructional Aides	354,024	111,510	465,534	465,531	3
Purchased Professional and Technical Services	290,000	98,000	388,000	288,116	99,884
Cleaning, Repair and Maintenance Services	160,500	(300)	160,200	134,074	26,126
Other Purchased Property Services	70,989	163,471	234,460	213,621	20,839
Insurance	213,705	8,777	222,482	222,447	35
General Supplies	305,000	(37,400)	267,600	242,585	25,015
Energy (Natural Gas)	602,932	(206,212)	396,720	358,659	38,061
Energy (Electricity)	948,230	(23,759)	924,471	869,473	54,998
Other Objects		300	300	300	
	<u>5,477,228</u>	<u>8,777</u>	<u>5,486,005</u>	<u>5,221,036</u>	<u>264,969</u>
Total Custodial Services					
Care and Upkeep of Grounds:					
Salaries	302,065	(11,050)	291,015	262,849	28,166
	<u>302,065</u>	<u>(11,050)</u>	<u>291,015</u>	<u>262,849</u>	<u>28,166</u>
Total Care and Upkeep of Grounds					

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Security:					
Salaries	\$ 117,095	\$ 21,050	\$ 138,145	\$ 138,137	\$ 8
Total Security	<u>117,095</u>	<u>21,050</u>	<u>138,145</u>	<u>138,137</u>	<u>8</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	266,550	(2,600)	263,950	259,962	3,988
Other Than Between Home and School - Regular	95,000	22,800	117,800	117,714	86
Management Fee - ESC & CTSA Transportation Program	50,000	(4,200)	45,800	43,466	2,334
Rental Payments - School Buses *	3,000	(3,000)			
Contracted Services:					
Between Home and School - Vendors	457,500	(2,100)	455,400	429,982	25,418
Other Than Between Home and School - Vendors	45,100	1,100	46,200	44,134	2,066
Special Education Students - Vendors	442,276	(78,300)	363,976	322,902	41,074
Regular Students - ESCs & CTSA	50,000	70,000	120,000	42,732	77,268
Special Education Students - ESCs & CTSA	1,600,391	(371,435)	1,228,956	1,143,521	85,435
Aid in Lieu Payments - Nonpublic Schools	195,000	50,500	245,500	161,739	83,761
Miscellaneous Purchased Services	3,500	(1,902)	1,598	1,448	150
Supplies and Materials	44,728	(2,763)	41,965	40,332	1,633
Other Objects	2,000	(2,000)			
Total Student Transportation Services	<u>3,255,045</u>	<u>(323,900)</u>	<u>2,931,145</u>	<u>2,607,932</u>	<u>323,213</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<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:					
Unallocated Benefits:					
Social Security Contributions	\$ 1,054,932	\$ (119,271)	\$ 935,661	\$ 935,660	\$ 1
Other Retirement Contributions - Regular	712,522	37,830	750,352	750,351	1
Unemployment Compensation	50,000	175,000	225,000	225,000	
Workmen's Compensation	236,814	184,159	420,973	420,523	450
Health Benefits	11,410,599	(189,271)	11,221,328	11,221,327	1
Tuition Reimbursement	162,393		162,393	151,887	10,506
Other Employee Benefits	20,000	(5,128)	14,872	14,872	
Total Unallocated Benefits	<u>13,647,260</u>	<u>83,319</u>	<u>13,730,579</u>	<u>13,719,620</u>	<u>10,959</u>
On-Behalf TPAF Contributions:					
Post Retirement Medical (non-budgeted)				2,078,669	(2,078,669)
Non-Contributory Insurance (non-budgeted)				110,677	(110,677)
Reimbursed TPAF Social Security Contributions (non-budgeted)				2,462,289	(2,462,289)
Total On-Behalf and Reimbursed Contributions				<u>4,651,635</u>	<u>(4,651,635)</u>
Total Personal Services - Employee Benefits	<u>\$ 13,647,260</u>	<u>\$ 83,319</u>	<u>\$ 13,730,579</u>	<u>18,371,255</u>	<u>(4,640,676)</u>
Total Undistributed Expenses	<u>44,602,282</u>	<u>(731,151)</u>	<u>43,871,131</u>	<u>47,080,297</u>	<u>(3,209,166)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>76,194,728</u>	<u>(552,451)</u>	<u>75,642,277</u>	<u>78,372,956</u>	<u>(2,730,679)</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Undistributed Expenditures:					
Instruction	\$ 97,881	\$ 881,280	\$ 979,161	\$ 327,579	\$ 651,582
Total Equipment	97,881	881,280	979,161	327,579	651,582
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	51,687	10,800	62,487	45,814	16,673
Construction Services	274,400	(42,518)	231,882	97,800	134,082
Lease Purchase Agreements - Principal	585,000		585,000	583,445	1,555
Total Facilities Acquisition and Construction Services	911,087	(31,718)	879,369	727,059	152,310
Assets Acquired Under Capital Leases (non-budgeted):					
Undistributed Expenditures:					
Instruction				540,000	(540,000)
Total Assets Acquired Under Capital Leases (non-budgeted)				540,000	(540,000)
TOTAL CAPITAL OUTLAY	1,008,968	849,562	1,858,530	1,594,638	263,892
Transfer of Funds to Charter Schools	29,847	17,047	46,894	46,894	
TOTAL EXPENDITURES	77,233,543	314,158	77,547,701	80,014,488	(2,466,787)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(466,565)	(314,158)	(780,723)	1,383,798	2,164,521

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources/(Uses):					
Capital Leases (non-budgeted)				\$ 540,000	\$ 540,000
Operating Transfers Out:					
Capital Projects Fund:					
Capital Outlay		\$ (31,718)	\$ (31,718)	(31,718)	
Total Other Financing Sources/(Uses)		(31,718)	(31,718)	508,282	540,000
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ (466,565)	(345,876)	(812,441)	1,892,080	2,704,521
Fund Balance, July 1	2,548,623		2,548,623	2,548,623	
Fund Balance, June 30	<u>\$ 2,082,058</u>	<u>\$ (345,876)</u>	<u>\$ 1,736,182</u>	<u>\$ 4,440,703</u>	<u>\$ 2,704,521</u>
Recapitulation:					
Reserve for Encumbrances				\$ 1,229,270	
Reserve for Excess Surplus				344,962	
Capital Reserve				46,591	
Maintenance Reserve				400,700	
Unreserved - Designated for Subsequent Year's Expenditures				560,000	
Unreserved - Undesignated				1,859,180	
				<u>4,440,703</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				(433,527)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,007,176</u>	

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State Sources	\$ 444,500	\$ 121,742	\$ 566,242	\$ 564,140	\$ (2,102)
Federal Sources	975,000	2,037,371	3,012,371	2,042,995	(969,376)
Local Sources		218,908	218,908	107,472	(111,436)
<b>Total Revenues</b>	<b>1,419,500</b>	<b>2,378,021</b>	<b>3,797,521</b>	<b>2,714,607</b>	<b>(1,082,914)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Personal Services - Salaries	124,500	1,563,306	1,687,806	1,257,360	430,446
Purchased Professional/Educational Services		89,673	89,673	18,055	71,618
Purchased Technical Services		1,896	1,896	1,896	
Other Purchased Services	900,000	(527,993)	372,007	326,522	45,485
General Supplies		296,856	296,856	233,282	
Textbooks	55,000	15,242	70,242	69,418	
Other Objects		200	200	200	
<b>Total Instruction</b>	<b>1,079,500</b>	<b>1,439,180</b>	<b>2,518,680</b>	<b>1,906,733</b>	<b>611,947</b>
<b>Support Services</b>					
Personal Services - Salaries		65,085	65,085	45,085	20,000
Personal Services - Employee Benefits		164,524	164,524	66,927	97,597
Purchased Professional/Educational Services	340,000	491,843	831,843	596,931	234,912
Purchased Technical Services		200	200		200
Other Purchased Services		41,759	41,759	13,823	27,936
Supplies and Materials		33,930	33,930	3,946	29,984
<b>Total Support Services</b>	<b>340,000</b>	<b>797,341</b>	<b>1,137,341</b>	<b>726,712</b>	<b>410,629</b>
<b>Facilities Acquisition:</b>					
Instructional Equipment		141,500	141,500	81,162	60,338
<b>Total Facilities Acquisition</b>		<b>141,500</b>	<b>141,500</b>	<b>81,162</b>	<b>60,338</b>
<b>Total Expenditures</b>	<b>1,419,500</b>	<b>2,378,021</b>	<b>3,797,521</b>	<b>2,714,607</b>	<b>1,082,914</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 81,398,286	\$ 2,714,607
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		(73,418)
Cancellation of Prior Year Encumbrances		(3,500)
Prior Year Encumbrances		27,517
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	379,416	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(433,527)	(4,946)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 81,344,175	\$ 2,660,260
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 80,014,488	\$ 2,714,607
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		(73,418)
Cancellation of Prior Year Encumbrances		(3,500)
Prior Year Encumbrances		27,517
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 80,014,488	\$ 2,665,206

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 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, 2010

	No Child Left Behind						
	Title I			Title IIA			
	2009-10	2008-09		2007-08 Carryover	2009-10	2008-09	
Summer		Carryover	Summer			Carryover	
REVENUE:							
State Sources							
Federal Sources	\$ 91,094	\$ 2,807	\$ 11,293	\$ 1,475	\$ 72,605	\$ 8,785	\$ 16,907
Local Sources							
<b>Total Revenue</b>	<b>\$ 91,094</b>	<b>\$ 2,807</b>	<b>\$ 11,293</b>	<b>\$ 1,475</b>	<b>\$ 72,605</b>	<b>\$ 8,785</b>	<b>\$ 16,907</b>
EXPENDITURES:							
Instruction:							
Personal Services - Salaries	\$ 73,095	\$ 887	\$ 430		\$ 51,443	\$ 2,272	\$ 1,683
Purchased Professional/Educational Services							
Purchased Technical Services							
Other Purchased Services							
General Supplies	3,066	820	9,365	\$ 1,475	10,884	3,238	10,812
Textbooks							
Other Objects							
<b>Total Instruction</b>	<b>76,161</b>	<b>1,707</b>	<b>9,795</b>	<b>1,475</b>	<b>62,327</b>	<b>5,510</b>	<b>12,495</b>
Support Services:							
Personal Services - Salaries							85
Personal Services - Employee Benefits	9,982				6,575		
Purchased Professional/Educational Services	4,951	1,100	1,498		2,551		3,000
Other Purchased Services					1,152	3,275	1,327
Supplies and Materials							
<b>Total Support Services</b>	<b>14,933</b>	<b>1,100</b>	<b>1,498</b>		<b>10,278</b>	<b>3,275</b>	<b>4,412</b>
Facilities Acquisition:							
Instructional Equipment							
<b>Total Facilities Acquisition</b>							
<b>Total Expenditures</b>	<b>\$ 91,094</b>	<b>\$ 2,807</b>	<b>\$ 11,293</b>	<b>\$ 1,475</b>	<b>\$ 72,605</b>	<b>\$ 8,785</b>	<b>\$ 16,907</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, 2010

	No Child Left Behind						
	Title IIA	Title IID			Title III	Title IV	
	2007-08 Carryover	2009-10	2008-09 Carryover	2007-08 Carryover	2006-07 Carryover	2009-10	2009-10
REVENUE:							
State Sources							
Federal Sources	\$ 1,359	\$ 608	\$ 778	\$ 158	\$ 17	\$ 3,090	\$ 6,601
Local Sources							
Total Revenue	<u>\$ 1,359</u>	<u>\$ 608</u>	<u>\$ 778</u>	<u>\$ 158</u>	<u>\$ 17</u>	<u>\$ 3,090</u>	<u>\$ 6,601</u>
EXPENDITURES:							
Instruction:							
Personal Services - Salaries							
Purchased Professional/Educational Services						\$ 600	\$ 3,645
Purchased Technical Services							
Other Purchased Services							
General Supplies	\$ 1,359	\$ 608	\$ 592	\$ 158	\$ 17	2,490	
Textbooks							
Other Objects							
Total Instruction	<u>1,359</u>	<u>608</u>	<u>592</u>	<u>158</u>	<u>17</u>	<u>3,090</u>	<u>3,645</u>
Support Services:							
Personal Services - Salaries							
Personal Services - Employee Benefits							
Purchased Professional/Educational Services							
Other Purchased Services			186				370
Supplies and Materials							2,586
Total Support Services			<u>186</u>				<u>2,956</u>
Facilities Acquisition:							
Instructional Equipment							
Total Facilities Acquisition							
Total Expenditures	<u>\$ 1,359</u>	<u>\$ 608</u>	<u>\$ 778</u>	<u>\$ 158</u>	<u>\$ 17</u>	<u>\$ 3,090</u>	<u>\$ 6,601</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, 2010

	No Child Left Behind	I.D.E.A. - Part B, Basic Regular			I.D.E.A. - Part B, Basic Preschool	
	Title V					
	2007-08 Carryover	2009-10	2008-09 Summer	2009-10 ARRA	2009-10	2009-10 ARRA
REVENUE:						
State Sources						
Federal Sources	\$ 872	\$ 992,127	\$ 115,713	\$ 634,377	\$ 52,828	\$ 29,501
Local Sources						
Total Revenue	<u>\$ 872</u>	<u>\$ 992,127</u>	<u>\$ 115,713</u>	<u>\$ 634,377</u>	<u>\$ 52,828</u>	<u>\$ 29,501</u>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries		\$ 501,981	\$ 115,713	\$ 383,517		\$ 25,740
Purchased Professional/Educational Services						
Purchased Technical Services						
Other Purchased Services		271,634			\$ 52,828	
General Supplies	\$ 872	40,371		103,399		
Textbooks						
Other Objects						
Total Instruction	<u>872</u>	<u>813,986</u>	<u>115,713</u>	<u>486,916</u>	<u>52,828</u>	<u>25,740</u>
Support Services:						
Personal Services - Salaries		45,000				
Personal Services - Employee Benefits				46,609		3,761
Purchased Professional/Educational Services		133,141		17,940		
Other Purchased Services				390		
Supplies and Materials				1,360		
Total Support Services		<u>178,141</u>		<u>66,299</u>		<u>3,761</u>
Facilities Acquisition:						
Instructional Equipment				81,162		
Total Facilities Acquisition				<u>81,162</u>		
Total Expenditures	<u>\$ 872</u>	<u>\$ 992,127</u>	<u>\$ 115,713</u>	<u>\$ 634,377</u>	<u>\$ 52,828</u>	<u>\$ 29,501</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, 2010

	Nonpublic Auxiliary Services (Chapter 192)				Nonpublic Handicapped Services (Chapter 193)		
	Compensatory Education	English as a Second Language	Transportation	Home Instruction	Supplementary Instruction	Examination & Classification	Corrective Speech
REVENUE:							
State Sources	\$ 70,634	\$ 4,013	\$ 8,449	\$ 6,677	\$ 106,245	\$ 128,684	\$ 24,749
Federal Sources							
Local Sources							
<b>Total Revenue</b>	<b>\$ 70,634</b>	<b>\$ 4,013</b>	<b>\$ 8,449</b>	<b>\$ 6,677</b>	<b>\$ 106,245</b>	<b>\$ 128,684</b>	<b>\$ 24,749</b>
EXPENDITURES:							
Instruction:							
Personal Services - Salaries							
Purchased Professional/Educational Services							
Purchased Technical Services							
Other Purchased Services							
General Supplies							
Textbooks							
Other Objects							
<b>Total Instruction</b>							
Support Services:							
Personal Services - Salaries							
Personal Services - Employee Benefits							
Purchased Professional/Educational Services	\$ 70,634	\$ 4,013	\$ 8,449	\$ 6,677	\$ 106,245	\$ 128,684	\$ 24,749
Other Purchased Services							
Supplies and Materials							
<b>Total Support Services</b>	<b>70,634</b>	<b>4,013</b>	<b>8,449</b>	<b>6,677</b>	<b>106,245</b>	<b>128,684</b>	<b>24,749</b>
Facilities Acquisition:							
Instructional Equipment							
<b>Total Facilities Acquisition</b>							
<b>Total Expenditures</b>	<b>\$ 70,634</b>	<b>\$ 4,013</b>	<b>\$ 8,449</b>	<b>\$ 6,677</b>	<b>\$ 106,245</b>	<b>\$ 128,684</b>	<b>\$ 24,749</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, 2010

	NJ Nonpublic		Preschool Education Aid		Other Local Programs	Totals June 30, 2010
	Textbooks	Nursing	2009-10	2008-09 Carryover		
REVENUE:						
State Sources	\$ 69,418	\$ 83,299	\$ 49,500	\$ 12,472		\$ 564,140
Federal Sources						2,042,995
Local Sources					\$ 107,472	107,472
<b>Total Revenue</b>	<b>\$ 69,418</b>	<b>\$ 83,299</b>	<b>\$ 49,500</b>	<b>\$ 12,472</b>	<b>\$ 107,472</b>	<b>\$ 2,714,607</b>
EXPENDITURES:						
Instruction:						
Personal Services - Salaries			\$ 49,500	\$ 12,472	\$ 38,627	\$ 1,257,360
Purchased Professional/Educational Services					13,810	18,055
Purchased Technical Services					1,896	1,896
Other Purchased Services					2,060	326,522
General Supplies					43,756	233,282
Textbooks	\$ 69,418					69,418
Other Objects					200	200
<b>Total Instruction</b>	<b>69,418</b>		<b>49,500</b>	<b>12,472</b>	<b>100,349</b>	<b>1,906,733</b>
Support Services:						
Personal Services - Salaries						45,085
Personal Services - Employee Benefits						66,927
Purchased Professional/Educational Services		\$ 83,299				596,931
Other Purchased Services					7,123	13,823
Supplies and Materials						3,946
<b>Total Support Services</b>		<b>83,299</b>			<b>7,123</b>	<b>726,712</b>
Facilities Acquisition:						
Instructional Equipment						81,162
<b>Total Facilities Acquisition</b>						<b>81,162</b>
<b>Total Expenditures</b>	<b>\$ 69,418</b>	<b>\$ 83,299</b>	<b>\$ 49,500</b>	<b>\$ 12,472</b>	<b>\$ 107,472</b>	<b>\$ 2,714,607</b>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 61,972	\$ 61,972	
Total Instruction	61,972	61,972	
 Total Expenditures	\$ 61,972	\$ 61,972	\$ -0-

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2009-2010 Preschool Education Aid Allocation	\$ 49,500
Add: Actual Preschool Education Carryover (June 30, 2010)	12,472
Total Preschool Education Aid Funds Available for 2009-2010 Budget	61,972
Less: 2009-2010 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(61,972)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2010	-0-
Add: June 30, 2010 Unexpended Preschool Education Aid	-0-
2009-2010 Carryover - Preschool Education Aid/Preschool	\$ -0-
2009-2010 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2010-2011	\$ -0-

**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, 2010

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ (87,585)
Budget Appropriation	873,300
Transfer from Capital Outlay	<u>31,718</u>
Total Revenue and Other Financing Sources	<u>817,433</u>
Expenditures and Other Financing Uses:	
Construction Services	561,403
Transfer to Debt Service Fund - Balance Canceled	<u>500,000</u>
Total Expenditures and Other Financing Uses	<u>1,061,403</u>
Deficit of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(243,970)
Fund Balance/(Deficit) - Beginning	<u>(153,177)</u>
Fund Balance/(Deficit) - Ending	<u>\$ (397,147)</u>
<u>Recapitulation of Fund Balance at June 30, 2010:</u>	
Unreserved - Undesignated/(Deficit)	<u>\$ (397,147)</u>
Total Fund Balance/(Deficit) - Budgetary Basis	<u>(397,147)</u>
Total Fund Balance/(Deficit) per Governmental Funds (GAAP)	<u>\$ (397,147)</u>
<u>Reconciliation of Revenue from Budgetary Basis to GAAP Basis:</u>	
State SDA Grant Revenue Realized (Budgetary Basis)	\$ (87,585)
SDA Grants are Recognized as Revenue on the Budgetary Basis when Awarded but are not Recognized on the GAAP Basis until Expended and Submitted for Reimbursement	<u>312,146</u>
State SDA Grant Revenue Realized (GAAP Basis)	<u>\$ 224,561</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
 AND PROJECT STATUS - BUDGETARY BASIS  
 SCHOOL IMPROVEMENTS  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Project Authorization		
				Revised	Adjustments	Original
Revenue and Other Financing Sources:						
State Sources - SDA Grants	\$11,457,348		\$11,457,348	\$11,457,348	\$ (154,100)	\$11,611,448
Bond Proceeds and Transfers	24,117,464		24,117,464	24,117,664		24,117,664
<b>Total Revenue and Other Financing Sources</b>	<b>35,574,812</b>	<b>\$ -0-</b>	<b>35,574,812</b>	<b>35,575,012</b>	<b>(154,100)</b>	<b>35,729,112</b>
Expenditures and Other Financing Uses:						
Purchased Professional and Technical Services	2,152,503		2,152,503	2,250,000		2,250,000
Construction Services	32,048,435		32,048,435	32,125,012	(1,204,100)	33,329,112
Equipment Purchases	133,884		133,884	150,000		150,000
Transfer to Debt Service Fund - Balance Canceled	550,000	500,000	1,050,000	1,050,000	1,050,000	
<b>Total Expenditures and Other Financing Uses</b>	<b>34,884,822</b>	<b>500,000</b>	<b>35,384,822</b>	<b>35,575,012</b>	<b>(154,100)</b>	<b>35,729,112</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures and Other Financing Uses	\$ 689,990	\$ (500,000)	\$ 189,990	\$ -0-	\$ -0-	\$ -0-

## Additional Project Information:

Project Number	SP-201144,145,297,298,299,323,324,325
Grant Date	January 18, 2002
Bond Authorization Date	December 12, 2000
Bonds Authorized	\$24,117,664
Bonds Issued	\$24,117,000
Original Authorized Cost	\$35,729,112
Change Orders	\$ (154,100)
Revised Authorized Cost	\$35,575,012
Change Order Percentage	-0.43%
Percentage Completion	100.00%
Original Target Completion Date	3/30/08
Revised Target Completion Date	3/30/08

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, 2010

	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	25,000
Construction Services	210,309		210,309	240,032
Total Expenditures	225,469	-0-	225,469	265,032
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 39,563	\$ -0-	\$ 39,563	\$ -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	2/28/08

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
TRACK AND FIELD IMPROVEMENTS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Budget Appropriation	\$ 500,000	\$ 873,300	\$ 1,373,300	\$ 2,000,000
Total Revenue and Other Financing Sources	<u>500,000</u>	<u>873,300</u>	<u>1,373,300</u>	<u>2,000,000</u>
Expenditures:				
Purchased Professional and Technical Services	158,345		158,345	158,345
Construction Services	1,841,655		1,841,655	1,841,655
Total Expenditures	<u>2,000,000</u>	<u>-0-</u>	<u>2,000,000</u>	<u>2,000,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	<u>\$ (1,500,000)</u>	<u>\$ 873,300</u>	<u>\$ (626,700)</u>	<u>\$ -0-</u>

## Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	4/17/07
Bonds Authorized	\$ 2,000,000
Bonds Issued	\$ -0-
Original Authorized Cost	\$ 2,000,000
Change Orders	\$ -0-
Revised Authorized Cost	\$ 2,000,000
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	8/15/08
Revised Target Completion Date	8/15/08

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
HOWARD B. BRUNNER ELEMENTARY SCHOOL WINDOWS  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Totals	Project Authorization		
				Revised	Adjustments	Original
Revenue and Other Financing Sources:						
State Sources - SDA Grant	\$ 324,410	\$ (87,585)	\$ 236,825	\$ 236,825	\$ (87,585)	\$ 324,410
Transfer from Capital Reserve	198,520		198,520	198,520		198,520
Transfer from Capital Outlay	125,000	31,718	156,718	156,718	(131,377)	288,095
Total Revenue and Other Financing Sources	647,930	(55,867)	592,063	592,063	(218,962)	811,025
Expenditures:						
Purchased Professional and Technical Services	30,660		30,660	30,660	(13,140)	43,800
Construction Services		561,403	561,403	561,403	(205,822)	767,225
Total Expenditures	30,660	561,403	592,063	592,063	(218,962)	811,025
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 617,270	\$ (617,270)	\$ -0-	\$ -0-	\$ -0-	\$ -0-

## Additional Project Information:

Project Number	SP-4670-080-09-0YAC
Grant Date	2/26/09
Bond Authorization Date	N/A
Bonds Authorized	\$ -0-
Bonds Issued	\$ -0-
Original Authorized Cost	\$ 811,025
Change Orders	\$ (218,962)
Revised Authorized Cost	\$ 592,063
Change Order Percentage	-27.00%
Percentage Completion	100.00%
Original Target Completion Date	1/15/10
Revised Target Completion Date	2/28/10

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Purpose</u>	<u>Original Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2009</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2010</u>
Track and Field Improvements	\$ 2,000,000	6/11/2009	6/10/2010	1.64%	\$ 1,500,000		\$ 1,500,000	
		6/9/2010	6/8/2011	2.00%		\$ 626,700		\$ 626,700
						<u>\$ 1,500,000</u>	<u>\$ 626,700</u>	<u>\$ 1,500,000</u>

**PROPRIETARY FUNDS**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

	<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	\$ 417,267	\$ 93,736	\$ 511,003
Accounts Receivable:			
Other Governments:			
Federal	13,143		13,143
State	1,295		1,295
Other	16,124		16,124
Inventories	12,168		12,168
Total Current Assets	<u>459,997</u>	<u>93,736</u>	<u>553,733</u>
Non-Current Assets:			
Capital Assets	230,154		230,154
Less: Accumulated Depreciation	<u>(148,344)</u>		<u>(148,344)</u>
Total Non-Current Assets	<u>81,810</u>	<u>-0-</u>	<u>81,810</u>
Total Assets	<u>541,807</u>	<u>93,736</u>	<u>635,543</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Interfund Payable - General Fund	<u>9,104</u>		<u>9,104</u>
Total Current Liabilities	<u>9,104</u>	<u>-0-</u>	<u>9,104</u>
Total Liabilities	<u>9,104</u>	<u>-0-</u>	<u>9,104</u>
<u>NET ASSETS:</u>			
Investment in Capital Assets, Net of Related Debt	81,810		81,810
Unrestricted	<u>450,893</u>	<u>93,736</u>	<u>544,629</u>
Total Net Assets	<u>\$ 532,703</u>	<u>\$ 93,736</u>	<u>\$ 626,439</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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Summer Community Education Program</u>	<u>Total Enterprise</u>
Operating Revenue:			
Charges for Services:			
Daily Sales - Reimbursable Programs:			
School Lunch Program	\$ 706,624		\$ 706,624
Special Milk Program	10,386		10,386
Total Daily Sales - Reimbursable Programs	717,010		717,010
Daily Sales - Non-Reimbursable Programs	390,688		390,688
Special Events	10,475		10,475
Program Fees		\$ 72,726	72,726
Total Operating Revenue	1,118,173	72,726	1,190,899
Operating Expenses:			
Cost of Sales	549,370		549,370
Salaries	441,752	40,148	481,900
Payroll Taxes	50,136		50,136
Employee Benefits	34,675		34,675
Purchased Property Services	7,955	30,000	37,955
Purchased Professional - Educational Services		11,760	11,760
Other Purchased Services		1,000	1,000
Management Fee	59,241		59,241
Insurance	46,424		46,424
Supplies and Materials	38,800	2,889	41,689
Depreciation Expense	6,773		6,773
Total Operating Expenses	1,235,126	85,797	1,320,923
Operating Income/(Loss)	(116,953)	(13,071)	(130,024)
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	154,650		154,650
Special Milk Program	5,005		5,005
Food Distribution Program	88,074		88,074
State Sources - School Lunch Program	15,764		15,764
Local Sources - Interest Revenue	982	209	1,191
Total Non-Operating Revenue	264,475	209	264,684
Change in Net Assets	147,522	(12,862)	134,660
Net Assets - Beginning of Year	385,181	106,598	491,779
Net Assets - End of Year	\$ 532,703	\$ 93,736	\$ 626,439

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Food Service</u>	<u>Summer Community Education Program</u>	<u>Total Enterprise</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 1,121,707	\$ 72,726	\$ 1,194,433
Payments to Employees	(80,562)	(40,148)	(120,710)
Payments to Food Service Vendor	(1,071,449)		(1,071,449)
Payments to Suppliers	(14,952)	(45,649)	(60,601)
Net Cash Used for Operating Activities	<u>(45,256)</u>	<u>(13,071)</u>	<u>(58,327)</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(10,000)		(10,000)
Net Cash Used for Capital Financing Activities	<u>(10,000)</u>	<u>-0-</u>	<u>(10,000)</u>
Cash Flows from Noncapital Financing Activities:			
Federal Sources	158,029		158,029
State Sources	15,633		15,633
Net Cash Provided by Noncapital Financing Activities	<u>173,662</u>	<u>-0-</u>	<u>173,662</u>
Cash Flows from Investing Activities:			
Interest Revenue	982	209	1,191
Net Cash Provided by Investing Activities	<u>982</u>	<u>209</u>	<u>1,191</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	119,388	(12,862)	106,526
Cash and Cash Equivalents, July 1	297,879	106,598	404,477
Cash and Cash Equivalents, June 30	<u>\$ 417,267</u>	<u>\$ 93,736</u>	<u>\$ 511,003</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	\$ (116,953)	\$ (13,071)	\$ (130,024)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:			
Depreciation	6,773		6,773
Federal Food Distribution Program	88,074		88,074
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	3,534		3,534
Decrease in Inventory	244		244
(Decrease) in Accounts Payable	(26,869)		(26,869)
(Decrease) in Interfund Payable	(59)		(59)
Net Cash Used for Operating Activities	<u>\$ (45,256)</u>	<u>\$ (13,071)</u>	<u>\$ (58,327)</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 \$88,074 for the fiscal year ended June 30, 2010.

**FIDUCIARY FUNDS**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>		<u>Total</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 170,558	\$ 298,160	\$ 468,718	\$ 324,736
Total Assets	170,558	298,160	468,718	324,736
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings		298,160	298,160	
Due to Student Groups	170,558		170,558	
Total Liabilities	170,558	298,160	468,718	-0-
<u>NET ASSETS:</u>				
Held in Trust for: Unemployment Claims				324,736
Total Net Assets	\$ -0-	\$ -0-	\$ -0-	\$ 324,736

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Member	\$    45,925
Employer	<u>225,000</u>
Total Contributions	<u>270,925</u>
Investment Earnings:	
Interest	<u>368</u>
Net Investment Earnings	<u>368</u>
Total Additions	<u>271,293</u>
DEDUCTIONS:	
Quarterly Contribution Reports	<u>136,514</u>
Total Deductions	<u>136,514</u>
Change in Net Assets	134,779
Net Assets - Beginning of the Year	<u>189,957</u>
Net Assets - End of the Year	<u>\$    324,736</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 107,401	\$ 844,425	\$ 781,268	\$ 170,558
Investments	108,637	(108,637)		
Total Assets	<u>\$ 216,038</u>	<u>\$ 735,788</u>	<u>\$ 781,268</u>	<u>\$ 170,558</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 216,038	\$ 735,788	\$ 781,268	\$ 170,558
Total Liabilities	<u>\$ 216,038</u>	<u>\$ 735,788</u>	<u>\$ 781,268</u>	<u>\$ 170,558</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Senior High School:				
Scotch Plains-Fanwood	\$ 172,451	\$ 502,244	\$ 524,373	\$ 150,322
Student Athletic Account	1,543	104,169	104,203	1,509
Middle Schools:				
Park	6,401	58,054	61,080	3,375
Terrill	35,643	71,321	91,612	15,352
Total All Schools	<u>\$ 216,038</u>	<u>\$ 735,788</u>	<u>\$ 781,268</u>	<u>\$ 170,558</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 574,358	\$ 48,084,670	\$ 48,360,868	\$ 298,160
Total Assets	<u>\$ 574,358</u>	<u>\$ 48,084,670</u>	<u>\$ 48,360,868</u>	<u>\$ 298,160</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 574,358	\$ 48,084,670	\$ 48,360,868	\$ 298,160
Total Liabilities	<u>\$ 574,358</u>	<u>\$ 48,084,670</u>	<u>\$ 48,360,868</u>	<u>\$ 298,160</u>

**LONG-TERM DEBT**

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010		Interest Rate	Balance July 1, 2009	Issued	Retired/ Matured	Defeased Debt	Balance June 30, 2010
			Date	Amount						
School Bonds	05/01/01	\$ 9,000,000	11/01/10	\$ 450,000	4.375%	\$ 5,850,000		\$ 450,000	\$ 4,500,000	\$ 900,000
			11/01/11	450,000	4.375%					
School Bonds	01/01/02	15,117,000	07/15/10	755,850	4.400%	10,581,900		755,850	7,558,500	2,267,550
			07/15/11	755,850	4.500%					
			07/15/12	755,850	4.500%					
School Refunding Bonds	02/11/10	12,180,000	07/15/10	80,000	3.000%					
			07/15/11	50,000	3.000%					
			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%					
						\$ 12,180,000			12,180,000	
						\$ 16,431,900	\$ 12,180,000	\$ 1,205,850	\$ 12,058,500	\$ 15,347,550

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Retired/ Matured</u>	<u>Balance June 30, 2010</u>
Computer Equipment and Maintenance Vehicles	3.98%	\$ 535,267	\$ 254,696		\$ 124,863	\$ 129,833
Computer Equipment, Furniture and Vehicles	3.79%	456,935	310,253		152,242	158,011
Computer Equipment	3.22%	540,000	399,265		128,893	270,372
Computer Equipment	3.37%	540,000		\$ 540,000	140,602	399,398
			<u>\$ 964,214</u>	<u>\$ 540,000</u>	<u>\$ 546,600</u>	<u>\$ 957,614</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,343,994		\$ 2,343,994	\$ 2,343,994	
Total Revenues	2,343,994		2,343,994	2,343,994	
EXPENDITURES:					
Regular Debt Service:					
Interest	799,144	\$ (34,305)	764,839	654,735	\$ 110,104
Redemption of Principal	1,544,850	534,305	2,079,155	2,079,150	5
Total Regular Debt Service	2,343,994	500,000	2,843,994	2,733,885	110,109
Total Expenditures	2,343,994	500,000	2,843,994	2,733,885	110,109
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	-0-	(500,000)	(500,000)	(389,891)	110,109
Other Financing Sources:					
Operating Transfers In:					
Capital Projects Fund		500,000	500,000	500,000	
Total Other Financing Sources		500,000	500,000	500,000	
Excess of Revenues and Other Financing Sources Over Expenditures	-0-	-0-	-0-	110,109	110,109
Fund Balance, July 1	139		139	139	
Fund Balance, June 30	\$ 139	\$ -0-	\$ 139	\$ 110,248	\$ 110,109

Recapitulation of Fund Balance at June 30, 2010:

Unreserved - Designated for Subsequent Year's Expenditures	\$ 139
Unreserved/Undesignated Fund Balance	110,109
	<u>\$ 110,248</u>

## STATISTICAL SECTION

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

### Exhibit

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

#### **Debt Capacity**

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.

J-10 thru J-13

#### **Demographic and Economic Information**

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.

J-14 thru J-15

#### **Operating Information**

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.

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 SIX FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Governmental Activities:						
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
Restricted/(Deficit)	5,191,566	5,040,203	2,008,755	365,656	(20,310)	1,729,678
Unrestricted/(Deficit)	907,205	970,716	433,382	443,268	149,198	(284,303)
Total governmental activities net assets	<u>\$ 19,329,707</u>	<u>\$ 20,882,691</u>	<u>\$ 19,171,161</u>	<u>\$ 13,745,844</u>	<u>\$ 13,697,851</u>	<u>\$ 16,621,680</u>
Business-type Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 33,148	\$ 28,438	\$ 23,728	\$ 49,430	\$ 78,583	\$ 81,810
Unrestricted	1,184	28,314	265,090	381,584	413,196	544,629
Total business-type activities net assets	<u>\$ 34,332</u>	<u>\$ 56,752</u>	<u>\$ 288,818</u>	<u>\$ 431,014</u>	<u>\$ 491,779</u>	<u>\$ 626,439</u>
District-wide:						
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
Restricted/(Deficit)	5,191,566	5,040,203	2,008,755	365,656	(20,310)	1,729,678
Unrestricted	908,389	999,030	698,472	824,852	562,394	260,326
Total District Net Assets	<u>\$ 19,364,039</u>	<u>\$ 20,939,443</u>	<u>\$ 19,459,979</u>	<u>\$ 14,176,858</u>	<u>\$ 14,189,630</u>	<u>\$ 17,248,119</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 Financial Reports.

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenses:						
Governmental Activities:						
Instruction:						
Regular	\$ 27,664,184	\$ 28,001,841	\$ 32,086,076	\$ 32,546,072	\$ 33,546,405	\$ 34,892,752
Special Education	6,017,612	5,645,819	6,794,746	8,126,570	8,038,031	8,262,388
Other Special Instruction		1,031,594	1,176,988	1,148,311	1,093,917	1,197,979
Other Instruction	2,531,839	1,580,873	1,806,398	1,723,244	1,742,805	1,758,112
Support Services:						
Tuition	3,666,547	4,553,437	4,531,507	5,190,826	6,205,373	6,932,769
Student & Instruction Related Services	9,705,248	10,687,973	12,257,349	12,070,136	11,958,099	10,937,889
General Administrative Services	2,817,645	2,687,553	2,740,923	1,054,929	979,670	1,028,764
School Administrative Services	3,189,653	3,386,806	3,516,173	3,782,650	3,653,271	3,844,802
Central Services				1,329,852	1,354,749	1,368,378
Administrative Information Technology				542,494	521,197	503,050
Plant Operations and Maintenance	7,218,315	7,765,008	8,151,273	9,060,286	8,376,992	8,430,303
Pupil Transportation	2,469,500	2,692,147	2,998,088	3,022,634	3,054,463	2,796,350
Special Schools		41,955				
Charter Schools		870,638		17,284	9,653	46,894
Capital Outlay			1,243,230			
Interest on Long-term Debt	1,030,183	972,115	905,325	856,669	883,477	676,764
Unallocated Depreciation	1,559,331	1,641,019	1,715,442	1,696,066	972,500	971,967
<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>
Business-type Activities:						
Food Service	1,136,399	1,190,194	1,087,176	1,237,042	1,269,772	1,235,126
Summer Community Education Program			51,393	75,818	83,622	85,797
<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>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>
Program Revenues:						
Governmental Activities:						
Charges for Services:						
Instruction (Tuition)	7,052	103,859	46,197			
Instruction (Preschool Tuition)						229,550
Other Instruction (Student Activity Fees)						135,600
Operating Grants and Contributions	1,067,329	1,009,036	13,162,797	13,327,272	11,199,836	11,835,634
Capital Grants and Contributions				634,534	12,264	224,561
<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>
Business-type Activities:						
Charges for Services:						
Food Service	1,026,500	1,092,720	1,057,955	1,129,645	1,121,874	1,118,173
Summer Community Education Program			122,056	70,142	65,704	72,726
Operating Grants and Contributions	102,668	113,781	173,465	217,652	224,017	263,493
<b>Total Business-type Activities Revenues</b>	<b>1,129,168</b>	<b>1,206,501</b>	<b>1,353,476</b>	<b>1,417,439</b>	<b>1,411,595</b>	<b>1,454,392</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>

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue:						
Governmental Activities	\$(66,795,676)	\$(70,445,883)	\$(66,714,524)	\$(68,206,217)	\$(71,178,502)	\$(71,223,816)
Business-type Activities	(7,231)	16,307	214,907	104,579	58,201	133,469
Total District-wide Net (Expense)/Revenue	<u>(66,802,907)</u>	<u>(70,429,576)</u>	<u>(66,499,617)</u>	<u>(68,101,638)</u>	<u>(71,120,301)</u>	<u>(71,090,347)</u>
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
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
Taxes Levied for Debt Service	2,607,469	2,560,652	2,487,477	2,410,146	2,343,994	2,343,994
Unrestricted Grants and Contributions	10,015,713	10,201,213	458,060	568,314	422,447	422,540
Investment Earnings	177,652	380,197	498,482	293,172	90,716	33,365
Miscellaneous Income	232,229	348,251	53,505	284,729	519,692	224,994
Total Governmental Activities General Revenues and Other Changes in Net Assets	<u>68,371,305</u>	<u>72,153,107</u>	<u>65,637,528</u>	<u>69,012,120</u>	<u>71,130,509</u>	<u>74,147,645</u>
Business-type Activities:						
Investment Earnings	2,201	6,113	17,159	7,205	2,564	1,191
Total Business-type Activities General Revenues and Other Changes in Net Assets	<u>2,201</u>	<u>6,113</u>	<u>17,159</u>	<u>7,205</u>	<u>2,564</u>	<u>1,191</u>
Total District-wide General Revenues and Other Changes in Net Assets	<u>68,373,506</u>	<u>72,159,220</u>	<u>65,654,687</u>	<u>69,019,325</u>	<u>71,133,073</u>	<u>74,148,836</u>
Change in Net Assets:						
Governmental Activities	1,575,629	1,707,224	(1,076,996)	805,903	(47,993)	2,923,829
Business-type Activities	(5,030)	22,420	232,066	111,784	60,765	134,660
Total District-wide Change in Net Assets	<u>\$ 1,570,599</u>	<u>\$ 1,729,644</u>	<u>\$ (844,930)</u>	<u>\$ 917,687</u>	<u>\$ 12,772</u>	<u>\$ 3,058,489</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 Financial Reports.

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund:						
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
Total General Fund	<u>\$ 3,567,713</u>	<u>\$ 3,679,172</u>	<u>\$ 2,374,568</u>	<u>\$ 2,347,415</u>	<u>\$ 2,169,207</u>	<u>\$ 4,007,176</u>
All Other Governmental Funds:						
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
Total All Other Governmental Funds	<u>\$ 2,899,262</u>	<u>\$ 2,678,224</u>	<u>\$ 1,088,645</u>	<u>\$ (524,200)</u>	<u>\$ (465,184)</u>	<u>\$ (291,845)</u>
Total Governmental Funds	<u>\$ 6,466,975</u>	<u>\$ 6,357,396</u>	<u>\$ 3,463,213</u>	<u>\$ 1,823,215</u>	<u>\$ 1,704,023</u>	<u>\$ 3,715,331</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 Financial Reports.

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>						
Tax Levy	\$ 57,945,711	\$ 61,223,446	\$ 64,627,481	\$ 67,865,905	\$ 70,097,654	\$ 73,466,746
Tuition Charges	7,052	103,859	46,197			
Interest Earnings	177,652	380,197	498,482	293,172	90,716	
Miscellaneous	232,229	348,251	53,505	277,976	519,692	623,509
Local Sources	27,026	41,656	66,439	76,711	126,819	127,151
State Sources	9,714,040	9,968,147	12,064,532	12,973,897	10,135,611	10,358,250
Federal Sources	1,341,976	1,200,446	1,489,886	1,479,512	1,372,117	1,997,334
<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>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
Special Education Instruction	4,388,422	4,028,662	4,959,100	6,069,105	6,072,699	6,385,070
Other Special Instruction	698,495	734,345	844,824	800,617	780,118	853,019
Other Instruction	1,255,415	1,198,916	1,369,340	1,284,472	1,310,668	1,326,815
<b>Support Services:</b>						
Tuition	3,666,547	4,553,437	4,531,507	5,190,826	6,205,373	6,932,769
Student & Instruction Related Services	7,501,626	8,030,444	9,249,780	8,955,785	9,029,123	8,256,256
General Administrative Services	1,998,304	2,111,949	956,225	864,174	775,710	811,213
School Administrative Services	2,313,554	2,447,314	2,449,750	2,645,341	2,620,307	2,718,318
Plant Operations and Maintenance	5,780,352	6,241,630	6,429,216	6,609,710	6,728,714	6,705,686
Pupil Transportation	2,325,172	2,537,608	2,815,856	2,836,576	2,874,739	2,607,932
Central Services			1,014,843	972,279	1,026,734	1,027,952
Administrative Information Technology			389,464	394,652	380,180	373,367
Unallocated Benefits	14,095,831	15,401,498	17,482,339	19,048,824	17,338,957	18,371,255
Special Schools		29,634				
Charter Schools				17,284	9,653	46,894
Capital Outlay	1,760,311	2,871,226	2,582,103	3,497,103	2,300,230	2,258,122
<b>Debt Service:</b>						
Principal	1,555,850	1,555,850	1,555,850	1,555,850	2,044,850	2,079,150
Interest and Other Charges	1,051,618	993,842	931,628	865,256	849,005	654,735
<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>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>Other Financing Sources (Uses):</b>						
Premium on Temporary Note				\$ 6,753		
Capital Leases (non-budgeted)					\$ 996,935	\$ 540,000
Transfers In	\$ 32,020	\$ 1,209,014	\$ 315,257	6,753	1,373,520	1,405,018
Transfers Out		(1,209,014)	(315,257)	(6,753)	(873,520)	(531,718)
<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>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>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>

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  
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
2001	\$ 362,208	\$ 60,703			\$ 173,813	\$ 596,724
2002	157,532	19,950			176,237	353,719
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

Source: Scotch Plains-Fanwood Regional School District records.

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

**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

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.

<sup>a</sup> - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.  
<sup>b</sup> - 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	Total Direct	Borough of Fanwood	Union County	
		Service <sup>b</sup>				
2000	\$ 4.2164	\$ 0.0486	\$ 4.265	\$ 1.467	\$ 1.098	\$ 6.830
2001	4.3501	0.0889	4.439	1.570	1.173	7.182
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

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	Total Direct	Township of Scotch Plains	Union County	
		Service <sup>b</sup>				
2000	\$ 3.3318	\$ 0.0402	\$ 3.372	\$ 0.988	\$ 0.934	\$ 5.294
2001	3.6021	0.0599	3.662	1.030	1.008	5.700
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

**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.

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

BOROUGH OF FANWOOD

Taxpayer	2009			2000		
	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	923,500	2	0.40%			
Fanwood Plaza Partners I	827,000	3	0.36%			
Fanwood Plaza Partners II	669,200	4	0.29%			
222 South Avenue LLC	649,600	5	0.28%			
105 South Ave, Inc. - A&P	600,000	6	0.26%			
Individual Taxpayer #1	558,200	7	0.24%	\$ 558,200	5	0.25%
Enchantment Properties LLC	500,000	8	0.22%			
Individual Taxpayer #2	479,500	9	0.21%			
Seaboard Associates	477,500	10	0.21%	477,500	8	0.22%
Fanwood Assisted Living				1,308,200	1	0.60%
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	0.19%
J&S Associates				400,000	10	0.18%
<b>Total</b>	<b>\$ 8,149,400</b>		<b>3.55%</b>	<b>\$ 6,032,500</b>		<b>2.75%</b>

TOWNSHIP OF SCOTCH PLAINS

Taxpayer	2009			2000		
	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	0.85%	\$ 11,973,200	1	1.27%
Ashbrook Manor	7,500,000	2	0.75%	9,515,400	2	1.01%
Snuffy Pantagis	4,650,000	3	0.47%	4,548,500	4	0.48%
Riverside Village	2,900,000	4	0.29%	4,488,400	5	0.48%
Shackamaxon Country Club	2,168,000	5	0.22%	5,377,500	3	0.57%
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	0.33%
VS Realty	1,243,200	8	0.13%			
Scotch Plains Gardens	1,200,000	9	0.12%	1,950,000	7	0.21%
Greenbrook Plaza	1,146,400	10	0.12%			
Ashbrook Manor Associates				1,406,400	9	0.15%
New Jersey Bell				1,379,500	10	0.15%
<b>Total</b>	<b>\$ 32,957,600</b>		<b>3.32%</b>	<b>\$ 45,265,600</b>		<b>4.81%</b>

Source: Municipal Tax Assessors.

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	
2001	\$ 9,355,227	\$ 9,355,227	100.00%	\$ -0-
2002	9,741,280	9,741,280	100.00%	-0-
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-

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	
2001	\$ 33,592,836	\$ 33,592,836	100.00%	\$ -0-
2002	35,908,976	35,908,976	100.00%	-0-
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-

a - 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 SIX 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	1.88%	\$ 808.61	
2006	21,088,450	-0-	1,302,544	-0-	-0-	22,390,994	1.68%	749.16	
2007	19,532,600	-0-	1,064,480	-0-	-0-	20,597,080	1.41%	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	1.22%	632.21	
2010	15,347,550	-0-	957,614	626,700	-0-	16,931,864	1.08%	561.07	

<sup>a</sup> - 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST SIX 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

**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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2009  
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	\$ 9,887,826	100.00%	\$ 9,887,826
Township of Scotch Plains	18,914,547	100.00%	18,914,547
Union County General Obligation Debt	524,305,474	7.00%	<u>36,690,624</u>
Subtotal, Overlapping Debt			65,492,997
Scotch Plains-Fanwood Regional School District Direct Debt			<u>17,683,664</u>
Total Direct and Overlapping Debt			<u><u>\$ 83,176,661</u></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.

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

Legal Debt Margin Calculation for Fiscal Year 2010

Year Ended December 31,	Borough of Fanwood	Township of Scotch Plains	Equalized Valuation Basis
2007	\$1,178,481,443	\$ 4,287,571,860	\$ 5,466,053,303
2008	1,224,085,003	4,276,808,172	5,500,893,175
2009	1,219,761,497	4,157,595,397	5,377,356,894
	<u>\$3,622,327,943</u>	<u>\$ 12,721,975,429</u>	<u>\$ 16,344,303,372</u>
Average Equalized Valuation of Taxable Property			<u>\$ 5,448,101,124</u>
Debt Limit (4% of Average Equalization Value) <sup>a</sup>			217,924,045
Net Bonded School Debt			<u>15,974,250</u>
Legal Debt Margin			<u>\$ 201,949,795</u>

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$ 100,461,710	\$ 108,739,425	\$ 119,311,751	\$ 132,292,987	\$ 146,940,098
Total Net Debt Applicable to Limit	<u>2,789,000</u>	<u>26,556,000</u>	<u>25,756,000</u>	<u>24,200,150</u>	<u>24,644,300</u>
Legal Debt Margin	<u>\$ 97,672,710</u>	<u>\$ 82,183,425</u>	<u>\$ 93,555,751</u>	<u>\$ 108,092,837</u>	<u>\$ 122,295,798</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.78%	24.42%	21.59%	18.29%	16.77%

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 164,427,090	\$ 184,600,382	\$ 203,299,156	\$ 215,485,944	\$ 217,924,045
Total Net Debt Applicable to Limit	<u>21,088,450</u>	<u>19,532,600</u>	<u>19,976,750</u>	<u>17,931,900</u>	<u>15,974,250</u>
Legal Debt Margin	<u>\$ 143,338,640</u>	<u>\$ 165,067,782</u>	<u>\$ 183,322,406</u>	<u>\$ 197,554,044</u>	<u>\$ 201,949,795</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.83%	10.58%	9.83%	8.32%	7.33%

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.

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

BOROUGH OF FANWOOD

<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Union County Per Capita Personal Income<sup>b</sup></u>	<u>Personal Income (thousands of dollars)<sup>c</sup></u>	<u>Borough Unemployment Rate<sup>d</sup></u>
2000	7,179	\$ 40,010	\$ 287,231,790	1.90%
2001	7,199	40,479	291,408,321	2.30%
2002	7,213	40,848	294,636,624	3.10%
2003	7,189	41,661	299,500,929	3.00%
2004	7,142	43,045	307,427,390	2.60%
2005	7,101	44,586	316,605,186	2.80%
2006	7,066	49,062	346,672,092	2.90%
2007	7,078	51,054	361,360,212	2.60%
2008	7,072	51,815	366,435,680	3.40%
2009	7,124	51,815 *	369,130,060	6.00%

TOWNSHIP OF SCOTCH PLAINS

<u>Year</u>	<u>Population<sup>a</sup></u>	<u>Union County Per Capita Personal Income<sup>b</sup></u>	<u>Personal Income (thousands of dollars)<sup>c</sup></u>	<u>Township Unemployment Rate<sup>d</sup></u>
2000	22,752	\$ 40,010	\$ 910,307,520	1.80%
2001	22,827	40,479	924,014,133	2.20%
2002	22,855	40,848	933,581,040	4.00%
2003	22,767	41,661	948,495,987	3.90%
2004	22,659	43,045	975,356,655	2.40%
2005	22,787	44,586	1,015,981,182	2.60%
2006	22,759	49,062	1,116,602,058	2.70%
2007	22,751	51,054	1,161,529,554	2.50%
2008	22,817	51,815	1,182,262,855	3.20%
2009	23,054	51,815 *	1,194,543,010	5.60%

\* - Latest Union County per capita personal income available (2008) 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST SIX 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>
Instruction:						
Regular	354	362	367	374	371	401
Special Education	74	80	87	87	88	54
Support Services:						
Student & Instruction Related Services	118	120	128	126	125	128
General Administrative Services	3	3	3	3	3	3
School Administrative Services	59	59	61	62	69	63
Plant Operations and Maintenance	65	64	73	75	70	65
Pupil Transportation	6	6	7	6	6	6
Business and Other Support Services	36	37	37	34	32	29
Food Service	8	8	8	4	4	4
Total	<u>723</u>	<u>739</u>	<u>771</u>	<u>771</u>	<u>768</u>	<u>753</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 SIX 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%

**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 SIX FISCAL YEARS  
UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<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
Capacity (students)	383	383	383	383	383	383
Enrollment	403	449	468	460	463	407
J. Ackerman Coles (1963)						
Square Feet	50,850	50,850	50,850	50,850	50,850	50,850
Capacity (students)	440	440	440	440	440	440
Enrollment	541	548	545	528	519	552
Evergreen (1951)						
Square Feet	36,958	36,958	36,958	36,958	36,958	36,958
Capacity (students)	339	339	339	339	339	339
Enrollment	337	348	370	395	405	415
William J. McGinn (1973)						
Square Feet	47,182	47,182	47,182	47,182	47,182	47,182
Capacity (students)	389	389	389	389	389	389
Enrollment	458	474	474	475	474	494
School One (1972)						
Square Feet	44,328	44,328	44,328	44,328	44,328	44,328
Capacity (students)	337	337	337	337	337	337
Enrollment	338	371	390	388	389	392
<u>Middle Schools</u>						
Park (1922)						
Square Feet	114,483	114,483	114,483	114,483	114,483	114,483
Capacity (students)	795	795	795	795	795	795
Enrollment	775	744	745	794	823	875
Terrill (1964)						
Square Feet	94,179	94,179	94,179	97,973	97,973	97,973
Capacity (students)	637	637	637	637	637	737
Enrollment	783	819	863	841	847	858
<u>High School</u>						
Scotch Plains-Fanwood						
Square Feet	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
Enrollment	1,423	1,473	1,502	1,461	1,467	1,426

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Building</u>						
<u>Other</u>						
Administration Wing						
Square Feet	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
Outbuilding						
Square Feet	1,581	1,581	1,581	1,581	1,581	1,581

Number of Schools at June 30, 2010

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,									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Howard B. Brunner Elementary	N/A	\$ 49,921	\$ 72,843	\$ 27,491	\$ 45,800	\$ 76,459	\$ 76,189	\$ 74,405	\$ 69,235	\$ 75,664	\$ 77,393
J. Ackerman Coles Elementary	N/A	53,084	68,174	30,442	42,659	81,304	81,017	65,104	73,622	80,458	77,806
Evergreen Elementary	N/A	42,957	66,306	26,795	44,365	65,793	65,561	74,405	59,577	65,109	56,550
William J. McGinn Elementary	N/A	48,844	65,373	30,321	40,935	74,810	74,546	74,405	67,742	74,032	72,192
School One Elementary	N/A	45,603	59,769	49,719	37,468	69,845	69,599	55,804	63,247	69,119	67,826
Park Middle	N/A	112,179	124,207	43,874	77,818	171,813	171,208	120,908	155,581	170,027	175,171
Terrill Middle	N/A	92,358	138,216	55,151	86,828	141,455	140,957	139,509	128,091	139,984	149,909
Scotch Plains-Fanwood High	N/A	227,591	325,928	167,084	206,379	348,577	347,349	325,522	315,645	344,951	406,817
<b>Total School Facilities</b>		<b>672,537</b>	<b>920,816</b>	<b>430,877</b>	<b>582,252</b>	<b>1,030,056</b>	<b>1,026,426</b>	<b>930,062</b>	<b>932,740</b>	<b>1,019,344</b>	<b>1,083,664</b>
Other Facilities	N/A		13,074								
<b>Grand Total</b>		<b>\$ 672,537</b>	<b>\$ 933,890</b>	<b>\$ 430,877</b>	<b>\$ 582,252</b>	<b>\$ 1,030,056</b>	<b>\$ 1,026,426</b>	<b>\$ 930,062</b>	<b>\$ 932,740</b>	<b>\$ 1,019,344</b>	<b>\$ 1,083,664</b>

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).

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2010  
UNAUDITED

	Coverage	Deductible
School Alliance Insurance Fund		
<b>MULTI PERIL PACKAGE POLICY</b>		
<b>Property</b>		
Property - Blanket Building and Contents -		
Replacement Cost Values	\$ 132,833,085	
Extra Expense	250,000,000	
Flood	10,000,000	
Musical Instruments	Included in property limit	
Miscellaneous Equipment	5,000,000	
Computer Equipment	Included in property limit	
Demolition/Increase Cost of Construction	Included in property limit	
<b>Energy Systems</b>		
Spoilage	Included in property limit	
<b>Commercial Liability</b>		
Bodily Injury and Property Damage	Per occurrence 5,000,000	
	Aggregate 5,000,000	
Fire Damage	2,500,000	
Medical Expense Limit (excluding students)	5,000	
Employee Benefit Liability	Per occurrence and aggregate 5,000,000	
<b>Crime Coverage</b>		
Employee Dishonesty with Faithful Performance	500,000	\$ 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)	5,000,000	
Personal Injury Protection	Statutory	
Uninsured and Underinsured	5,000,000	
Comprehensive Deductible		1,000
Collision Deductible		1,000

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2010  
UNAUDITED

		<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund			
EXCESS UMBRELLA	Limit of liability	\$ 5,000,000	
CAP	Limit of liability (group aggregate)	50,000,000	
FLOOD			
Elementary School #1 -			
Building		500,000	
Contents		500,000	
ENVIRONMENTAL IMPAIRMENT LIABILITY			
	Limit of liability (each loss)	1,000,000	\$ 10,000
STUDENT ACCIDENT	Limit of liability	1,000,000	
EDUCATION LEGAL LIABILITY		5,000,000	25,000
PUBLIC OFFICIAL BONDS			
Treasurer		400,000	
Business Administrator/Board Secretary		400,000	
South Bergen Workmen's Compensation Pool			
Worker's Compensation		Statutory	

**SINGLE AUDIT SECTION**



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 200 Valley Road, Suite 300  
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Lawrence Business Park  
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 Newton, NJ 07860  
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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, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 22, 2010. 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 Division of 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

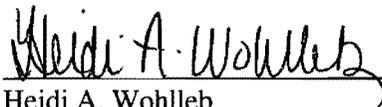
### Compliance and Other Matters

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 Division of 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 November 22, 2010.

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  
November 22, 2010

NISIVOCCIA & COMPANY 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's OMB Circular NJOMB 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 its major federal and state programs for the fiscal year ended June 30, 2010. 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 Division of 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 Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 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's OMB Circular NJOMB 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, 2010.

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.

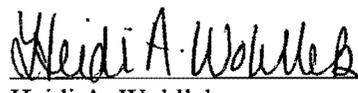
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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  
November 22, 2010

NISIVOCCIA & COMPANY 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, 2010

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 Balance at June 30, 2009		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2010		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education - Passed-through													
State Department of Education:													
Special Education Cluster:													
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4670-10	9/1/09	8/31/10	\$ 1,218,388			\$ 930,573	\$ (992,127)	\$ (61,554)			
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4670-09	9/1/08	8/31/09	1,200,543	\$ (55,009)	\$ (115,713)	170,722					
I.D.E.A. - Part B, Basic Regular - Summer	84.027	IDEA-4670-09	9/1/08	8/31/09	1,200,543		115,713		(115,713)				
I.D.E.A. - Part B, Basic Regular - ARRA	84.391	ARRA-4670-10	7/1/09	8/31/11	1,330,322				(634,377)	(634,377)			
I.D.E.A. - Part B, Preschool	84.173	IDEA-4670-10	9/1/09	8/31/10	54,194			52,828	(52,828)				
I.D.E.A. - Part B, Preschool	84.173	IDEA-4670-09	9/1/08	8/31/09	53,952	(3,751)		3,751					
I.D.E.A. - Part B, Preschool - ARRA	84.392	ARRA-4670-10	7/1/09	8/31/11	48,129				(29,501)	(29,501)			
Subtotal Special Education Cluster						(58,760)		1,157,874	(1,824,546)	(725,432)			
No Child Left Behind:													
Title I	84.010	NCLB-4670-10	9/1/09	8/31/10	99,017			64,407	(91,094)	(26,687)			
Title I	84.010	NCLB-4670-09	9/1/08	8/31/09	107,214	(22,277)	(14,100)	36,377					
Title I - Summer	84.010	NCLB-4670-09	9/1/08	8/31/09	107,214		2,807		(2,807)				
Title I - Carryover	84.010	NCLB-4670-09	9/1/08	8/31/10	107,214		11,293		(11,293)				
Title I - Carryover	84.010	NCLB-4670-08	9/1/07	8/31/09	85,270	1,475			(1,475)				
Title II A	84.367A	NCLB-4670-10	9/1/09	8/31/10	87,909			42,225	(72,605)	(30,380)			
Title II A	84.367A	NCLB-4670-09	9/1/08	8/31/09	87,805	(19,423)	(25,692)	45,115	(8,785)				
Title II A - Summer	84.367A	NCLB-4670-09	9/1/08	8/31/09	87,805		8,785		(8,785)				
Title II A - Carryover	84.367A	NCLB-4670-09	9/1/08	8/31/10	87,805		16,907		(16,907)				
Title II A - Carryover	84.367A	NCLB-4670-08	9/1/07	8/31/09	84,663	1,359			(1,359)				
Title II D	84.318	NCLB-4670-10	9/1/09	8/31/10	996			576	(608)	(32)			
Title II D	84.318	NCLB-4670-09	9/1/08	8/31/09	890	(112)	(778)	890					
Title II D - Carryover	84.318	NCLB-4670-09	9/1/08	8/31/10	890		778		(778)				
Title II D - Carryover	84.318	NCLB-4670-08	9/1/07	8/31/09	583	158			(158)				
Title II D - Carryover	84.318	NCLB-4670-07	9/1/06	8/31/09	412	17			(17)				
Title III	84.365A	NCLB-4670-10	9/1/09	8/31/10	3,090			3,090	(3,090)				
Title IV	84.186A	NCLB-4670-10	9/1/09	8/31/10	10,163			6,124	(6,601)	(477)			
Title IV	84.186A	NCLB-4670-09	9/1/08	8/31/09	10,616	(1,888)		1,888					
Title V - Carryover	84.298A	NCLB-4670-08	9/1/07	8/31/09	7,364	872			(872)				
Total U.S. Department of Education						(98,579)		1,358,566	(2,042,995)	(783,008)			
U.S. Department of Health and Human Services - Passed-through State Department of Human Services:													
Medical Assistance Program (SEMI)	93.778	N/A	7/1/09	6/30/10	16,742			9,137	(16,742)	(7,605)			
Total U.S. Department of Health and Human Services								9,137	(16,742)	(7,605)			

N/A - Not Available/Applicable

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 Balance at June 30, 2009			Balance at June 30, 2010				
			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	7/1/09	6/30/10	\$ 5,005				\$ 4,605	\$ (5,005)	\$ (400)		
Special Milk Program	10.556	N/A	7/1/08	6/30/09	5,227	\$ (496)			496				
National School Lunch Program	10.555	N/A	7/1/09	6/30/10	154,650				141,907	(154,650)	(12,743)		
National School Lunch Program	10.555	N/A	7/1/08	6/30/09	142,311	(11,021)			11,021				
Federal Food Distribution Program	10.555	N/A	7/1/09	6/30/10	88,074				88,074	(88,074)			
Subtotal Child Nutrition Cluster						(11,517)			246,103	(247,729)	(13,143)		
Total U.S. Department of Agriculture						(11,517)			246,103	(247,729)	(13,143)		
TOTAL FEDERAL AWARDS						\$ (110,096)	\$ -0-	\$ -0-	\$ 1,613,806	\$ (2,307,466)	\$ (803,756)	\$ -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, 2010**

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2009			Budgetary Expenditures	Prior Year Budgetary Receivable Canceled	Repayment of Prior Years' Balances	Balance at June 30, 2010			MEMO	
		From	To		Budgetary Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received				GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education:</b>															
<b>General Fund:</b>															
Transportation Aid	10-495-034-5120-014	7/1/09	6/30/10	\$ 926,761			\$ 834,155						\$ 92,606	\$ 926,761	
Transportation Aid	09-495-034-5120-014	7/1/08	6/30/09	899,334	\$ (79,928)		79,928								
Special Education Categorical Aid	10-495-034-5120-089	7/1/09	6/30/10	3,003,877			2,703,717						300,160	3,003,877	
Special Education Categorical Aid	09-495-034-5120-089	7/1/08	6/30/09	2,935,031	(260,850)		260,850								
Security Aid	10-495-034-5120-084	7/1/09	6/30/10	407,921			367,160						40,761	407,921	
Security Aid	09-495-034-5120-084	7/1/08	6/30/09	388,268	(34,507)		34,507								
Equalization Aid	09-495-034-5120-078	7/1/08	6/30/09	46,473	(4,131)		4,131								
Extraordinary Special Education Costs Aid	10-100-034-5120-473	7/1/09	6/30/10	612,343						\$ (612,343)			612,343	612,343	
Extraordinary Special Education Costs Aid	09-100-034-5120-473	7/1/08	6/30/09	795,514	(795,514)		795,514								
Nonpublic School Transportation Costs	10-495-034-5120-014	7/1/09	6/30/10	32,746							(32,746)		32,746	32,746	
Nonpublic School Transportation Costs	09-495-034-5120-014	7/1/08	6/30/09	46,073	(46,073)		46,073								
TPAF Social Security Aid	10-495-034-5095-002	7/1/09	6/30/10	2,462,289			2,342,328				(119,961)		119,961	2,462,289	
TPAF Social Security Aid	09-495-034-5095-002	7/1/08	6/30/09	2,453,402	(121,845)		121,845								
<b>Total General Fund State Aid</b>							<b>(1,342,848)</b>	<b>7,590,208</b>	<b>(7,445,937)</b>		<b>(765,050)</b>		<b>1,198,577</b>	<b>7,445,937</b>	
<b>Special Revenue Fund:</b>															
<b>NJ Nonpublic Aid:</b>															
Textbook Aid (Chapter 194)	10-100-034-5120-064	7/1/09	6/30/10	70,242			70,242					\$ 824		69,418	
Textbook Aid (Chapter 194)	09-100-034-5120-064	7/1/08	6/30/09	60,621		\$ 1,264				\$ (1,264)					
Nursing Services (Chapter 226)	10-100-034-5120-070	7/1/09	6/30/10	83,299			83,299							83,299	
<b>Auxiliary Services (Chapter 192):</b>															
Compensatory Education	10-100-034-5120-067	7/1/09	6/30/10	70,634			70,634							70,634	
Compensatory Education	09-100-034-5120-067	7/1/08	6/30/09	73,753		398				(398)					
English as a Second Language	10-100-034-5120-067	7/1/09	6/30/10	4,013			4,013							4,013	
Transportation	10-100-034-5120-067	7/1/09	6/30/10	8,449			8,449							8,449	
Home Instruction	10-100-034-5120-067	7/1/09	6/30/10	6,677			6,677						6,677	6,677	
Home Instruction	09-100-034-5120-067	7/1/08	6/30/09	17,225	(17,225)		17,225								
<b>Handicapped Services (Chapter 193):</b>															
Supplementary Instruction	10-100-034-5120-066	7/1/09	6/30/10	106,245			106,245							106,245	
Examination and Classification	10-100-034-5120-066	7/1/09	6/30/10	129,962			129,962					1,278		128,684	
Corrective Speech	10-100-034-5120-066	7/1/09	6/30/10	24,749			24,749							24,749	
Technology Initiative	09-100-034-5120-373	7/1/08	6/30/09	42,400		964				(964)					
Preschool Education Aid	10-495-034-5120-086	7/1/09	6/30/10	49,500			44,554						4,946	49,500	
Preschool Education Aid	09-495-034-5120-086	7/1/08	6/30/10	49,500	8,073		4,399							49,500	
<b>Total Special Revenue Fund</b>					<b>(9,152)</b>	<b>2,626</b>	<b>563,771</b>	<b>(564,140)</b>		<b>(2,626)</b>		<b>2,102</b>	<b>11,623</b>	<b>601,168</b>	
<b>Enterprise Fund:</b>															
State School Lunch Program	10-100-010-3350-023	7/1/09	6/30/10	15,764			14,469				(1,295)		1,295	15,764	
State School Lunch Program	09-100-010-3350-023	7/1/08	6/30/09	15,215	(1,164)		1,164								
<b>Total Enterprise Fund</b>					<b>(1,164)</b>		<b>15,633</b>	<b>(15,764)</b>			<b>(1,295)</b>		<b>1,295</b>	<b>15,764</b>	
<b>Schools Development Authority:</b>															
<b>Capital Projects Fund:</b>															
Educational Facilities Construction & Financing Act	SP-4670-080-09-0YAC	N/A	N/A	324,410	(324,410)		129,764		\$ 87,585		(107,061)		107,061	236,825	
Educational Facilities Construction & Financing Act	SP-201298	N/A	N/A	1,725,546	(77,650)						(77,650)		77,650	1,725,546	
Educational Facilities Construction & Financing Act	SP-201299	N/A	N/A	2,373,600	(462,852)		462,852							2,373,600	
<b>Total Capital Projects Fund</b>					<b>(864,912)</b>		<b>592,616</b>	<b>(224,561)</b>	<b>87,585</b>		<b>(184,711)</b>		<b>184,711</b>	<b>4,335,971</b>	
<b>TOTAL STATE AWARDS</b>					<b>\$ (2,218,076)</b>	<b>\$ 2,626</b>	<b>\$ 8,762,228</b>	<b>\$ (8,250,402)</b>	<b>\$ 87,585</b>	<b>\$ (2,626)</b>	<b>\$ (951,056)</b>	<b>\$ -0-</b>	<b>\$ 2,102</b>	<b>\$ 1,396,206</b>	<b>\$ 12,398,840</b>

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards include federal and state award activities of the Board of Education, Scotch Plains-Fanwood Regional School District. The Board of Education is defined in Note 1 to the Board's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(54,111) for the general fund, \$(54,347) for the special revenue fund and \$312,146 for the capital projects 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. See Exhibit F-1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the capital projects fund. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post Retirement Medical Benefits and Non-Contributory Insurance Contributions revenue of \$2,078,669 and \$110,677 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	\$ 16,742	\$ 9,581,172	\$ 9,597,914
Special Revenue Fund	1,980,592	552,517	2,533,109
Capital Projects Fund		224,561	224,561
Food Service Enterprise Fund	<u>247,729</u>	<u>15,764</u>	<u>263,493</u>
Total Financial Assistance	<u>\$ 2,245,063</u>	<u>\$10,374,014</u>	<u>\$12,619,077</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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, 2010. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANTS

In previous years, the District was awarded grants totaling \$4,423,556 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. The projects related to the grants were completed during the fiscal year ended June 30, 2010. As of June 30, 2010, the District had canceled \$87,585 and drawn down the remaining amount of the grants totaling \$4,335,971. In the Capital Projects Fund, the District realized the full amount of the grant funds as revenue on a budgetary basis in the year awarded and realized the grant funds as revenue on a GAAP basis as the grant funds were expended and submitted for reimbursement.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 Nonprofit Organizations*, or New Jersey's OMB Circular NJOMB 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:				
2009-10	84.027	9/1/09-8/31/10	\$ 1,218,388	\$ 992,127
2008-09 Summer	84.027	9/1/08-8/31/09	1,200,543	115,713
2009-10 ARRA	84.391	7/1/09-8/31/11	1,330,322	634,377
Preschool:				
2009-10	84.173	9/1/09-8/31/10	54,194	52,828
2009-10 ARRA	84.392	7/1/09-8/31/11	48,129	29,501
<u>State:</u>				
Special Education				
Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	3,003,877	3,003,877
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	407,921	407,921
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	926,761	926,761
Extraordinary Special				
Education Costs Aid	10-495-034-5120-473	7/1/09-6/30/10	612,343	612,343
Reimbursed TPAF				
Social Security Aid	10-495-034-5095-002	7/1/09-6/30/10	2,462,289	2,462,289

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(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 Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the 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 Circular NJOMB 04-04.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

The District had no prior year audit findings.