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, 2013

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, 2013

Prepared by

Scotch Plains-Fanwood Regional School District
Board of Education

Finance Department

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2013

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal 1
Organizational Chart 6
Roster of Officials 7
Consultants and Advisors 8

FINANCIAL SECTION 9

Independent Auditors' Report 10

Required Supplementary Information 13

Management's Discussion and Analysis (Unaudited) 14

Basic Financial Statements (Sections A. and B.) 24

A. District-Wide Financial Statements 25
A-1 Statement of Net Position 26
A-2 Statement of Activities 27

B. Fund Financial Statements 29
B-1 Balance Sheet – Governmental Funds 30
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds 31
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 32
B-4 Statement of Net Position – Proprietary Funds 33
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds 34
B-6 Statement of Cash Flows – Proprietary Funds 35
B-7 Statement of Fiduciary Net Position – Fiduciary Funds 36
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds 37

Notes to the Basic Financial Statements 38

Supplementary Schedules (Sections C. to I.)
C. Budgetary Comparison Schedules (Unaudited) 64
C-1 Budgetary Comparison Schedule – General Fund 65
C-2 Budgetary Comparison Schedule – Special Revenue Fund 78
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information 79

D. School Level Schedules (Not Applicable) 81

E. Special Revenue Fund 82
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis 83
E-2 Preschool Education Aid Schedule of Expenditures Special Revenue Fund – Budgetary Basis 87

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

FINANCIAL SECTION (Cont'd)

Supplementary Schedules (Sections C. to I.) (Cont'd)
F. Capital Projects Fund (Not Applicable) 88

G. Proprietary Funds 89
Enterprise Funds:
G-1 Combining Statement of Net Position 90
G-2 Combining Statement of Revenue, Expenses and Changes in Fund Net Position 91
G-3 Combining Statement of Cash Flows 92

H. Fiduciary Funds 93
H-1 Combining Statement of Fiduciary Net Position 94
H-2 Statement of Changes in Fiduciary Net Position 95
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements 96
H-4 Student Activity Agency Fund Statement of Activity 97
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements 98

I. Long-Term Debt 99
I-1 Schedule of Serial Bonds 100
I-2 Schedule of Obligations Under Capital Leases 101
I-3 Debt Service Fund Budgetary Comparison Schedule (Unaudited) 102

STATISICAL SECTION

J. Statistical Section (Unaudited) 103
J-1 Net Position by Component 105
J-2 Changes in Net Position 106
J-3 Fund Balances - Governmental Funds 108
J-4 Changes in Fund Balances - Governmental Funds 109
J-5 General Fund Other Local Revenue by Source 110
J-6 Assessed Value and Estimated Actual Value of Taxable Property 111
J-7 Direct and Overlapping Property Tax Rates 112
J-8 Principal Property Taxpayers 113
J-9 Property Tax Levies and Collections 114
J-10 Ratios of Outstanding Debt by Type 115
J-11 Ratios of Net General Bonded Debt Outstanding 116
J-12 Ratios of Overlapping Governmental Activities Debt 117
J-13 Legal Debt Margin Information 118
J-14 Demographic and Economic Statistics 119
J-15 Principal Employers 120
J-16 Full-Time Equivalent District Employees by Function/Program 121
J-17 Operating Statistics 122
J-18 School Building Information 123
J-19 Schedule of Required Maintenance for School Facilities 125
J-20 Insurance Schedule 126

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

K. SINGLE AUDIT SECTION 128
K-1 Independent Auditor's 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* 129
K-2 Independent Auditor's Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04 131
Schedule of Expenditures of Federal Awards 133
Schedule of Expenditures of State Awards 135
Notes to Schedules of Expenditures of Federal and State Awards 136
Schedule of Findings and Questioned Costs 138
Summary Schedule of Prior Audit Findings 140

INTRODUCTORY SECTION

The Scotch Plains-Fanwood Public Schools

Evergreen Avenue and Cedar Street
SCOTCH PLAINS, NEW JERSEY 07076

October 18, 2013

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, 2013. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

SCHOOL DISTRICT ORGANIZATION

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

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

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

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

The District continues to maintain a high quality of education. The Scotch Plains-Fanwood Regional School District is a comprehensive educational organization that provides a full range of programs and services appropriate to grade levels Pre-K through 12. These programs and services include regular, vocational as well as special education for disabled youngsters. The District completed the 2012-2013 school year with an average daily enrollment of 5,475 students, compared to 5,478 students as of June 30, 2012. Enrollment is defined as students on roll and students placed out of district.

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

3) MAJOR INITIATIVES: Students continue to score above the State and National averages on District administered tests. As measured by the HSPA, 96.1% of our eleventh grade general education students scored proficient or above in language arts literacy and 88.3% of our eleventh grade general education students scored proficient or above in mathematics. In the areas of NJ ASK results, the elementary and middle schools always scored above the state and similar to other schools in District Factor Group I.

Technology

A range of technology initiatives occurred during 2012-2013 school year. The high school received an additional mobile lab of Dell computers. Each elementary school received an additional mobile lab of Apple computers. Scheduled faculty and administrators received new laptop computers. Additionally, iPads were purchased to support special programs and individual student's learning needs. Additional LCD Projectors, Apple TVs, sound systems and document cameras were purchased to provide multi-media access for targeted district classrooms. Software licenses were renewed including Casper licenses that provide device management for all Mac OS X devices.

Mathematics

During the 2012-2013 school year, the mathematics department professional development activities focused on continued alignment of all courses K-12 to the Common Core State Standards. Elementary school teachers revised the pacing guides to reflect the update of our ***Everyday Mathematics*** program. At the middle school level, the Math Explorations curriculum was revised to reflect needed emphasis on certain Common Core State Standards. In addition, middle and high school teachers revised sequencing guides to improve alignment to the Common Core State Standards. Consequently, modifications were made to existing benchmark assessments. Examination of available NJASK, HSPA, and PSAT student data was a continual part of teacher dialogue. This data analysis was instrumental in identifying focus strands for student growth.

Language Arts

In the Language Arts Department, the textbook and trade book resource inventory continued to be replenished during the 2012-2013 school year. These resources included some of the following titles: *Nothing but the*

Language Arts (Cont'd)

Truth, Heart of Darkness, The Pearl, Twelve Angry Men and A Midsummer Night's Dream. We also purchased teacher professional development texts, which continue to support instruction in Writing Workshop. *How's it Going?* and *Launching the Writing Workshop* helped us continue to work towards this. The department also continues to expand our global and nonfiction literature selections to better address District priorities and the new Common Core Standards. Most notably, we purchased *Alive in the Killing Fields* and *In the Time of the Butterflies* to help support these goals. Funds at the elementary level continued to support the purchase of our new standards-aligned balanced literacy program, *Good Habits Great Readers* and *Words Their Way*. Additional resources were provided to classroom teachers in order to build their individual classroom libraries. Beyond replenishing and increasing resources, teachers were provided with multiple opportunities to insure that the curriculum was aligned to the Common Core Standards.

Social Studies

The Social Studies Department budget allocations in 2012-13 focused on our continuing efforts to bring more globally-oriented materials to classrooms, the infusion of literacy instruction in the social studies, and the integration of more hands-on resources for students at all grade levels. Materials to support the one book, one community initiative (The Big Read) were purchased for grades K-12, enhancing our ongoing global perspectives initiative. At all levels, additional non-fiction texts were purchased to support implementation of the Common Core State Standards in the middle school and high school. Additional texts and materials were purchased to support the use of Social Studies Alive materials that foster hands-on, experiential learning in the elementary schools.

Science

For the 2012-2013 school year, the continued focus of the department is to provide and support learning environments that promote hands-on, inquiry-based activities. Elementary teachers continue to receive support materials and resources to support their science classes as they utilize both the GEMS and FOSS modules in their classrooms. At the middle and high school levels, the teachers continue to work on inquiry-based lessons to further student engagement and to bring real-world applications into the classroom. Teachers continue to utilize technology through the instructional usage of LCD projectors and through student usage of laptop carts and Vernier Labquest devices to acquire laboratory data. Advanced Placement Biology and Chemistry teachers, as a result of attending workshops sponsored by the College Board that informed them of crucial changes in those courses of study, are collaborating to move their courses to a broad based, inquiry-based curriculum. Additionally the AP Chemistry teachers are making use of the media edition of the textbook as a teaching and learning resource. This enables students to access information, use on-line tutorials for extra help and complete and submit assignments on-line. Teachers at the middle and high school have continued to use the Rubicon Atlas website as a means to share and collaborate the development of units, lessons, and assessments.

World Language

Since World Languages is primarily a non-textbook based content area, a good part of the budget continued to go towards supplies and resources that supported instruction, promoted the development of students' language proficiency, and facilitated collaborative global projects. In particular, additional instructional materials were purchased to support our growing Mandarin program. Purchases for all languages included manipulatives, audio resources, cultural DVDs and authentic literary and cultural resources, such as Scholastic Books and Magazines and authentic language magazines for upper level courses. At the high school level, we purchased

World Language (Cont'd)

instructional materials and resources to support the recent change in format and focus of the AP courses and exams. All teachers received copies of the text, *ACTFL Keys to Assessing Language Performance*, to guide the development of authentic performance assessments to measure our students' language proficiency.

Fine Arts

This year the budget supported our co-curricular activities with financial aid being allocated to our marching band, winter guard, color guard, and jazz program. Money has been allocated for equipment and repairs. Our transportation account has also received additional funds for the truck rentals needed to transport equipment for our percussion ensembles, marching band, and spring music evaluation. We have upgraded the sound system in the auditorium and increased the number of quality microphones needed for annual performances. Storage cabinets were also built and installed to assist with our growing department needs.

Art supply accounts have increased to meet the costs of material and support the art curriculum. We have established a repair account to repair any of the kilns that need work during the school year. Money has also been allocated to allow staff members to attend the New Jersey Art conference.

Professional Development

In 2012-2013 the District continued to provide three in-service days of staff development as well as optional summer workshop opportunities. Staff development also took place in department and faculty meetings, district study groups, program visitations, and out-of-district workshops. In August 2012, a two-day orientation program for first year teachers, as well as teachers new to the District, provided guidance for new staff. This support continued through New Teacher Roundtable Workshops provided throughout the year.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2013.

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

7) 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.

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

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

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

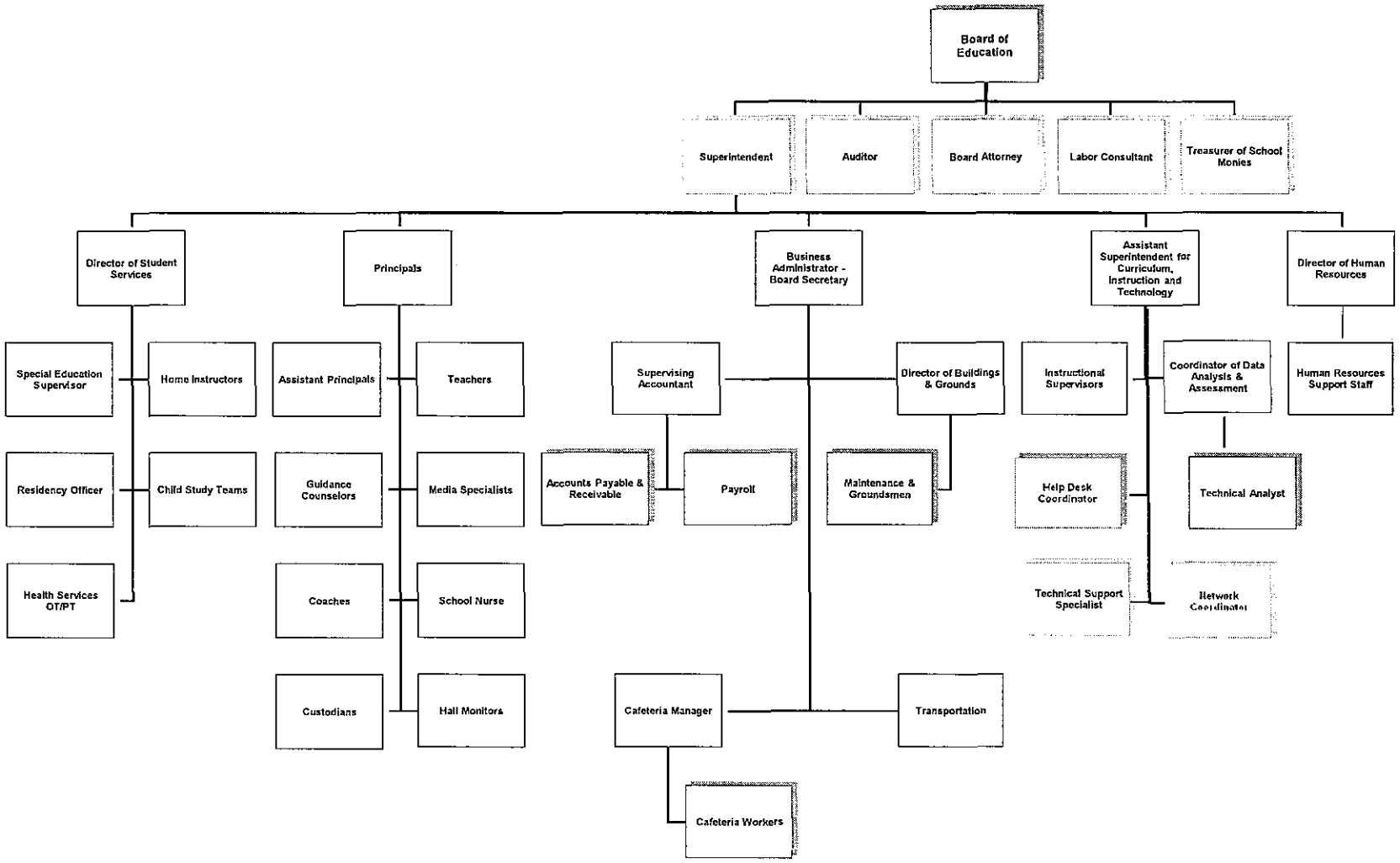
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Scotch Plains-Fanwood Regional School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and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

Respectfully submitted,

Dr. Margaret W. Hayes
Superintendent of Schools

Deborah S. Saridaki
School Business Administrator/Board Secretary

Organizational Chart
Scotch Plains-Fanwood Public Schools
2012 - 2013



Revised 6/30/13

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2013

Members of the Board of Education	Term Expires
Norman "Trip" Whitehouse, President	2015
Nancy Bauer, Vice President	2013
Jeanne Cleary	2014
David Gorbunoff	2013
Karen Kulikowski	2015
Douglas Layne	2014
Warren McFall	2014
Amy Winkler	2013
Betty Anne Woerner	2015

Other Officials	Title
Dr. Margaret W. Hayes	Superintendent of Schools
Deborah S. Saridaki	School Business Administrator/Board Secretary
Richard M. Barre	Treasurer
Casper P. Boehm, Jr.	Board Attorney

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

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

Attorney

Casper P. Boehm, Jr., Esq.
Counselor at Law
155 Harrison Road
Jacobstown, NJ 08562

Architect of Record

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

Official Depository

TD Bank
245 Park Avenue
Scotch Plains, NJ 07076

FINANCIAL SECTION

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotch Plains/Fanwood Regional Board of Education (the "District") in the County of Union, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotch Plains/Fanwood Regional Board of Education, in the County of Union, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
October 18, 2013

NISIVOCCIA 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, 2013
(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, 2013. 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 (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

Financial Highlights

- The District's financial status improved significantly.
- Overall revenue was $91.5 million.
- District enrollment, with the exception of a slight decrease in 2007-08, increased over the last few years but the cost per pupil remains relatively stable.

Overview of the Financial Statements

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

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

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

Scotch Plains-Fanwood Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

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

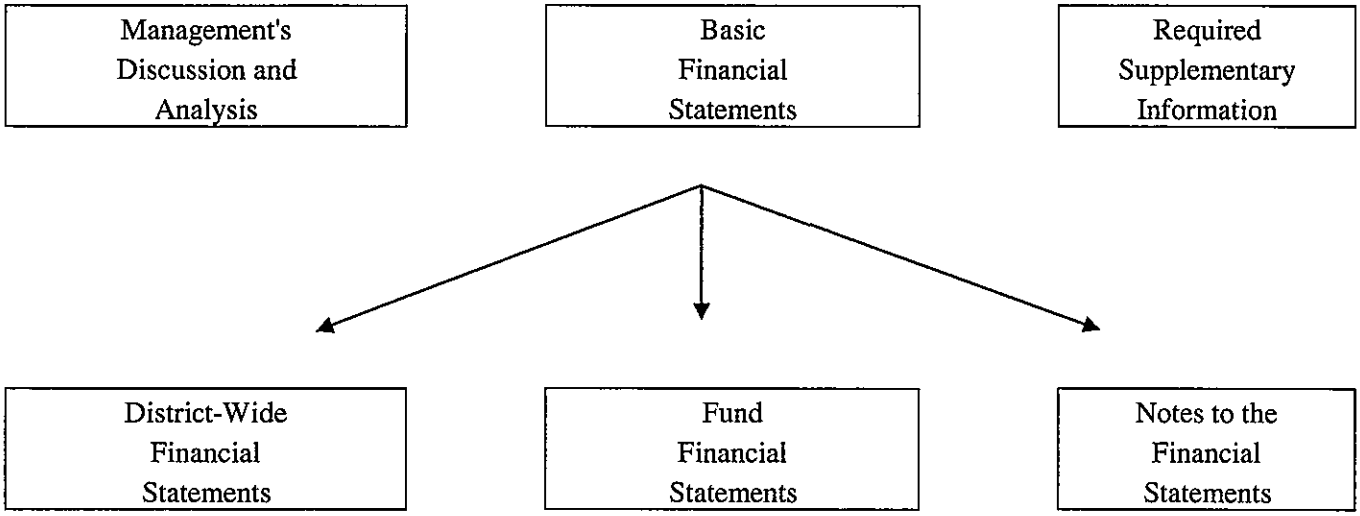


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Scotch Plains-Fanwood Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances	• Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
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, 2013
(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 position 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 position* and how they have changed. Net position – 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 position 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 is it 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, 2013
(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 Position. The District's *combined* net position was $29,396,992 on June 30, 2013, $2,701,256 or 10.12% more than the year before (See Figure A-3). Net investment in capital assets increased by $1,387,110 due to bonded debt retired of $1,250,850, $640,774 of capital leases retired, and $1,695,179 of capital additions, offset by $800,000 in new capital leases and depreciation of $1,365,942 and $33,751 related to governmental and business-type capital assets, respectively. Restricted net position increased by $1,210,789 due to increases in the capital reserve and maintenance reserve accounts of $3,326,733 and $594,519, respectively, offset by decreases in excess surplus of $2,562,171 and debt service fund balance of $148,292. Unrestricted net position increased by $103,357 mainly due excess local, state and federal revenues, unexpended budget appropriations, and decreases in accrued interest payable, unamortized bond premiums and compensated absences payable, offset by an increase in the liability for other post-retirement benefits payable and decreases in unamortized bond issuance costs and unamortized deferred bond interest.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Current and Other Assets	$ 15,155,941	$ 13,563,466	$ 679,407	$ 605,201	$ 15,835,348	$ 14,168,667	11.76%
Capital Assets, Net	29,584,579	29,283,256	149,247	155,084	29,733,826	29,438,340	1.00%
Total Assets	44,740,520	42,846,722	828,654	760,285	45,569,174	43,607,007	4.50%
Long-Term Debt Outstanding	13,762,282	14,663,886			13,762,282	14,663,886	-6.15%
Other Liabilities	2,294,666	2,157,443	115,234	89,942	2,409,900	2,247,385	7.23%
Total Liabilities	16,056,948	16,821,329	115,234	89,942	16,172,182	16,911,271	-4.37%
Net Position:							
Net Investment in Capital Assets	16,980,893	15,587,946	149,247	155,084	17,130,140	15,743,030	8.81%
Restricted	10,688,069	9,477,280			10,688,069	9,477,280	12.78%
Unrestricted	1,014,610	960,167	564,173	515,259	1,578,783	1,475,426	7.01%
Total Net Position	$ 28,683,572	$ 26,025,393	$ 713,420	$ 670,343	$ 29,396,992	$ 26,695,736	10.12%

Scotch Plains-Fanwood Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Changes in Net Position. The District's combined net position increased by $2,701,256 or 10.12%. Net position from governmental activities increased by $2,658,179 and net position from business-type activities increased by $43,077 (See Figure A-4).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Revenue:							
Program Revenue:							
Charges for Services	$ 343,687	$ 299,174	$ 1,238,366	$ 1,271,212	$ 1,582,053	$ 1,570,386	0.74%
Grants and Contributions:							
Operating	12,791,667	10,960,053	276,272	287,189	13,067,939	11,247,242	16.19%
General Revenue:							
Property Taxes	76,418,530	75,403,338			76,418,530	75,403,338	1.35%
Unrestricted State/ Federal Aid	117,930	25,731			117,930	25,731	358.32%
Other	316,202	150,812	557	729	316,759	151,541	109.03%
Total Revenue	89,988,016	86,839,108	1,515,195	1,559,130	91,503,211	88,398,238	3.51%
Expenses:							
Instruction	48,759,588	46,413,113			48,759,588	46,413,113	5.06%
Pupil and Instruction Services	18,332,296	16,957,075			18,332,296	16,957,075	8.11%
Administration and Business	6,744,969	6,409,147			6,744,969	6,409,147	5.24%
Maintenance and Operations	8,568,519	8,806,384			8,568,519	8,806,384	-2.70%
Transportation	3,202,465	2,773,873			3,202,465	2,773,873	15.45%
Other	1,722,000	1,703,939	1,472,118	1,591,551	3,194,118	3,295,490	-3.08%
Total Expenses	87,329,837	83,063,531	1,472,118	1,591,551	88,801,955	84,655,082	4.90%
Increase/(Decrease) in Net Position	$ 2,658,179	$ 3,775,577	$ 43,077	$ (32,421)	$ 2,701,256	$ 3,743,156	-27.83%

Scotch Plains-Fanwood Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Revenue Sources. The District's total revenue for the 2012/2013 school year was $91,503,211 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for $76,418,530 of the total or 83.52 percent (See Figure A-5). The remaining 16.48 percent of revenue is comprised of 14.27 percent from state formula aid and federal and state categorical grants, 1.73 percent from charges for services and .48 percent from other miscellaneous sources. It is important to note that, included in the $10,361,098 federal and state categorical grants revenue is over $4.59 million of funds that are not paid to the District, but are included in funding for TPAF Pension and Post-Retirement Benefits contributions that the State of New Jersey is paying on behalf of the District. The Scotch Plains-Fanwood Regional School District primarily conducts its operations from the revenue it receives from its local taxpayers and State aid.

Figure A-5
Sources of Revenue for Fiscal Year 2013

Sources of Income:	Amount	Percentage
State Formula Aid	$ 2,698,634	2.95%
Property Taxes	76,418,530	83.52%
Federal and State Categorical Grants	10,361,098	11.32%
Charges for Services	1,582,053	1.73%
Other	442,896	0.48%
	$ 91,503,211	100.00%

The total cost of all programs and services was $88,801,955. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (79.16 percent) (See Figure A-6). The District's administrative and business activities accounted for 7.59 percent of total costs. The most significant contributors to the cost of maintenance and operations were higher energy costs, including fuel, and insurance. It is important to note that expenses include $1,365,942 and $33,751 of depreciation related to governmental and business-type capital assets, respectively.

Figure A-6
Expenses for Fiscal Year 2013

Expense Category:	Amount	Percentage
Instruction	$ 48,759,588	54.91%
Pupil and Instruction Services	18,332,296	20.64%
Administration and Business	6,744,969	7.59%
Maintenance and Operations	8,568,519	9.65%
Transportation	3,202,465	3.61%
Other	3,194,118	3.60%
	$ 88,801,955	100.00%

Scotch Plains-Fanwood Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Governmental Activities

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

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

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

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	$ 48,759,588	$ 46,413,113	$39,198,773	$37,986,767
Pupil and Instruction Services	18,332,296	16,957,075	16,311,719	15,163,873
Administration and Business	6,744,969	6,409,147	6,104,839	5,909,091
Maintenance and Operations	8,568,519	8,806,384	7,944,895	8,356,875
Transportation	3,202,465	2,773,873	2,912,257	2,683,759
Other	1,722,000	1,703,939	1,722,000	1,703,939
	$ 87,329,837	$ 83,063,531	$ 74,194,483	$ 71,804,304

- The cost of all governmental activities this year was $87.33 million.
- The federal and state governments subsidized certain programs with grants and contributions ($10.21 million).
- Most of the District's costs, however, were financed by District taxpayers ($76.42 million).
- A portion of governmental activities was financed with state aid based on the SFRA formula ($2.70 million).
- The remainder of funding came from charges for services, investment earnings and miscellaneous revenues ($.66 million).

Business-Type Activities

The net position of the District's business-type activities increased by $43,077 ($39,684 in the Food Service Fund and $3,391 in the Summer Community Education Fund) due to decreases in overall operating expenses which more than offset decreases in student participation. (Refer to Figure A-4).

Scotch Plains-Fanwood Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Financial Analysis of the District's Funds

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

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Figure A-8
Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	Change
Sites (Land)	$ 223,882	$ 223,882			$ 223,882	$ 223,882	0.00%
Buildings and Building Improvements	27,633,299	27,176,386			27,633,299	27,176,386	1.68%
Machinery and Equipment	1,727,398	1,882,988	$ 149,247	$ 155,084	1,876,645	2,038,072	-7.92%
Total Capital Assets, Net of Depreciation	$ 29,584,579	$ 29,283,256	$ 149,247	$ 155,084	$ 29,733,826	$ 29,438,340	1.00%

The District invested $1,695,179 in capital assets ($1,667,265 and $27,914 associated with governmental and business-type activities, respectively) and incurred $1,365,942 and $33,751 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, 2013
(Unaudited)

Long-term Debt

At year-end, the District had $10,778,480 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
	2012/13	2011/12	Change
General Obligation Bonds, Net (Financed with Property Taxes)	$ 10,788,480	$ 11,962,678	-9.82%
Other Long-Term Liabilities	2,973,802	2,701,208	10.09%
	$ 13,762,282	$ 14,663,886	-6.15%

- Principal payments of $1,250,850 on the District's general obligation bonds were made during the fiscal year.
- The District's other long-term liabilities as of June 30, 2013 are comprised of compensated absences, capital leases payable and other post-employment benefits payable.

For the Future

The Scotch Plains-Fanwood School District is in sound financial condition. The District is proud of its community support and student involvement in the public schools. Major concerns are the increased reliance on local property taxes, reductions in State aid and a 2% tax levy cap. Due to the District's sound fiscal management, capital reserve funds currently exist to provide for the most pressing facility needs. 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 sound planning and responsible fiscal management.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 5,699,101	$ 681,397	$ 6,380,498
Internal Balances	32,227	(32,227)	
Receivables from Other Governments	1,139,200	14,754	1,153,954
Other Receivables	91,722		91,722
Inventory		15,483	15,483
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	4,749,323		4,749,323
Maintenance Reserve Account - Cash and Cash Equivalents	2,371,896		2,371,896
Prepaid Expenses	952,587		952,587
Unamortized Bond Issuance Costs	119,885		119,885
Capital Assets, Net:			
Sites (Land)	223,882		223,882
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	29,360,697	149,247	29,509,944
Total Assets	44,740,520	828,654	45,569,174
LIABILITIES			
Payable to State Government	20,782		20,782
Accounts Payable	1,115,220	91,065	1,206,285
Accrued Interest Payable	235,574		235,574
Deposits	39,240		39,240
Unamortized Bond Premiums	777,970		777,970
Unearned Revenue	105,880	24,169	130,049
Noncurrent Liabilities:			
Due Within One Year	1,778,550		1,778,550
Due Beyond One Year	11,983,732		11,983,732
Total Liabilities	16,056,948	115,234	16,172,182
NET POSITION			
Net Investment in Capital Assets	16,980,893	149,247	17,130,140
Restricted for:			
Capital Projects	4,749,323		4,749,323
Debt Service	20,892		20,892
Other Purposes	5,917,854		5,917,854
Unrestricted	1,014,610	564,173	1,578,783
Total Net Position	$ 28,683,572	$ 713,420	$ 29,396,992

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	$ 37,140,797	$ 343,687	$ 3,874,493		$ (32,922,617)		$ (32,922,617)
Special Education	8,938,963		5,081,385		(3,857,578)		(3,857,578)
Other Special Instruction	1,050,855		112,770		(938,085)		(938,085)
School Sponsored/Other Instruction	1,628,973		148,480		(1,480,493)		(1,480,493)
Support Services:							
Tuition	6,858,331				(6,858,331)		(6,858,331)
Student & Instruction Related Services	11,473,965		2,020,577		(9,453,388)		(9,453,388)
General Administrative Services	977,288		53,880		(923,408)		(923,408)
School Administrative Services	3,999,547		425,238		(3,574,309)		(3,574,309)
Central Services	1,233,652		120,720		(1,112,932)		(1,112,932)
Administrative Information Technology	534,482		40,292		(494,190)		(494,190)
Plant Operations and Maintenance	8,568,519		623,624		(7,944,895)		(7,944,895)
Pupil Transportation	3,202,465		290,208		(2,912,257)		(2,912,257)
Transfer of Funds to Charter Schools	12,452				(12,452)		(12,452)
Interest on Long-Term Debt	508,890				(508,890)		(508,890)
Unallocated Depreciation	1,200,658				(1,200,658)		(1,200,658)
Total Governmental Activities	87,329,837	343,687	12,791,667		(74,194,483)		(74,194,483)

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Business-Type Activities:							
Food Service	$ 1,408,969	$ 1,171,896	$ 276,272			$ 39,199	$ 39,199
Summer Community Education	63,149	66,470				3,321	3,321
Total Business-Type Activities	1,472,118	1,238,366	276,272			42,520	42,520
Total Primary Government	$ 88,801,955	$ 1,582,053	$ 13,067,939	$ -0-	$ (74,194,483)	42,520	(74,151,963)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					74,816,890		74,816,890
Taxes Levied for Debt Service					1,601,640		1,601,640
Federal and State Aid not Restricted					117,930		117,930
Investment Earnings					17,010	557	17,567
Miscellaneous Income					299,192		299,192
Total General Revenues					76,852,662	557	76,853,219
Change in Net Position					2,658,179	43,077	2,701,256
Net Position - Beginning					26,025,393	670,343	26,695,736
Net Position - Ending					$ 28,683,572	$ 713,420	$ 29,396,992

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 5,678,209		$ 20,892	$ 5,699,101
Interfund Receivable	105,085			105,085
Receivables from Other Governments	1,002,165	$ 137,035		1,139,200
Other Receivables	13,987	77,735		91,722
Restricted Cash and Cash Equivalents	7,121,219			7,121,219
Prepaid Expenses	952,587			952,587
Total Assets	$ 14,873,252	$ 214,770	$ 20,892	$ 15,108,914
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable		$ 72,858		$ 72,858
Payable to State Government		20,782		20,782
Accounts Payable	$ 1,095,020	20,200		1,115,220
Deposits	39,240			39,240
Unearned Revenue		105,880		105,880
Total Liabilities	1,134,260	219,720		1,353,980
Fund Balances:				
Restricted:				
Capital Reserve Account	4,749,323			4,749,323
Maintenance Reserve Account	2,371,896			2,371,896
Excess Surplus - Designated for Subsequent Year's Expenditures	2,545,958			2,545,958
Excess Surplus	1,000,000			1,000,000
Debt Service Fund			$ 20,892	20,892
Assigned:				
Encumbrances	916,684			916,684
Designated for Subsequent Year's Expenditures	274,596			274,596
Unassigned/(Deficit)	1,880,535	(4,950)		1,875,585
Total Fund Balances/(Deficit)	13,738,992	(4,950)	20,892	13,754,934
Total Liabilities and Fund Balances	$ 14,873,252	$ 214,770	$ 20,892	$ 15,108,914

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

Total Fund Balances (Above)	$ 13,754,934
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is $49,875,886 and the accumulated depreciation is $20,291,307.	29,584,579
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.	(13,762,282)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(235,574)
Bond Issuance costs are reported as expenditures in the Funds. These costs total $213,760 and the accumulated amortization is $93,875.	119,885
Bond Premiums are reported as revenue in the Funds. These premiums total $1,089,161 and the accumulated amortization is $311,191.	(777,970)
Net Position of Governmental Activities	$ 28,683,572

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

Exhibit B-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Local Tax Levy	$ 74,816,890		$ 1,601,640	$ 76,418,530
Tuition	343,687			343,687
Interest Earned on:				
Capital Reserve Funds	1,733			1,733
Maintenance Reserve Funds	2,277			2,277
Miscellaneous Revenues	312,192	$ 126,137		438,329
Total - Local Sources	75,476,779	126,137	1,601,640	77,204,556
State Sources	10,638,506	509,115		11,147,621
Federal Sources	45,242	1,590,597		1,635,839
Total Revenues	86,160,527	2,225,849	1,601,640	89,988,016
EXPENDITURES				
Current:				
Regular Instruction	25,430,498	202,847		25,633,345
Special Education Instruction	5,484,443	937,617		6,422,060
Other Special Instruction	713,997			713,997
School Sponsored/Other Instruction	1,197,075			1,197,075
Support Services and Undistributed Costs:				
Tuition	6,858,331			6,858,331
Student & Instruction Related Services	7,638,844	1,041,034		8,679,878
General Administrative Services	731,459			731,459
School Administrative Services	2,790,612			2,790,612
Central Services	883,667			883,667
Administration Information Technology	409,114			409,114
Plant Operations and Maintenance	6,577,906	44,351		6,622,257
Pupil Transportation	2,989,107			2,989,107
Unallocated Benefits	20,420,837			20,420,837
Debt Service:				
Principal			1,250,850	1,250,850
Interest and Other Charges			499,082	499,082
Capital Outlay	3,308,215			3,308,215
Transfer of Funds to Charter Schools	12,452			12,452
Total Expenditures	85,446,557	2,225,849	1,749,932	89,422,338
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	713,970		(148,292)	565,678
OTHER FINANCING SOURCES				
Capital Leases (non-budgeted)	800,000			800,000
Total Other Financing Sources	800,000			800,000
Net Change in Fund Balances	1,513,970		(148,292)	1,365,678
Fund Balance/(Deficit) - July 1	12,225,022	(4,950)	169,184	12,389,256
Fund Balance/(Deficit) - June 30	$ 13,738,992	$ (4,950)	$ 20,892	$ 13,754,934

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

Exhibit B-3

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, 2013

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 1,365,678
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of capital assets differs from capital outlays in the period.		
Depreciation expense	$ (1,365,942)	
Capital outlays	1,667,265	301,323
Capital leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities.		(800,000)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		640,774
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		1,250,850
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 (+).		25,675
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resourses 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 (+).		(113,368)
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(13,898)
The governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)		77,797
The governmental funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(76,652)
Change in Net Position of Governmental Activities (A-2)		$ 2,658,179

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

Exhibit B-4

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds Non-Major Funds
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 681,397
Accounts Receivable:	
Other Governments:	
Federal	13,072
State	1,682
Inventories	15,483
Total Current Assets	711,634
Non-Current Assets:	
Capital Assets	364,916
Less: Accumulated Depreciation	(215,669)
Total Non-Current Assets	149,247
Total Assets	860,881
LIABILITIES:	
Current Liabilities:	
Accounts Payable	91,065
Interfund Payable - General Fund	32,227
Unearned Revenue	24,169
Total Current Liabilities	147,461
Total Liabilities	147,461
NET POSITION:	
Net Investment in Capital Assets	149,247
Unrestricted	564,173
Total Net Position	$ 713,420

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

Exhibit B-5

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds Non-Major Funds
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	$ 658,064
Daily Sales - Non-Reimbursable Programs	507,250
Special Events	6,582
Program Fees	66,470
Total Operating Revenue	1,238,366
Operating Expenses:	
Cost of Sales	595,048
Salaries	537,018
Payroll Taxes	62,917
Employee Benefits	33,004
Purchased Property Services	9,253
Management Fee	67,454
Insurance	56,110
Supplies and Materials	65,703
Depreciation Expense	33,751
Total Operating Expenses	1,472,118
Operating Loss	(233,752)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	188,585
Special Milk Program	4,697
Food Distribution Program	69,402
State Sources:	
School Lunch Program	12,780
School Lunch Program - Supplemental	808
Local Sources - Interest Revenue	557
Total Non-Operating Revenue	276,829
Change in Net Position	43,077
Net Position - Beginning of Year	670,343
Net Position - End of Year	$ 713,420

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

Exhibit B-6

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds Non-Major Funds
Cash Flows from Operating Activities:	
Receipts from Customers	$ 1,253,061
Payments to Employees	(264,385)
Payments to Food Service Vendor	(1,182,295)
Payments to Suppliers	(26,128)
Net Cash Used for Operating Activities	(219,747)
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(27,914)
Net Cash Used for Capital Financing Activities	(27,914)
Cash Flows from Noncapital Financing Activities:	
Federal Sources	192,873
State Sources	12,889
Net Cash Provided by Noncapital Financing Activities	205,762
Cash Flows from Investing Activities:	
Interest Revenue	557
Net Cash Provided by Investing Activities	557
Net Decrease in Cash and Cash Equivalents	(41,342)
Cash and Cash Equivalents, July 1	722,739
Cash and Cash Equivalents, June 30	$ 681,397
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	$ (233,752)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	33,751
Federal Food Distribution Program	69,402
Changes in Assets and Liabilities:	
(Increase) in Inventory	(5,957)
Increase in Accounts Payable	10,597
(Decrease) in Interfund Payable	(108,483)
Increase in Unearned Revenue	14,695
Net Cash Used for Operating Activities	$ (219,747)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at $69,402 for the fiscal year ended June 30, 2013.

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

Exhibit B-7

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	Agency	Unemployment Compensation Trust	Flexible Spending Account Trust
ASSETS:			
Cash and Cash Equivalents	$ 539,568	$ 454,466	$ 12,736
Total Assets	539,568	454,466	12,736
LIABILITIES:			
Payroll Deductions and Withholdings	348,541		
Due to Student Groups	191,027		
Total Liabilities	539,568	-0-	-0-
NET POSITION:			
Held in Trust for:			
Unemployment Claims		454,466	
Flexible Spending Claims			12,736
Total Net Position	$ -0-	$ 454,466	$ 12,736

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 POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust	Flexible Spending Account Trust
ADDITIONS:		
Contributions:		
Plan Members	$ 69,273	$ 33,400
Employer	140,000	
Total Contributions	209,273	33,400
Investment Earnings:		
Interest	349	8
Net Investment Earnings	349	8
Total Additions	209,622	33,408
DEDUCTIONS:		
Quarterly Contribution Reports and Unemployment Benefit Claims	124,941	
Flexible Spending Claims		29,795
Total Deductions	124,941	29,795
Change in Net Position	84,681	3,613
Net Position - Beginning of the Year	369,785	9,123
Net Position - End of the Year	$ 454,466	$ 12,736

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, 2013

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 and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. 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 position 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, 2013
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

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

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

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

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position 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.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2013 was submitted to the County office and was approved by a vote of the Board of Education. 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. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized reserves of the annual budget during the year).

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

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

Sources/Inflows of Resources:	General Fund	Special Revenue Fund
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	$ 86,213,097	$ 2,233,554
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		(30,387)
Prior Year Encumbrances		22,682
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	198,622	4,950
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	(251,192)	(4,950)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	$ 86,160,527	$ 2,225,849

Uses/Outflows of Resources:	General Fund	Special Revenue Fund
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	$ 85,446,557	$ 2,233,554
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		(30,387)
Prior Year Encumbrances		22,682
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 85,446,557	$ 2,225,849

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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 position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

H. Encumbrances: (Cont'd)

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise and general funds represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

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:

	Estimated Useful Life
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, 2013
(Continued)

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, 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, 2013.

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 Position*, 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. Unearned Revenue:

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the $13,738,992 General Fund balance at June 30, 2013, $916,684 is assigned for encumbrances; $7,121,219 is restricted ($4,749,323 in the capital reserve account and $2,371,896 in the maintenance reserve account); $274,596 is assigned and included as anticipated revenue for the year ending June 30, 2014; $3,545,958 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended ($2,545,958 is prior year excess surplus and is included as anticipated revenue for the year ending June 30, 2014 and the remaining $1,000,000 is current year excess surplus and will be included as anticipated revenue for the year ending June 30, 2015); and $1,880,535 is unassigned which is $251,192 less on the GAAP basis than the calculated maximum unassigned fund balance due to the June state aid payments that are not recognized until the fiscal year ending June 30, 2014.

Special Revenue Fund: There is a deficit fund balance of $4,950 in the Special Revenue Fund on a GAAP basis due to the June state aid payments that are not recognized until the fiscal year ending June 30, 2014.

Debt Service Fund: The Debt Service Fund balance at June 30, 2013 of $20,892 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended, the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2013 as defined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by $251,192 as reported in the fund statements (modified accrual basis) and the Special Revenue Fund by $4,950 as reported in the fund statements (grant accounting budgetary basis). N.J.A.C. 6A:23A-8.5(j) provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Fund Balance Restrictions, Commitments and Assignments:

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2013.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2013.

R. Deficit Fund Balance:

The District has a deficit in unassigned fund balance in the Special Revenue Fund of $(4,950) as of June 30, 2013 due to the non-recognition of the June state aid payments as explained in Note 1P on the previous page. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Position:

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

S. Net Position: (Cont'd)

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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 below and on the following page.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

> The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and
>
> In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

Investments:

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

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Investments: (Cont'd)

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

(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.

As of June 30, 2013, cash and cash equivalents and investments of the District consisted of the following:

		Restricted Cash and Cash Equivalents		
		Reserve Accounts		
	Cash and Cash Equivalents	Capital	Maintenance	Total
Checking Accounts	$ 7,387,268	$ 3,250,000	$ 2,371,896	$ 13,009,164
Certificates of Deposit		1,499,323		1,499,323
	$ 7,387,268	$ 4,749,323	$ 2,371,896	$ 14,508,487

During the period ended June 30, 2013, 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, 2013 was $14,508,487 and the bank balance was $16,910,546.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	$ 1,422,590
Interest Earnings	1,733
Deposit by Budget Appropriation	325,000
Deposit by Board Resolution - June 27, 2013	3,000,000
Ending Balance, June 30, 2013	$ 4,749,323

The balance in the capital reserve account at June 30, 2013 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP").

NOTE 5. MAINTENANCE RESERVE ACCOUNT

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

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

The activity of the maintenance reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	$ 1,777,377
Interest Earnings	2,227
Deposit by Budget Appropriation	500,000
Deposit by Board Resolution - June 27, 2013	92,292
Ending Balance, June 30, 2013	$ 2,371,896

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2013, the District transferred $185,118 to the capital outlay accounts for equipment; therefore, approval from the County Superintendent was not required.

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	$ 223,882			$ 223,882
Total Capital Assets Not Being Depreciated	223,882			223,882
Capital Assets Being Depreciated:				
Buildings and Building Improvements	42,662,027	$ 1,452,015		44,114,042
Machinery and Equipment	5,322,712	215,250		5,537,962
Total Capital Assets Being Depreciated	47,984,739	1,667,265		49,652,004
Governmental Activities Capital Assets	48,208,621	1,667,265		49,875,886
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(15,485,641)	(995,102)		(16,480,743)
Machinery and Equipment	(3,439,724)	(370,840)		(3,810,564)
	(18,925,365)	(1,365,942)		(20,291,307)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	$ 29,283,256	$ 301,323	$ -0-	$ 29,584,579

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 343,092	$ 27,914	$ 6,090	$ 364,916
Less Accumulated Depreciation	(188,008)	(33,751)	(6,090)	(215,669)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	$ 155,084	$ (5,837)	$ -0-	$ 149,247

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

The increases totaling $1,695,179 represent current year capitalized expenditures in the general fund and the food service enterprise fund.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$ 21,344
Student and Instruction Related Services	23,437
General Administrative Services	16,474
School Administrative Services	8,182
Administration Information Technology	8,167
Plant Operations and Maintenance	66,025
Pupil Transportation	21,655
Unallocated	1,200,658
	$ 1,365,942

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance 6/30/2012	Issued/ Added	Retired	Balance 6/30/2013
Serial Bonds Payable	$ 12,805,850		$ 1,250,850	$ 11,555,000
Less: Deferred Amount on Refunding	(843,172)		(76,652)	(766,520)
Net Serial Bonds Payable	11,962,678		1,174,198	10,788,480
Capital Leases Payable	889,460	$ 800,000	640,774	1,048,686
Compensated Absences Payable	538,720	203,495	205,004	537,211
Other Post-Employment Benefits Payable	1,273,028	452,719	337,842	1,387,905
	$ 14,663,886	$ 1,456,214	$ 2,357,818	$ 13,762,282

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.

The District had bonds outstanding as of June 30, 2013 as follows:

Date of Issue	Final Maturity	Interest Rate	Amount
02/11/10	07/15/22	3.00% - 5.00%	$ 11,555,000

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	$ 1,250,000	$ 449,650	$ 1,699,650
2015	1,240,000	399,850	1,639,850
2016	1,225,000	356,675	1,581,675
2017	1,210,000	317,125	1,527,125
2018	1,195,000	272,050	1,467,050
Thereafter:			
2019-2023	5,435,000	610,825	6,045,825
	$ 11,555,000	$ 2,406,175	$ 13,961,175

B. Bonds Authorized But Not Issued:

As of June 30, 2013, the Board had no bonds authorized but not issued.

C. Bond Anticipation Notes Payable:

As of June 30, 2013, the Board had no bond anticipation notes payable.

D. Capital Leases Payable:

The District has three capital leases payable for computer equipment as of June 30, 2013. All of the leases are for four years with the final payments occurring in fiscal years 2013-14, 2014-15 and 2015-16. 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, 2013 are detailed below.

Year	Amount
2014	$ 530,078
2015	357,547
2016	192,673
	1,080,298
Less: Amount representing interest	(31,612)
Present value of net minimum lease payments	$ 1,048,686

The current portion of capital leases payable at June 30, 2013 is $510,413 and the long-term portion is $538,273. The General Fund will be used to liquidate capital leases payable.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of compensated absences payable at June 30, 2013 is $94,789 and the long-term portion is $442,422.

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, 2013, no liability existed for compensated absences in the Proprietary Funds.

F. Other Post-employment Benefits Payable:

The liability for other post-employment benefits of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of other post-employment benefits payable at June 30, 2013 is $-0- and the long-term portion is $1,387,905. See Note 10 for further information on these benefits.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The TPAF and the PERS 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. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or the PERS, the employee may be eligible to enroll in the DCRP.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, 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. For PERS and TPAF, the contribution rate was 6.64% effective July 1, 2012. Subsequent increases are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 9. 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. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions of 5.5% for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to $869,982, $955,223 and $950,947 for 2013, 2012 and 2011, respectively.

The State of New Jersey contributed $2,155,166, $1,035,989, and $-0- to the TPAF for normal pension benefits on behalf of the District for the fiscal years ending June 30, 2013, 2012 and 2011, respectively.

Employee contributions to the DCRP for the fiscal years ended June 30, 2013, 2012 and 2011 were $30,074, $26,947 and $15,425, respectively. Employer contributions to the DCRP for the fiscal years ended June 30, 2013, 2012 and 2011 were $19,114, $14,698 and $8,414, respectively.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required 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. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, 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 $146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to $2,436,949, $2,082,609 and $2,197,737 for 2013, 2012 and 2011, respectively.

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Plan Description

The District provides post-employment medical benefits, including prescription drug coverage, and dental care, in accordance with state statute, to active employees, participating retirees and their beneficiaries. As of June 30, 2013, the valuation date, approximately 335 retirees and 689 active members meet the eligibility requirements put forth in P.L. 1992, c 126. The District sponsors and participates in a single-employer defined benefit OPEB plan. The OPEB plan is administered by the District and does not issue a stand-alone financial statement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the District's net OPEB obligation to the Plan at June 30, 2011, 2012 and 2013:

Benefit Obligations and Normal Cost

	Valuation June 30,		
	2011	2012	2013
Actuarial accrued liability (AAL):			
Retired employees	$ 9,473,202	$ 9,209,665	$ 3,700,171
Active employees	5,751,878	6,654,026	4,242,564
Unfunded actuarial accrued liability (UAAL)	$ 15,225,080	$ 15,863,691	$ 7,942,735
Normal Cost with interest	$ 525,505	$ 557,035	$ 192,127
Amortization factor based on 30 years	$ 466,418	$ 466,418	$ 462,018
Annual covered payroll	$ 44,396,745	$ 44,807,596	$ 45,436,600
UAAL as a percentage of covered payroll	34.29%	35.40%	17.48%

Level Dollar Amortization
Calculation of ARC under Projected Unit Credit Method

ARC normal cost with interest to end of year	$ 525,505	$ 557,035	$ 192,127
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	466,418	466,418	462,018
Annual Required Contribution (ARC)	991,923	1,023,453	654,145
Interest on net OPEB obligation	50,012	59,905	63,651
Adjustment to ARC	415,725	(1,045)	(265,077)
Annual OPEB cost (expense)	1,457,660	1,082,313	452,719
Pay as you go benefits	(876,017)	(807,698)	(337,842)
Net OPEB expense at June 30,:			
2011, 2012 and 2013, respectively	581,643	274,615	114,877
Prior year	416,770	998,413	1,273,028
Net OPEB obligation June 30,:			
2011, 2012 and 2013, respectively	$ 998,413	$ 1,273,028	$ 1,387,905

Projected unfunded actuarial accrued liability (June 30, 2011)	$ 15,225,080
Projected unfunded actuarial accrued liability (June 30, 2012)	$ 15,863,691
Projected unfunded actuarial accrued liability (June 30, 2013)	$ 7,942,735

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Actuarial Valuations

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

Actuarial Methods and Assumptions

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

In the June 30, 2013 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization over 30 years. The actuarial assumptions include a 5% discount rate and an initial health care cost trend rate of 9%, leveling off to 5% with 0.5% annual decrements.

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

The June 30, 2013 audit was not available as of the date of this report. Selected, summarized financial information for the Pool as of June 30, 2012 is as follows:

	South Bergen Region VII Workers' Compensation Pool
Total Assets	$ 10,727,871
Net Position	$ 3,946,009
Total Revenue	$ 1,868,457
Total Expenses	$ 1,834,127
Members Dividends	$ -0-
Change in Net Position for the Year Ended June 30, 2012	$ 34,330

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

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

New Jersey Unemployment Compensation Insurance

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

Fiscal Year	District Contributions	Interest Earned	Employee Contributions	Amount Reimbursed	Ending Balance
2012-2013	$ 140,000	$ 349	$ 69,273	$ 124,941	$ 454,466
2011-2012	50,000	475	66,762	193,512	369,785
2010-2011	300,000	570	67,855	247,101	446,060

NOTE 12. ECONOMIC DEPENDENCY

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2013:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 105,085	
Special Revenue Fund		$ 72,858
Proprietary Fund		32,227
	$ 105,085	$ 105,085

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

NOTE 14. DEFERRED COMPENSATION

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

The plan administrators are as follows:

403(b)
- FTJ Fund Choice
- AXA Equitable
- VALIC
- First Investors Corp.
- Lincoln Investment Planning, Inc.
- Lincoln Financial
- Siracusa

457
- MetLife Insurance Co.

NOTE 15. TAX CALENDAR

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2013:

	Governmental Activities			Business-Type Activities
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
Salaries	$ 116,433		$ 116,433	
Vendors	911,449		911,449	$ 91,065
Due to Other Governmental Units	67,138	$ 20,200	87,338	
	$ 1,095,020	$ 20,200	$ 1,115,220	$ 91,065

NOTE 17. 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.

Encumbrances

At June 30, 2013, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

Governmental Funds		
General	Special Revenue	Total
$ 916,684	$ 30,387	$ 947,071

On the District's Governmental Funds Balance Sheet as of June 30, 2012, $-0- is assigned for encumbrances in the Special Revenue Fund, which is $30,387 less than the actual encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 18. RECEIVABLES FROM OTHER GOVERNMENTS

The following receivables due from other governments existed as of June 30, 2013:

	Governmental Activities			Business-Type Activities
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
Federal		$ 134,359	$ 134,359	$ 13,072
State	$ 1,002,165	2,676	1,004,841	1,682
	$ 1,002,165	$ 137,035	$ 1,139,200	$ 14,754

BUDGETARY COMPARISON SCHEDULES

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 74,816,890		$ 74,816,890	$ 74,816,890	
Tuition from Individuals	255,000		255,000	272,750	$ 17,750
Tuition from Other LEA's				70,937	70,937
Interest Earned on Capital Reserve Funds	50		50	1,733	1,683
Interest Earned on Maintenance Reserve Funds	50		50	2,277	2,227
Unrestricted Miscellaneous Revenues	149,900		149,900	312,192	162,292
Total - Local Sources	75,221,890		75,221,890	75,476,779	254,889
State Sources:					
Categorical Transportation Aid	215,669		215,669	215,669	
Special Education Categorical Aid	2,455,543		2,455,543	2,455,543	
Categorical Security Aid	79,992		79,992	79,992	
Nonpublic School Transportation Costs				28,434	28,434
Extraordinary Special Education Costs Aid	300,000		300,000	851,559	551,559
On-Behalf TPAF Contributions:					
Post-Retirement Medical (Non-Budgeted)				2,436,949	2,436,949
Pension (Non-Budgeted)				2,155,166	2,155,166
Reimbursed TPAF Social Security (Non-Budgeted)				2,467,764	2,467,764
Total State Sources	3,051,204		3,051,204	10,691,076	7,639,872
Federal Sources:					
Medicaid Reimbursement	25,000		25,000	45,242	20,242
Total Federal Sources	25,000		25,000	45,242	20,242
TOTAL REVENUES	78,298,094		78,298,094	86,213,097	7,915,003

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	$ 347,450	$ 32,943	$ 380,393	$ 317,361	$ 63,032
Kindergarten - Salaries of Teachers	638,780	(77,953)	560,827	557,507	3,320
Grades 1-5 - Salaries of Teachers	8,732,029	(290,455)	8,441,574	8,232,360	209,214
Grades 6-8 - Salaries of Teachers	6,952,399	310,328	7,262,727	7,003,400	259,327
Grades 9-12 - Salaries of Teachers	7,021,718	13,018	7,034,736	6,931,561	103,175
Regular Programs - Home Instruction:					
Salaries of Teachers	100,298	(3,399)	96,899	85,951	10,948
Purchased Professional - Educational Services	25,000	3,399	28,399	28,399	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	111,219	1	111,220	110,643	577
Purchased Professional - Educational Services	230,821	89,450	320,271	297,694	22,577
Purchased Technical Services	170,250	368,668	538,918	477,304	61,614
Other Purchased Services (400-500 series)	22,870	(1,123)	21,747	12,890	8,857
General Supplies	1,212,715	(62,744)	1,149,971	1,096,772	53,199
Textbooks	222,094	11,203	233,297	223,472	9,825
Other Objects	73,477	(6,425)	67,052	55,184	11,868
Total Regular Programs - Instruction	25,861,120	386,911	26,248,031	25,430,498	817,533
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	251,451	280,399	531,850	531,137	713
Other Salaries for Instruction	209,138	38,428	247,566	234,881	12,685
Purchased Professional - Educational Services	60,000	(3,300)	56,700	35,925	20,775
Other Purchased Services (400-500 series)	500	(500)			
General Supplies	7,000	(1,500)	5,500	5,496	4
Total Multiple Disabilities	528,089	313,527	841,616	807,439	34,177

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction: (Cont'd)					
Resource Room/Resource Center:					
Salaries of Teachers	$ 4,186,098	$ (480,457)	$ 3,705,641	$ 3,659,524	$ 46,117
Other Salaries for Instruction	507,670	136,894	644,564	629,057	15,507
Purchased Technical Services	1,000	5,483	6,483	6,483	
General Supplies	5,500	(2,370)	3,130	3,130	
Textbooks	4,000	(2,512)	1,488	1,425	63
Total Resource Room/Resource Center	4,704,268	(342,962)	4,361,306	4,299,619	61,687
Preschool Disabilities - Part-Time:					
Salaries of Teachers	83,285	21,835	105,120	105,011	109
Other Salaries for Instruction	55,895	(19,266)	36,629	36,285	344
Total Preschool Disabilities - Part-Time	139,180	2,569	141,749	141,296	453
Preschool Disabilities - Full-Time:					
Salaries of Teachers	127,753	100	127,853	127,793	60
Other Salaries for Instruction	79,672	28,017	107,689	107,669	20
General Supplies	2,250	(1,300)	950	627	323
Total Preschool Disabilities - Full-Time	209,675	26,817	236,492	236,089	403
Total Special Education Instruction	5,581,212	(49)	5,581,163	5,484,443	96,720
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	730,127	(89,193)	640,934	635,399	5,535
Other Purchased Services (400-500 series)	1,200		1,200	300	900
General Supplies	4,000	(245)	3,755	3,343	412
Total Basic Skills/Remedial - Instruction	735,327	(89,438)	645,889	639,042	6,847

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Bilingual Education - Instruction:					
Salaries of Teachers	$ 59,959	$ 18,500	$ 78,459	$ 74,955	$ 3,504
General Supplies	350		350		350
Total Bilingual Education - Instruction	60,309	18,500	78,809	74,955	3,854
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	293,240	(20,500)	272,740	256,919	15,821
Purchased Services (300-500 series)	37,840	(27,255)	10,585	9,590	995
Supplies and Materials	21,249	(5,450)	15,799	8,348	7,451
Other Objects	600	1,028	1,628	293	1,335
Total School-Sponsored Cocurricular Activities - Instruction	352,929	(52,177)	300,752	275,150	25,602
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	668,734		668,734	624,025	44,709
Purchased Services (300-500 series)	169,369	(1,720)	167,649	149,356	18,293
Supplies and Materials	74,401	3,220	77,621	76,805	816
Other Objects	19,115	(1,453)	17,662	17,387	275
Total School-Sponsored Cocurricular Athletics - Instruction	931,619	47	931,666	867,573	64,093
Before/After School Programs - Instruction:					
Salaries		31,000	31,000	20,526	10,474
Total Before/After School Programs - Instruction		31,000	31,000	20,526	10,474
Summer School - Instruction:					
Salaries	32,000	8,000	40,000	33,826	6,174
Other Salaries for Instruction	8,000	(8,000)			
Total Summer School - Instruction	40,000		40,000	33,826	6,174
Total Instruction	33,562,516	294,794	33,857,310	32,826,013	1,031,297

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	$ 91,352	$ (74,460)	$ 16,892	$ 16,892	
Tuition to Other LEAs Within the State - Special	2,518,798	(293,620)	2,225,178	2,182,797	$ 42,381
Tuition to County Vocational Schools - Regular	972,500	21,700	994,200	994,200	
Tuition to County Vocational Schools - Special	40,000	(8,120)	31,880	28,800	3,080
Tuition to County Special Services Schools and Regional Day Schools	59,301	(16,350)	42,951	37,530	5,421
Tuition to Private Schools for the Disabled - Within the State	3,134,065	93,918	3,227,983	3,227,940	43
Tuition to Private Schools for the Disabled and Other LEA's - Outside the State	334,107	37,121	371,228	370,172	1,056
Total Undistributed Expenditures - Instruction	7,150,123	(239,811)	6,910,312	6,858,331	51,981
Attendance and Social Work Services:					
Salaries	68,900		68,900	58,903	9,997
Total Attendance and Social Work Services	68,900		68,900	58,903	9,997
Health Services:					
Salaries	690,793	204	690,997	687,747	3,250
Purchased Professional and Technical Services	15,000	(481)	14,519	11,830	2,689
Other Purchased Services (400-500 series)	600		600	450	150
Supplies and Materials	43,499	880	44,379	44,379	
Total Health Services	749,892	603	750,495	744,406	6,089
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	730,782	(7,200)	723,582	722,728	854
Purchased Professional - Educational Services	718,000	514,445	1,232,445	1,070,753	161,692
Supplies and Materials	9,000	(3,604)	5,396	5,394	2
Total Other Support Services - Speech, OT, PT and Related Services	1,457,782	503,641	1,961,423	1,798,875	162,548

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services:					
Salaries	$ 614,902	$ (172,000)	$ 442,902	$ 434,336	$ 8,566
Total Other Support Services - Students - Extraordinary Services	614,902	(172,000)	442,902	434,336	8,566
Guidance:					
Salaries of Other Professional Staff	787,157	(11,495)	775,662	775,104	558
Salaries of Secretarial and Clerical Assistants	310,395	1,500	311,895	309,705	2,190
Other Salaries	7,300	13,722	21,022	20,995	27
Other Purchased Professional and Technical Services	5,114	74	5,188	4,688	500
Other Purchased Services (400-500 series)	750		750	480	270
Supplies and Materials	63,792	(1,585)	62,207	41,669	20,538
Other Objects	535		535	524	11
Total Guidance	1,175,043	2,216	1,177,259	1,153,165	24,094
Child Study Team:					
Salaries of Other Professional Staff	957,597	1,998	959,595	958,859	736
Salaries of Secretarial and Clerical Assistants	263,496	(22,473)	241,023	240,703	320
Purchased Professional - Educational Services	20,000	26,872	46,872	46,872	
Other Purchased Professional and Technical Services	26,750	8,661	35,411	35,411	
Miscellaneous Purchased Services	500	(500)			
Supplies and Materials	5,000	985	5,985	5,296	689
Other Objects	1,000	(875)	125	125	
Total Child Study Team	1,274,343	14,668	1,289,011	1,287,266	1,745

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	$ 436,995		$ 436,995	$ 436,995	
Salaries of Other Professional Staff	172,920	$ (1,131)	171,789	111,086	$ 60,703
Salaries of Secretarial and Clerical Assistants	159,291		159,291	90,809	68,482
Other Salaries	15,500		15,500	9,071	6,429
Purchased Professional - Educational Services	120,000	(2,000)	118,000	70,879	47,121
Supplies and Materials	20,000		20,000		20,000
Other Objects	2,000		2,000		2,000
Total Improvement of Instructional Services	926,706	(3,131)	923,575	718,840	204,735
Educational Media Services/School Library:					
Salaries	610,046	26,272	636,318	620,484	15,834
Other Purchased Services (400-500 series)	1,110	(680)	430	189	241
Supplies and Materials	90,424	(2,279)	88,145	83,562	4,583
Other Objects	779	(200)	579		579
Total Educational Media Services/School Library	702,359	23,113	725,472	704,235	21,237
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	623,372	1,131	624,503	624,502	1
Salaries of Secretarial and Clerical Assistants	72,801		72,801	68,232	4,569
Purchased Professional - Educational Services	145,950	(85,000)	60,950	43,461	17,489
Other Objects	6,000		6,000	2,623	3,377
Total Instructional Staff Training Services	848,123	(83,869)	764,254	738,818	25,436

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	$ 339,358	$ 700	$ 340,058	$ 339,398	$ 660
Legal Services	85,000	(3,600)	81,400	69,431	11,969
Audit Fees	49,000	(239)	48,761	39,890	8,871
Other Purchased Professional Services	46,210		46,210	45,876	334
Purchased Technical Services	10,000		10,000	9,698	302
Communications/Telephone	94,000	2,700	96,700	89,555	7,145
BOE Other Purchased Services	3,000		3,000	2,479	521
Miscellaneous Purchased Services (400-500 series)	85,338	6,600	91,938	88,190	3,748
General Supplies	7,500	(1,461)	6,039	3,063	2,976
Miscellaneous Expenditures	21,000	(300)	20,700	14,891	5,809
BOE Membership Dues and Fees	28,696	300	28,996	28,988	8
Total Support Services - General Administration	769,102	4,700	773,802	731,459	42,343
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,740,746	3,202	1,743,948	1,737,898	6,050
Salaries of Other Professional Staff	148,050	(349)	147,701	147,687	14
Salaries of Secretarial and Clerical Assistants	806,081	(11,020)	795,061	793,038	2,023
Purchased Professional and Technical Services	8,500		8,500	2,593	5,907
Other Purchased Services (400-500 series)	109,000	7,170	116,170	96,744	19,426
Supplies and Materials	500	1,500	2,000	1,848	152
Other Objects	14,500		14,500	10,804	3,696
Total Support Services - School Administration	2,827,377	503	2,827,880	2,790,612	37,268
Central Services:					
Salaries	834,146		834,146	760,431	73,715
Purchased Professional Services	48,000	207	48,207	47,957	250
Purchased Technical Services	55,000	(4,130)	50,870	48,930	1,940
Miscellaneous Purchased Services (400-500 series)	3,500	(552)	2,948	1,336	1,612
Supplies and Materials	24,000	1,220	25,220	17,885	7,335
Miscellaneous Expenditures	14,000	(2,097)	11,903	7,128	4,775
Total Central Services	978,646	(5,352)	973,294	883,667	89,627

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Administration Information Technology:					
Salaries	$ 247,927	$ 6,997	$ 254,924	$ 253,804	$ 1,120
Purchased Professional Services	185,000	6,028	191,028	108,412	82,616
Purchased Technical Services	45,000	172	45,172	42,486	2,686
Other Purchased Services (400-500 series)	4,500		4,500	2,155	2,345
Supplies and Materials	3,500		3,500	2,257	1,243
Total Administration Information Technology	485,927	13,197	499,124	409,114	90,010
Required Maintenance for School Facilities:					
Salaries	698,770	19,877	718,647	640,066	78,581
Cleaning, Repair and Maintenance Services	1,040,583	325,270	1,365,853	724,838	641,015
Other Purchased Services (400-500 series)		500	500		500
General Supplies	175,500	178,428	353,928	314,564	39,364
Other Objects	3,000		3,000	1,910	1,090
Total Required Maintenance for School Facilities	1,917,853	524,075	2,441,928	1,681,378	760,550
Custodial Services:					
Salaries	2,451,742	(23,230)	2,428,512	2,297,487	131,025
Salaries of Non-Instructional Aides	371,684		371,684	324,135	47,549
Purchased Professional and Technical Services	323,475	(165,141)	158,334	148,822	9,512
Cleaning, Repair and Maintenance Services	119,750	(58,207)	61,543	56,513	5,030
Other Purchased Property Services	189,000		189,000	132,168	56,832
Insurance	188,604	26,641	215,245	210,915	4,330
General Supplies	278,590	(15,599)	262,991	230,355	32,636
Energy (Natural Gas)	450,000	(84,541)	365,459	291,611	73,848
Energy (Electricity)	875,000	(32,948)	842,052	710,337	131,715
Energy (Gasoline)	24,000	6,000	30,000	25,823	4,177
Total Custodial Services	5,271,845	(347,025)	4,924,820	4,428,166	496,654

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Salaries	$ 294,286	$ 3,353	$ 297,639	$ 249,009	$ 48,630
Cleaning, Repair and Maintenance Services	22,000	4,555	26,555	19,760	6,795
General Supplies	39,000	46,145	85,145	61,383	23,762
Total Care and Upkeep of Grounds	355,286	54,053	409,339	330,152	79,187
Security:					
Salaries	143,690	(5,390)	138,300	138,210	90
General Supplies		5,390	5,390		5,390
Total Security	143,690		143,690	138,210	5,480
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	303,003	22,868	325,871	324,057	1,814
Other Than Between Home and School - Regular	150,000	(40,748)	109,252	90,402	18,850
Management Fee - ESC & CTSA Transportation Program	53,050	(1,417)	51,633	51,633	
Other Purchased Professional and Technical Services		3,250	3,250	3,250	
Cleaning, Repair and Maintenance Services	2,500	150	2,650	2,636	14
Contracted Services:					
Between Home and School - Vendors	425,000	(8,000)	417,000	416,940	60
Other Than Between Home and School - Vendors	54,600	29,792	84,392	63,435	20,957
Special Education Students - Vendors	303,166	75,220	378,386	377,620	766
Regular Students - ESCs & CTSAs	100,000	(26,160)	73,840	71,087	2,753
Special Education Students - ESCs & CTSAs	1,284,000	114,470	1,398,470	1,393,211	5,259
Aid in Lieu Payments - Nonpublic Schools	150,000	9,930	159,930	133,484	26,446
Miscellaneous Purchased Services	2,500	(150)	2,350	2,212	138
General Supplies	3,000		3,000	666	2,334
Transportation Supplies	49,500	13,000	62,500	58,474	4,026
Total Student Transportation Services	2,880,319	192,205	3,072,524	2,989,107	83,417

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Unallocated Benefits:					
Social Security Contributions	$ 915,000	$ 60,000	$ 975,000	$ 934,163	$ 40,837
Other Retirment Contributions - PERS	950,000		950,000	869,982	80,018
Other Retirement Contributions - Regular	25,000		25,000	19,114	5,886
Unemployment Compensation	95,000	45,000	140,000	140,000	
Workmen's Compensation	360,000		360,000	340,007	19,993
Health Benefits	12,930,450	(588,349)	12,342,101	10,903,919	1,438,182
Tuition Reimbursement	151,000	3,337	154,337	134,758	19,579
Other Employee Benefits	20,250		20,250	19,015	1,235
Total Unallocated Benefits	15,446,700	(480,012)	14,966,688	13,360,958	1,605,730
On-Behalf TPAF Contributions:					
Post-Retirement Medical (Non-Budgeted)				2,436,949	(2,436,949)
Pension (Non-Budgeted)				2,155,166	(2,155,166)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,467,764	(2,467,764)
Total On-Behalf and Reimbursed Contributions				7,059,879	(7,059,879)
Total Personal Services - Employee Benefits	15,446,700	(480,012)	14,966,688	20,420,837	(5,454,149)
Total Undistributed Expenses	46,044,918	1,774	46,046,692	49,299,877	(3,253,185)
TOTAL GENERAL CURRENT EXPENSE	79,607,434	296,568	79,904,002	82,125,890	(2,221,888)

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Undistributed Expenditures:					
Instruction	$ 85,004	$ (2,530)	$ 82,474	$ 76,079	$ 6,395
Required Maintenance for School Facilities	58,960	109,577	168,537	81,682	86,855
Custodial Services	27,000	(5,327)	21,673	21,673	
Care and Upkeep of Grounds		8,300	8,300		8,300
Student Transporation - Non-instructional Equipment	20,484		20,484	20,484	
Total Equipment	191,448	110,020	301,468	199,918	101,550
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	200,000	(24,532)	175,468	117,877	57,591
Construction Services	1,450,000	24,532	1,474,532	1,419,632	54,900
Lease Purchase Agreements - Principal	675,000		675,000	663,504	11,496
Other Objects (Debt Service Assessment)	107,284		107,284	107,284	
Total Facilities Acquisition and Construction Services	2,432,284		2,432,284	2,308,297	123,987
Assets Acquired Under Capital Leases (Non-Budgeted):					
Undistributed Expenditures:					
Instruction				800,000	(800,000)
Total Assets Acquired Under Capital Leases (Non-Budgeted)				800,000	(800,000)
TOTAL CAPITAL OUTLAY	2,623,732	110,020	2,733,752	3,308,215	(574,463)

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Transfer of Funds to Charter Schools		$ 12,452	$ 12,452	$ 12,452	
TOTAL EXPENDITURES	$ 82,231,166	419,040	82,650,206	85,446,557	$ (2,796,351)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(3,933,072)	(419,040)	(4,352,112)	766,540	5,118,652
Other Financing Sources:					
Capital Leases (Non-Budgeted)				800,000	800,000
Total Other Financing Sources				800,000	800,000
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(3,933,072)	(419,040)	(4,352,112)	1,566,540	5,918,652
Fund Balance, July 1	12,423,644		12,423,644	12,423,644	
Fund Balance, June 30	$ 8,490,572	$ (419,040)	$ 8,071,532	$ 13,990,184	$ 5,918,652

Recapitulation:	
Restricted:	
Excess Surplus	$ 1,000,000
Excess Surplus - Designated for Subsequent Year's Expenditures	2,545,958
Capital Reserve	4,749,323
Maintenance Reserve	2,371,896
Assigned:	
Encumbrances	916,684
Designated for Subsequent Year's Expenditures	274,596
Unassigned	2,131,727
	13,990,184
Reconciliation to Governmental Funds Statement (GAAP):	
June State Aid Payments not Recognized on GAAP Basis	(251,192)
Fund Balance per Governmental Funds (GAAP)	$ 13,738,992

Exhibit C-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	$ 474,500	$ 61,632	$ 536,132	$ 515,350	$ (20,782)
Federal Sources	1,220,000	513,147	1,733,147	1,592,067	(141,080)
Local Sources	97,764	163,017	260,781	126,137	(134,644)
Total Revenues	1,792,264	737,796	2,530,060	2,233,554	(296,506)
EXPENDITURES:					
Instruction					
Personal Services - Salaries	277,784	7,606	285,390	245,830	39,560
Purchased Professional/Educational Services	32,130	87,067	119,197	18,367	100,830
Other Purchased Services	700,250	6,150	706,400	706,400	
General Supplies	2,000	136,973	138,973	114,188	24,785
Textbooks	50,000	1,942	51,942	51,714	228
Total Instruction	1,062,164	239,738	1,301,902	1,136,499	165,403
Support Services					
Personal Services - Salaries	100,000	85,820	185,820	95,301	90,519
Personal Services - Employee Benefits		19,323	19,323	19,323	
Purchased Professional/Educational Services	625,000	328,487	953,487	930,830	22,657
Other Purchased Services	5,100	48,388	53,488	35,568	17,920
Supplies and Materials		16,040	16,040	16,033	7
Total Support Services	730,100	498,058	1,228,158	1,097,055	131,103
Total Expenditures	1,792,264	737,796	2,530,060	2,233,554	296,506
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

Exhibit C-3
1 of 2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	$ 86,213,097	$ 2,233,554
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		(30,387)
Prior Year Encumbrances		22,682
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	198,622	4,950
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(251,192)	(4,950)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 86,160,527	$ 2,225,849
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	$ 85,446,557	$ 2,233,554
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		(30,387)
Prior Year Encumbrances		22,682
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 85,446,557	$ 2,225,849

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2013 was submitted to the County office and was approved by a vote of the Board of Education. 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, 2013

	No Child Left Behind					
	Title I		Title IIA		Title IID	Title III
	2012-13	2011-12 Summer	2012-13	2011-12 Summer	2011-12	2012-13
REVENUE:						
State Sources						
Federal Sources	$ 89,559	$ 29,055	$ 75,002	$ 1,257	$ 140	$ 16,446
Local Sources						
Total Revenue	$ 89,559	$ 29,055	$ 75,002	$ 1,257	$ 140	$ 16,446
EXPENDITURES:						
Instruction:						
Personal Services - Salaries	$ 59,292		$ 53,764			$ 4,465
Purchased Professional/Educational Services						
Other Purchased Services						
General Supplies	18,539	$ 28,615	2,800	$ 1,257	$ 140	
Textbooks						
Total Instruction	77,831	28,615	56,564	1,257	140	4,465
Support Services:						
Personal Services - Salaries						
Personal Services - Employee Benefits	9,476		9,847			
Purchased Professional/Educational Services	1,752	440	7,957			8,000
Other Purchased Services	500		634			
Supplies and Materials						3,981
Total Support Services	11,728	440	18,438			11,981
Total Expenditures	$ 89,559	$ 29,055	$ 75,002	$ 1,257	$ 140	$ 16,446

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	I.D.E.A. - Part B, Basic			NJ Nonpublic		
	Regular		Preschool			
	2012-13	2011-12 Summer	2012-13	Technology Initiative	Textbooks	Nursing
REVENUE:						
State Sources				$ 19,083	$ 51,714	$ 66,337
Federal Sources	$ 1,182,526	$ 98,866	$ 54,865			
Local Sources						
Total Revenue	$ 1,182,526	$ 98,866	$ 54,865	$ 19,083	$ 51,714	$ 66,337
EXPENDITURES:						
Instruction:						
Personal Services - Salaries	$ 1,080	$ 35,666				
Purchased Professional/Educational Services						
Other Purchased Services	705,000					
General Supplies	23,034					
Textbooks					$ 51,714	
Total Instruction	729,114	35,666			51,714	
Support Services:						
Personal Services - Salaries		63,200				
Personal Services - Employee Benefits						
Purchased Professional/Educational Services	443,680		$ 54,865	$ 19,083		$ 66,337
Other Purchased Services	3,887					
Supplies and Materials	5,845					
Total Support Services	453,412	63,200	54,865	19,083		66,337
Total Expenditures	$ 1,182,526	$ 98,866	$ 54,865	$ 19,083	$ 51,714	$ 66,337

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

		Nonpublic Auxiliary Services (Chapter 192)			
	Preschool Education Aid 2012-13	Compensatory Education	English as a Second Language	Transportation	Home Instruction
REVENUE:					
State Sources	$ 49,500	$ 57,606	$ 853	$ 15,030	$ 2,676
Federal Sources					
Local Sources					
Total Revenue	$ 49,500	$ 57,606	$ 853	$ 15,030	$ 2,676
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	$ 49,500				
Purchased Professional/Educational Services					
Other Purchased Services					
General Supplies					
Textbooks					
Total Instruction	49,500				
Support Services:					
Personal Services - Salaries					
Personal Services - Employee Benefits					
Purchased Professional/Educational Services		$ 57,606	$ 853	$ 15,030	$ 2,676
Other Purchased Services					
Supplies and Materials					
Total Support Services		57,606	853	15,030	2,676
Total Expenditures	$ 49,500	$ 57,606	$ 853	$ 15,030	$ 2,676

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Disaster Grants - Public Assistance FEMA	Nonpublic Handicapped Services (Chapter 193)			Local Programs	Totals June 30, 2013
		Supplementary Instruction	Examination & Classification	Corrective Speech		
REVENUE:						
State Sources		$ 113,096	$ 112,113	$ 27,342		$ 515,350
Federal Sources	$ 44,351					1,592,067
Local Sources					$ 126,137	126,137
Total Revenue	$ 44,351	$ 113,096	$ 112,113	$ 27,342	$ 126,137	$ 2,233,554
EXPENDITURES:						
Instruction:						
Personal Services - Salaries					$ 42,063	$ 245,830
Purchased Professional/Educational Services					18,367	18,367
Other Purchased Services					1,400	706,400
General Supplies					39,803	114,188
Textbooks						51,714
Total Instruction					101,633	1,136,499
Support Services:						
Personal Services - Salaries	32,101					95,301
Personal Services - Employee Benefits						19,323
Purchased Professional/Educational Services		$ 113,096	$ 112,113	$ 27,342		930,830
Other Purchased Services	6,241				24,306	35,568
Supplies and Materials	6,009				198	16,033
Total Support Services	44,351	113,096	112,113	27,342	24,504	1,097,055
Total Expenditures	$ 44,351	$ 113,096	$ 112,113	$ 27,342	$ 126,137	$ 2,233,554

Exhibit E-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

District-Wide Total

	Budgeted	Actual	Variance
EXPENDITURES:			
Instruction:			
Salaries of Teachers	$ 49,500	$ 49,500	
Total Instruction	49,500	49,500	
Total Expenditures	$ 49,500	$ 49,500	$ -0-

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2012-2013 Preschool Education Aid Allocation	$ 49,500
Add: Actual Preschool Education Carryover (June 30, 2012)	-0-
Total Preschool Education Aid Funds Available for 2012-2013 Budget	49,500
Less: 2012-2013 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(49,500)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2013	-0-
Add: June 30, 2013 Unexpended Preschool Education Aid	-0-
2012-2013 Carryover - Preschool Education Aid	$ -0-
2012-2013 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2013-2014	$ -0-

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Food Service	Summer Community Education Program	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 565,477	$ 115,920	$ 681,397
Accounts Receivable:			
Other Governments:			
Federal	13,072		13,072
State	1,682		1,682
Inventories	15,483		15,483
Total Current Assets	595,714	115,920	711,634
Non-Current Assets:			
Capital Assets	364,916		364,916
Less: Accumulated Depreciation	(215,669)		(215,669)
Total Non-Current Assets	149,247	-0-	149,247
Total Assets	744,961	115,920	860,881
LIABILITIES:			
Current Liabilities:			
Accounts Payable	91,065		91,065
Interfund Payable - General Fund	32,227		32,227
Unearned Revenue	24,169		24,169
Total Current Liabilities	147,461	-0-	147,461
Total Liabilities	147,461	-0-	147,461
NET POSITION:			
Net Investment in Capital Assets	149,247		149,247
Unrestricted	448,253	115,920	564,173
Total Net Position	$ 597,500	$ 115,920	$ 713,420

Exhibit G-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Food Service	Summer Community Education Program	Total
Operating Revenue:			
Charges for Services:			
Daily Sales - Reimbursable Programs:			
School Lunch Program	$ 649,961		$ 649,961
Special Milk Program	8,103		8,103
Total Daily Sales - Reimbursable Programs	658,064		658,064
Daily Sales - Non-Reimbursable Programs	507,250		507,250
Special Events	6,582		6,582
Program Fees		$ 66,470	66,470
Total Operating Revenue	1,171,896	66,470	1,238,366
Operating Expenses:			
Cost of Sales	595,048		595,048
Salaries	488,543	48,475	537,018
Payroll Taxes	62,917		62,917
Employee Benefits	33,004		33,004
Purchased Property Services	9,253		9,253
Purchased Professional - Educational Services		11,860	11,860
Management Fee	67,454		67,454
Insurance	56,110		56,110
Supplies and Materials	62,889	2,814	65,703
Depreciation Expense	33,751		33,751
Total Operating Expenses	1,408,969	63,149	1,472,118
Operating Income/(Loss)	(237,073)	3,321	(233,752)
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	188,585		188,585
Special Milk Program	4,697		4,697
Food Distribution Program	69,402		69,402
State Sources:			
School Lunch Program	12,780		12,780
School Lunch Program - Supplemental	808		808
Local Sources - Interest Revenue	487	70	557
Total Non-Operating Revenue	276,759	70	276,829
Change in Net Position	39,686	3,391	43,077
Net Position - Beginning of Year	557,814	112,529	670,343
Net Position - End of Year	$ 597,500	$ 115,920	$ 713,420

Exhibit G-3

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Food Service	Summer Community Education Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	$ 1,186,591	$ 66,470	$ 1,253,061
Payments to Employees	(215,910)	(48,475)	(264,385)
Payments to Food Service Vendor	(1,182,295)		(1,182,295)
Payments to Suppliers	(11,454)	(14,674)	(26,128)
Net Cash Provided by/(Used for) Operating Activities	(223,068)	3,321	(219,747)
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(27,914)		(27,914)
Net Cash Used for Capital Financing Activities	(27,914)	-0-	(27,914)
Cash Flows from Noncapital Financing Activities:			
Federal Sources	192,873		192,873
State Sources	12,889		12,889
Net Cash Provided by Noncapital Financing Activities	205,762	-0-	205,762
Cash Flows from Investing Activities:			
Interest Revenue	487	70	557
Net Cash Provided by Investing Activities	487	70	557
Net Increase/(Decrease) in Cash and Cash Equivalents	(44,733)	3,391	(41,342)
Cash and Cash Equivalents, July 1	610,210	112,529	722,739
Cash and Cash Equivalents, June 30	$ 565,477	$ 115,920	$ 681,397
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	$ (237,073)	$ 3,321	$ (233,752)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:			
Depreciation	33,751		33,751
Federal Food Distribution Program	69,402		69,402
Changes in Assets and Liabilities:			
(Increase) in Inventory	(5,957)		(5,957)
Increase in Accounts Payable	10,597		10,597
(Decrease) in Interfund Payable	(108,483)		(108,483)
Increase in Unearned Revenue	14,695		14,695
Net Cash Provided by/(Used for) Operating Activities	$ (223,068)	$ 3,321	$ (219,747)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at $69,402 for the fiscal year ended June 30, 2013.

FIDUCIARY FUNDS

Exhibit H-1

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Agency			Unemployment Compensation Trust	Flexible Spending Account Trust
	Student Activity	Payroll	Total		
ASSETS:					
Cash and Cash Equivalents	$ 191,027	$ 348,541	$ 539,568	$ 454,466	$ 12,736
Total Assets	191,027	348,541	539,568	454,466	12,736
LIABILITIES:					
Payroll Deductions and Withholdings		348,541	348,541		
Due to Student Groups	191,027		191,027		
Total Liabilities	191,027	348,541	539,568	-0-	-0-
NET POSITION:					
Held in Trust for:					
Unemployment Claims				454,466	
Flexible Spending Claims					12,736
Total Net Position	$ -0-	$ -0-	$ -0-	$ 454,466	$ 12,736

Exhibit H-2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust	Flexible Spending Account Trust
ADDITIONS:		
Contributions:		
Plan Members	$ 69,273	$ 33,400
Employer	140,000	
Total Contributions	209,273	33,400
Investment Earnings:		
Interest	349	8
Net Investment Earnings	349	8
Total Additions	209,622	33,408
DEDUCTIONS:		
Quarterly Contribution Reports and Unemployment Benefit Claims	124,941	
Flexible Spending Claims		29,795
Total Deductions	124,941	29,795
Change in Net Position	84,681	3,613
Net Position - Beginning of the Year	369,785	9,123
Net Position - End of the Year	$ 454,466	$ 12,736

Exhibit H-3

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS:				
Cash and Cash Equivalents	$ 194,171	$ 701,188	$ 704,332	$ 191,027
Total Assets	$ 194,171	$ 701,188	$ 704,332	$ 191,027
LIABILITIES:				
Liabilities:				
Due to Student Groups	$ 194,171	$ 701,188	$ 704,332	$ 191,027
Total Liabilities	$ 194,171	$ 701,188	$ 704,332	$ 191,027

Exhibit H-4

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Senior High School:				
Scotch Plains-Fanwood	$ 169,512	$ 433,294	$ 428,133	$ 174,673
Student Athletic Account	5,891	96,707	101,158	1,440
Middle Schools:				
Park	9,162	66,416	72,306	3,272
Terrill	9,606	82,364	80,709	11,261
Elementary Schools		22,407	22,026	381
Total All Schools	$ 194,171	$ 701,188	$ 704,332	$ 191,027

Exhibit H-5

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS:				
Cash and Cash Equivalents	$ 339,480	$ 48,446,747	$ 48,437,686	$ 348,541
Total Assets	$ 339,480	$ 48,446,747	$ 48,437,686	$ 348,541
LIABILITIES:				
Interfund Payable:				
General Fund		$ 628	$ 628	
Payroll Deductions and Withholdings	$ 339,480	48,446,119	48,437,058	$ 348,541
Total Liabilities	$ 339,480	$ 48,446,747	$ 48,437,686	$ 348,541

LONG-TERM DEBT

Exhibit I-1

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2013 Date	Amount	Interest Rate	Balance July 1, 2012	Retired/ Matured	Balance June 30, 2013
School Bonds	01/01/02	$ 15,117,000				$ 755,850	$ 755,850	
School Refunding Bonds	02/11/10	12,180,000	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%	12,050,000	495,000	$ 11,555,000
						$ 12,805,850	$ 1,250,850	$ 11,555,000

Exhibit I-2

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

Item	Interest Rate	Original Issue	Balance July 1, 2012	Issued	Retired/ Matured	Balance June 30, 2013
Computer Equipment	3.370%	$ 540,000	$ 137,564		$ 137,564	
Computer Equipment	2.790%	540,000	331,140		163,292	$ 167,848
Computer Equipment	1.970%	640,000	420,756		100,502	320,254
Computer Equipment	1.547%	800,000		$ 800,000	239,416	560,584
			$ 889,460	$ 800,000	$ 640,774	$ 1,048,686

Exhibit I-3

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 1,601,640		$ 1,601,640	$ 1,601,640	
Total Revenues	1,601,640		1,601,640	1,601,640	
EXPENDITURES:					
Regular Debt Service:					
Interest	499,082		499,082	499,082	
Redemption of Principal	1,250,850		1,250,850	1,250,850	
Total Regular Debt Service	1,749,932		1,749,932	1,749,932	
Total Expenditures	1,749,932		1,749,932	1,749,932	
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	(148,292)		(148,292)	(148,292)	
Fund Balance, July 1	169,184		169,184	169,184	
Fund Balance, June 30	$ 20,892	$ -0-	$ 20,892	$ 20,892	$ -0-

Recapitulation of Fund Balance at June 30, 2013:

Restricted	$ 20,892

STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	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.

Exhibit J-1

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

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
Governmental Activities:					
Net Investment in Capital Assets	$ 13,230,936	$ 14,871,772	$ 16,729,024	$ 12,936,920	$ 13,568,963
Restricted	5,191,566	5,040,203	2,008,755	365,656	(20,310)
Unrestricted	907,205	970,716	433,382	443,268	149,198
Total Governmental Activities Net Position	$ 19,329,707	$ 20,882,691	$ 19,171,161	$ 13,745,844	$ 13,697,851
Business-type Activities:					
Net Investment in Capital Assets	$ 33,148	$ 28,438	$ 23,728	$ 49,430	$ 78,583
Unrestricted	1,184	28,314	265,090	381,584	413,196
Total Business-Type Activities Net Position	$ 34,332	$ 56,752	$ 288,818	$ 431,014	$ 491,779
District-wide:					
Net Investment in Capital Assets	$ 13,264,084	$ 14,900,210	$ 16,752,752	$ 12,986,350	$ 13,647,546
Restricted	5,191,566	5,040,203	2,008,755	365,656	(20,310)
Unrestricted	908,389	999,030	698,472	824,852	562,394
Total District Net Position	$ 19,364,039	$ 20,939,443	$ 19,459,979	$ 14,176,858	$ 14,189,630

	Fiscal Year Ending June 30,			
	2010	2011	2012	2013
Governmental Activities:				
Net Investment in Capital Assets	$ 15,176,305	$ 15,517,308	$ 15,587,946	$ 16,980,893
Restricted/(Deficit)	1,729,678	5,853,356	9,477,280	10,688,069
Unrestricted/(Deficit)	(284,303)	879,152	1,234,782	1,014,610
Total Governmental Activities Net Position	$ 16,621,680	$ 22,249,816	$ 26,300,008	$ 28,683,572
Business-type Activities:				
Net Investment in Capital Assets	$ 81,810	$ 119,819	$ 155,084	$ 149,247
Unrestricted	544,629	582,945	515,259	564,173
Total Business-Type Activities Net Position	$ 626,439	$ 702,764	$ 670,343	$ 713,420
District-wide:				
Net Investment in Capital Assets	$ 15,258,115	$ 15,637,127	$ 15,743,030	$ 17,130,140
Restricted/(Deficit)	1,729,678	5,853,356	9,477,280	10,688,069
Unrestricted	260,326	1,462,097	1,750,041	1,578,783
Total District Net Position	$ 17,248,119	$ 22,952,580	$ 26,970,351	$ 29,396,992

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 POSITION
LAST NINE FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:									
Governmental Activities:									
Instruction:									
Regular	$ 27,664,184	$ 28,001,841	$ 32,086,076	$ 32,546,072	$ 33,546,405	$ 34,892,752	$ 34,974,613	$ 35,282,492	$ 37,140,797
Special Education	6,017,612	5,645,819	6,794,746	8,126,570	8,038,031	8,262,388	8,054,577	8,584,624	8,938,963
Other Special Instruction		1,031,594	1,176,988	1,148,311	1,093,917	1,197,979	1,108,568	999,260	1,050,855
Other Instruction	2,531,839	1,580,873	1,806,398	1,723,244	1,742,805	1,758,112	1,482,290	1,546,737	1,628,973
Support Services:									
Tuition	3,666,547	4,553,437	4,531,507	5,190,826	6,205,373	6,932,769	6,965,007	6,423,166	6,858,331
Student & Instruction Related Services	9,705,248	10,687,973	12,257,349	12,070,136	11,958,099	10,937,889	9,937,521	10,533,909	11,473,965
General Administrative Services	2,817,645	2,687,553	2,740,923	1,054,929	979,670	1,028,764	933,389	1,016,294	977,288
School Administrative Services	3,189,653	3,386,806	3,516,173	3,782,650	3,653,271	3,844,802	3,795,205	3,900,767	3,999,547
Central Services				1,329,852	1,354,749	1,368,378	1,297,661	1,096,883	1,233,652
Administrative Information Technology				542,494	521,197	503,050	468,516	395,203	534,482
Plant Operations and Maintenance	7,218,315	7,765,008	8,151,273	9,060,286	8,376,992	8,430,303	8,634,741	8,806,384	8,568,519
Pupil Transportation	2,469,500	2,692,147	2,998,088	3,022,634	3,054,463	2,796,350	2,618,482	2,773,873	3,202,465
Special Schools		41,955							
Charter Schools		870,638		17,284	9,653	46,894	28,347		12,452
Capital Outlay			1,243,230						
Interest on Long-term Debt	1,030,183	972,115	905,325	856,669	883,477	676,764	634,086	568,395	508,890
Unallocated Depreciation	1,559,331	1,641,019	1,715,442	1,696,066	972,500	971,967	1,144,601	1,135,544	1,200,658
Total Governmental Activities Expenses	67,870,057	71,558,778	79,923,518	82,168,023	82,390,602	83,649,161	82,077,604	83,063,531	87,329,837
Business-Type Activities:									
Food Service	1,136,399	1,190,194	1,087,176	1,237,042	1,269,772	1,235,126	1,306,592	1,539,363	1,408,969
Summer Community Education Program			51,393	75,818	83,622	85,797	61,365	52,188	63,149
Total Business-Type Activities Expenses	1,136,399	1,190,194	1,138,569	1,312,860	1,353,394	1,320,923	1,367,957	1,591,551	1,472,118
Total District-Wide Expenses	69,006,456	72,748,972	81,062,087	83,480,883	83,743,996	84,970,084	83,445,561	84,655,082	88,801,955
Program Revenues:									
Governmental Activities:									
Charges for Services:									
Instruction (Tuition)	7,052	103,859	46,197						
Instruction (Preschool Tuition)						229,550	225,670	299,174	343,687
Other Instruction (Student Activity Fees)						135,600	111,820		
Operating Grants and Contributions	1,067,329	1,009,036	13,162,797	13,327,272	11,199,836	11,835,634	9,377,705	10,960,053	12,791,667
Capital Grants and Contributions				634,534	12,264	224,561	312,842		
Total Governmental Activities Program Revenues	1,074,381	1,112,895	13,208,994	13,961,806	11,212,100	12,425,345	10,028,037	11,259,227	13,135,354

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

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	$ 1,116,135	$ 1,200,996	$ 1,171,896
Summer Community Education Program			122,056	70,142	65,704	72,726	61,958	70,216	66,470
Operating Grants and Contributions	102,668	113,781	173,465	217,652	224,017	263,493	265,235	287,189	276,272
Total Business-Type Activities Revenues	1,129,168	1,206,501	1,353,476	1,417,439	1,411,595	1,454,392	1,443,328	1,558,401	1,514,638
Total District-wide Program Revenues	2,203,549	2,319,396	14,562,470	15,379,245	12,623,695	13,879,737	11,471,365	12,817,628	14,649,992
Net (Expense)/Revenue:									
Governmental Activities	(66,795,676)	(70,445,883)	(66,714,524)	(68,206,217)	(71,178,502)	(71,223,816)	(72,049,567)	(71,804,304)	(74,194,483)
Business-Type Activities	(7,231)	16,307	214,907	104,579	58,201	133,469	75,371	(33,150)	42,520
Total District-wide Net (Expense)/Revenue	(66,802,907)	(70,429,576)	(66,499,617)	(68,101,638)	(71,120,301)	(71,090,347)	(71,974,196)	(71,837,454)	(74,151,963)
General Revenues and Other Changes in Net Position:									
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	74,107,662	73,596,374	74,816,890
Taxes Levied for Debt Service	2,607,469	2,560,652	2,487,477	2,410,146	2,343,994	2,343,994	2,343,855	1,806,964	1,601,640
Unrestricted Grants and Contributions	10,015,713	10,201,213	458,060	568,314	422,447	422,540	69,752	25,731	117,930
Investment Earnings	177,652	380,197	498,482	293,172	90,716	33,365	24,112	2,036	17,010
Miscellaneous Income	232,229	348,251	53,505	284,729	519,692	224,994	1,132,322	148,776	299,192
Total Governmental Activities General Revenues and Other Changes in Net Position	68,371,305	72,153,107	65,637,528	69,012,120	71,130,509	74,147,645	77,677,703	75,579,881	76,852,662
Business-type Activities:									
Investment Earnings	2,201	6,113	17,159	7,205	2,564	1,191	954	729	557
Total Business-type Activities General Revenues and Other Changes in Net Position	2,201	6,113	17,159	7,205	2,564	1,191	954	729	557
Total District-wide General Revenues and Other Changes in Net Position	68,373,506	72,159,220	65,654,687	69,019,325	71,133,073	74,148,836	77,678,657	75,580,610	76,853,219
Change in Net Position:									
Governmental Activities	1,575,629	1,707,224	(1,076,996)	805,903	(47,993)	2,923,829	5,628,136	3,775,577	2,658,179
Business-Type Activities	(5,030)	22,420	232,066	111,784	60,765	134,660	76,325	(32,421)	43,077
Total District-Wide Change in Net Position	$ 1,570,599	$ 1,729,644	$ (844,930)	$ 917,687	$ 12,772	$ 3,058,489	$ 5,704,461	$ 3,743,156	$ 2,701,256

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

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

Exhibit J-3

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

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
General Fund:					
Reserved	$ 2,292,304	$ 2,361,979	$ 920,110	$ 889,856	$ 444,874
Unreserved	1,275,409	1,317,193	1,454,458	1,457,559	1,724,333
Total General Fund	$ 3,567,713	$ 3,679,172	$ 2,374,568	$ 2,347,415	$ 2,169,207
All Other Governmental Funds:					
Reserved				$ 349,902	$ 508,540
Unreserved, Reported in:					
Capital Projects Fund/(Deficit)	$ 2,899,261	$ 2,667,263	$ 1,077,685	(874,102)	139
Debt Service Fund	1	10,961	10,960		
Total All Other Governmental Funds	$ 2,899,262	$ 2,678,224	$ 1,088,645	$ (524,200)	$ (465,184)
Total Governmental Funds	$ 6,466,975	$ 6,357,396	$ 3,463,213	$ 1,823,215	$ 1,704,023

	Fiscal Year Ending June 30,			
	2010	2011	2012	2013
General Fund:				
Reserved	$ 2,021,523			
Unreserved	1,985,653			
Restricted		$ 5,705,064	$ 9,308,096	$ 10,667,177
Assigned		718,663	1,196,001	1,191,280
Unassigned		1,825,023	1,720,925	1,880,535
Total General Fund	$ 4,007,176	$ 8,248,750	$12,225,022	$ 13,738,992
All Other Governmental Funds:				
Unreserved, Reported in:				
Special Revenue Fund/(Deficit)	$ (4,946)			
Capital Projects Fund/(Deficit)	(397,147)			
Debt Service Fund	110,248			
Restricted		$ 148,292	$ 169,184	$ 20,892
Committed		39,563		
Unassigned/(Deficit)		(4,950)	(4,950)	(4,950)
Total All Other Governmental Funds	$ (291,845)	$ 182,905	$ 164,234	$ 15,942
Total Governmental Funds	$ 3,715,331	$ 8,431,655	$12,389,256	$ 13,754,934

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

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

Exhibit J-4

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

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:									
Tax Levy	$ 57,945,711	$ 61,223,446	$ 64,627,481	$ 67,865,905	$ 70,097,654	$ 73,466,746	$ 76,451,517	$ 75,403,338	$ 76,418,530
Tuition Charges	7,052	103,859	46,197			229,550	225,670	299,174	343,687
Interest Earnings	177,652	380,197	498,482	293,172	90,716				
Miscellaneous	232,229	348,251	53,505	277,976	519,692	393,959	299,769	129,920	316,202
Local Sources	27,026	41,656	66,439	76,711	126,819	127,151	101,925	135,195	126,137
State Sources	9,714,040	9,968,147	12,064,532	12,973,897	10,135,611	10,358,250	7,074,596	9,035,294	11,147,621
Federal Sources	1,341,976	1,200,446	1,489,886	1,479,512	1,372,117	1,997,334	2,270,936	1,815,295	1,635,839
Total Revenues	69,445,686	73,266,002	78,846,522	82,967,173	82,342,609	86,572,990	86,424,413	86,818,216	89,988,016
Expenditures:									
Instruction:									
Regular Instruction	20,603,478	20,484,986	23,544,346	23,006,070	23,611,676	24,566,429	24,389,000	24,885,065	25,633,345
Special Education Instruction	4,388,422	4,028,662	4,959,100	6,069,105	6,072,699	6,385,070	6,143,604	6,401,389	6,422,060
Other Special Instruction	698,495	734,345	844,824	800,617	780,118	853,019	771,855	709,762	713,997
School Sponsored/Other Instruction	1,255,415	1,198,916	1,369,340	1,284,472	1,310,668	1,326,815	1,111,359	1,185,244	1,197,075
Support Services:									
Tuition	3,666,547	4,553,437	4,531,507	5,190,826	6,205,373	6,932,769	6,965,007	6,423,166	6,858,331
Student & Instruction Related Services	7,501,626	8,030,444	9,249,780	8,955,785	9,029,123	8,256,256	7,421,142	7,996,473	8,679,878
General Administrative Services	1,998,304	2,111,949	956,225	864,174	775,710	811,213	768,157	802,193	731,459
School Administrative Services	2,313,554	2,447,314	2,449,750	2,645,341	2,620,307	2,718,318	2,703,928	2,757,311	2,790,612
Plant Operations and Maintenance	5,780,352	6,241,630	6,429,216	6,609,710	6,728,714	6,705,686	6,886,933	6,095,898	6,622,257
Pupil Transportation	2,325,172	2,537,608	2,815,856	2,836,576	2,874,739	2,607,932	2,383,885	2,567,372	2,989,107
Central Services			1,014,843	972,279	1,026,734	1,027,952	996,535	829,361	883,667
Administrative Information Technology			389,464	394,652	380,180	373,367	405,678	310,974	409,114
Unallocated Benefits	14,095,831	15,401,498	17,482,339	19,048,824	17,338,957	18,371,255	17,781,481	18,912,364	20,420,837
Special Schools		29,634							
Charter Schools				17,284	9,653	46,894	28,347		12,452
Capital Outlay	1,760,311	2,871,226	2,582,103	3,497,103	2,300,230	2,258,122	2,590,562	1,837,971	3,308,215
Debt Service:									
Principal	1,555,850	1,555,850	1,555,850	1,555,850	2,044,850	2,079,150	1,912,550	1,255,850	1,250,850
Interest and Other Charges	1,051,618	993,842	931,628	865,256	849,005	654,735	583,251	551,114	499,082
Total Expenditures	68,994,975	73,221,341	81,106,171	84,613,924	83,958,736	85,974,982	83,843,274	83,521,507	89,422,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	450,711	44,661	(2,259,649)	(1,646,751)	(1,616,127)	598,008	2,581,139	3,296,709	565,678
Other Financing Sources (Uses):									
Premium on Temporary Note				6,753					
Capital Leases (non-budgeted)					996,935	540,000	540,000	640,000	800,000
Prior Year Accounts Payable Canceled							968,485		
Unexpended Balance of School Refunding Bonds Issuance Costs								20,892	
Transfers In	32,020	1,209,014	315,257	6,753	1,373,520	1,405,018	816,690		
Transfers Out		(1,209,014)	(315,257)	(6,753)	(873,520)	(531,718)	(189,990)		
Total Other Financing Sources (Uses)	32,020	-0-	-0-	6,753	1,496,935	1,413,300	2,135,185	660,892	800,000
Net Change in Fund Balances	$ 482,731	$ 44,661	$ (2,259,649)	$ (1,639,998)	$ (119,192)	$ 2,011,308	$ 4,716,324	$ 3,957,601	$ 1,365,678
Debt Service as a Percentage of Noncapital Expenditures	3.9%	3.6%	3.2%	3.0%	3.5%	3.3%	3.1%	2.2%	2.0%

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

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

Exhibit J-5

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Preschool Tuition and Application Fees	Student Activity Fees	Other	Total
2004	$ 63,964	$ 5,753			$ 200,103	$ 269,820
2005	177,652	7,052			232,229	416,933
2006	380,197	103,859			348,251	832,307
2007	498,482	46,197			53,505	598,184
2008	293,172	-0-			277,976	571,148
2009	90,716	-0-			519,692	610,408
2010	33,365	-0-	$ 229,550	$ 135,600	224,994	623,509
2011	24,112	-0-	225,670	111,820	163,837	525,439
2012	18,954	-0-	299,174		110,966	429,094
2013	17,010	-0-	343,687		299,192	659,889

Source: Scotch Plains-Fanwood Regional School District records.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST NINE 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 [a]	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate [b]	Estimated Actual (County Equalized Value)
2004	$ 1,461,800	$ 205,338,100	$ -0-	$ -0-	$ 11,858,900	$ 2,586,000	$ -0-	$ 221,244,800	$ 166,627	$ 221,411,427	$ 7,526,600	$ 5.6110	$ 825,435,733
2005	1,394,400	206,646,200	-0-	-0-	13,015,600	2,586,000	-0-	223,642,200	123,636	223,765,836	7,464,900	5.9910	932,487,251
2006	1,564,500	208,054,700	-0-	-0-	12,407,200	2,487,000	-0-	224,513,400	99,969	224,613,369	7,141,500	6.3100	1,061,405,665
2007	1,727,600	208,944,400	-0-	-0-	12,284,500	2,487,000	-0-	225,443,500	90,930	225,534,430	7,505,900	6.5190	1,132,051,574
2008	1,930,300	209,549,200	-0-	-0-	12,152,500	2,456,500	-0-	226,088,500	91,295	226,179,795	7,717,200	6.6810	1,183,897,197
2009	1,184,600	210,409,000	-0-	-0-	14,217,700	2,284,100	-0-	228,095,400	103,302	228,198,702	8,009,500	7.1640	1,236,990,322
2010	1,294,100	210,556,900	-0-	-0-	14,837,700	2,284,100	-0-	228,972,800	99,851	229,072,651	6,797,800	7.5700	1,226,437,723
2011	1,438,300	210,103,900	-0-	-0-	14,620,900	2,284,100	-0-	228,447,200	88,274	228,535,474	6,713,400	7.4090	1,152,140,049
2012	1,342,300	210,195,800	-0-	-0-	14,547,000	2,284,100	-0-	228,369,200	101,515	228,470,715	6,772,100	7.4220	1,100,003,442

TOWNSHIP OF SCOTCH PLAINS

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities [a]	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate [b]	Estimated Actual (County Equalized Value)
2004	$ 5,793,000	$ 857,842,500	$ 1,437,100	$ 29,100	$ 65,308,600	$ 6,222,800	$ 33,244,200	$ 969,877,300	$ 1,072,397	$ 970,949,697	$ 195,893,900	$ 4.5520	$ 2,921,652,130
2005	8,610,700	864,529,500	1,098,900	14,500	64,400,300	5,737,800	29,240,400	973,632,100	951,617	974,583,717	199,689,100	4.8030	3,397,929,186
2006	7,441,300	878,129,900	1,098,900	14,500	64,284,700	5,737,800	29,240,400	985,947,500	787,335	986,734,835	202,403,600	4.9960	3,812,312,734
2007	7,007,200	887,625,400	1,098,900	14,500	64,006,200	5,737,800	27,940,400	993,430,400	706,796	994,137,196	206,096,700	5.2280	4,107,366,668
2008	7,323,800	892,649,700	1,098,900	14,500	62,877,700	6,537,800	23,855,500	994,357,900	696,589	995,054,489	206,096,700	5.4450	4,299,079,613
2009	7,061,100	895,773,700	1,098,900	14,500	59,423,800	6,537,800	23,755,500	993,665,300	809,816	994,475,116	210,783,900	5.6490	4,281,470,492
2010	6,594,600	895,519,200	1,098,900	14,500	60,068,800	6,537,800	23,755,500	993,589,300	855,487	994,444,787	211,229,600	5.8560	4,164,816,201
2011	6,990,300	893,232,800	1,076,500	14,500	59,842,200	6,511,400	25,155,500	992,823,200	682,667	993,505,867	210,082,400	5.9140	3,984,577,500
2012	6,772,000	892,079,700	1,076,500	14,500	57,946,200	6,511,400	25,155,500	989,555,800	674,082	990,229,882	210,290,400	5.9920	3,856,035,366

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

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

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

Source: Municipal Tax Assessors.

Exhibit J-7

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

	Scotch Plains-Fanwood Regional School District Direct Rate			Overlapping Rates		
Year Ended December 31,	Basic Rate [a]	General Obligation Debt Service [b]	Total Direct	Borough of Fanwood	Union County	Total Direct and Overlapping Tax Rate
2003	$ 5.0965	$ 0.2555	$ 5.352	$ 1.733	$ 1.434	$ 8.519
2004	5.3585	0.2525	5.611	1.752	1.505	8.868
2005	5.7404	0.2506	5.991	1.803	1.583	9.377
2006	6.0671	0.2429	6.310	1.888	1.673	9.871
2007	6.2875	0.2315	6.519	2.027	1.752	10.298
2008	6.4576	0.2234	6.681	2.348	1.802	10.831
2009	6.9354	0.2286	7.164	2.450	1.913	11.527
2010	7.3379	0.2321	7.570	2.541	2.054	12.165
2011	7.2314	0.1776	7.409	2.616	2.151	12.176
2012	7.2664	0.1556	7.422	2.622	2.290	12.334

TOWNSHIP OF SCOTCH PLAINS

	Scotch Plains-Fanwood Regional School District Direct Rate			Overlapping Rates		
Year Ended December 31,	Basic Rate [a]	General Obligation Debt Service [b]	Total Direct	Township of Scotch Plains	Union County	Total Direct and Overlapping Tax Rate
2003	$ 4.0632	$ 0.1888	$ 4.252	$ 1.260	$ 1.154	$ 6.666
2004	4.3419	0.2101	4.552	1.290	1.214	7.056
2005	4.5956	0.2074	4.803	1.351	1.324	7.478
2006	4.7966	0.1994	4.996	1.411	1.368	7.775
2007	5.0357	0.1923	5.228	1.461	1.442	8.131
2008	5.2581	0.1869	5.445	1.541	1.487	8.473
2009	5.4650	0.1840	5.649	1.463	1.520	8.632
2010	5.6733	0.1827	5.856	1.538	1.603	8.997
2011	5.7548	0.1592	5.914	1.585	1.707	9.206
2012	5.8664	0.1256	5.992	1.613	1.844	9.449

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.

Source: Municipal Tax Collector and School Business Administrator.

Exhibit J-8

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

BOROUGH OF FANWOOD

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
HCRI NY-NJ Partners	$ 2,464,900	1	1.08%			
Partners Profit Fanwood Group LLC	943,500	2	0.41%			
250 South Avenue, Urban Renewal	860,000	3	0.38%			
Fanwood Plaza Partners I	827,000	4	0.36%			
Fanwood Plaza Partners I	669,200	5	0.29%			
150 South Ave, Inc. - A&P	600,000	6	0.26%			
Individual Taxpayer #1	558,200	7	0.24%	$ 558,200	5	0.25%
222 South Avenue LLC	523,600	8	0.23%			
Enchantment Properties LLC	500,000	9	0.22%			
Celtic Capital	475,000	10	0.21%			
Chelsea at Fanwood				1,308,200	1	0.59%
Stormcrest				656,200	2	0.30%
Individual Taxpayer #2				600,000	3	0.27%
Fanwood Plaza Partners				580,100	4	0.26%
Individual Taxpayer #3				521,000	6	0.24%
Sun Tavern				479,500	7	0.22%
Seaboard Associates				477,500	8	0.22%
Fanwood Equities				406,100	9	0.18%
J&S Associates				400,000	10	0.18%
Total	$ 8,421,400		3.68%	$ 5,986,800		2.71%

TOWNSHIP OF SCOTCH PLAINS

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Lamberts Mill Village	$ 8,400,000	1	0.85%	$ 11,973,200	1	1.24%
Ashbrook Manor	7,500,000	2	0.76%	9,515,400	2	0.99%
NJ Golf Partners LLC	3,168,000	3	0.32%			
Riverside Village	2,900,000	4	0.29%	4,488,400	5	0.47%
Snuffy Pantagis	2,857,800	5	0.29%	5,000,000	4	0.52%
Automatic Associates	1,900,000	6	0.19%	1,526,700	8	0.16%
Dornbush	1,750,000	7	0.18%	3,100,000	6	0.32%
VS Realty	1,243,200	8	0.13%			
Scotch Plains Gardens	1,200,000	9	0.12%	1,950,000	7	0.20%
Green Brook Plaza	1,146,400	10	0.12%			
Shackamaxon Country Club				5,377,500	3	0.56%
Ashbrook Manor Associates				1,406,400	9	0.15%
Forest Park Village Associates				1,047,300	10	0.11%
Total	$ 32,065,400		3.24%	$ 45,384,900		4.72%

Source: Municipal Tax Assessors.

Exhibit J-9

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

BOROUGH OF FANWOOD

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy[a]		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	$ 11,815,835	$ 11,815,835	100.00%	$ -0-
2005	12,423,078	12,423,078	100.00%	-0-
2006	13,406,729	13,406,729	100.00%	-0-
2007	14,173,116	14,173,116	100.00%	-0-
2008	14,701,841	14,701,841	100.00%	-0-
2009	15,112,019	15,112,019	100.00%	-0-
2010	16,347,049	16,347,049	100.00%	-0-
2011	17,340,244	17,340,244	100.00%	-0-
2012	16,932,647	16,932,647	100.00%	-0-
2013	16,956,163	16,956,163	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[a]		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	$ 42,500,599	$ 42,500,599	100.00%	$ -0-
2005	45,522,633	45,522,633	100.00%	-0-
2006	47,816,717	47,816,717	100.00%	-0-
2007	50,454,365	50,454,365	100.00%	-0-
2008	53,164,064	53,164,064	100.00%	-0-
2009	54,985,635	54,985,635	100.00%	-0-
2010	57,119,697	57,119,697	100.00%	-0-
2011	59,111,273	59,111,273	100.00%	-0-
2012	58,470,691	58,470,691	100.00%	-0-
2013	59,462,367	59,462,367	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 NINE FISCAL YEARS
UNAUDITED

	Governmental Activities				Business-Type Activities			
Fiscal Year Ended June 30,	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Percentage of Personal Income [a]	Per Capita [a]
2005	$ 22,644,300	$ -0-	$1,453,048	$ -0-	$ -0-	$24,097,348	1.89%	$ 808.61
2006	21,088,450	-0-	1,302,544	-0-	-0-	22,390,994	1.69%	749.16
2007	19,532,600	-0-	1,064,480	-0-	-0-	20,597,080	1.42%	690.60
2008	17,976,750	-0-	513,359	2,000,000	-0-	20,490,109	1.35%	686.92
2009	16,431,900	-0-	964,214	1,500,000	-0-	18,896,114	1.21%	632.21
2010	15,347,550	-0-	957,614	626,700	-0-	16,931,864	1.15%	561.07
2011	14,061,700	-0-	897,976	-0-	-0-	14,959,676	0.96%	484.34
2012	12,805,850	-0-	889,460	-0-	-0-	13,695,310	0.88%	441.74
2013	11,555,000	-0-	1,048,686	-0-	-0-	12,603,686	0.78%	403.87

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

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

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

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

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding				
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Net Valuation Taxable [a]	Per Capita [b]
2005	$ 22,644,300	$ -0-	$22,644,300	1.899%	$ 759.85
2006	21,088,450	-0-	21,088,450	1.760%	705.58
2007	19,532,600	-0-	19,532,600	1.612%	654.91
2008	17,976,750	-0-	17,976,750	1.474%	602.66
2009	16,431,900	-0-	16,431,900	1.346%	549.76
2010	15,347,550	-0-	15,347,550	1.255%	508.57
2011	14,061,700	-0-	14,061,700	1.149%	455.26
2012	12,805,850	-0-	12,805,850	1.048%	413.05
2013	11,555,000	-0-	11,555,000	0.948%	370.27

a - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.
b - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

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

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

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

Exhibit J-12

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012
UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Borough of Fanwood	$ 12,692,133	100.00%	$ 12,692,133
Township of Scotch Plains	18,126,527	100.00%	18,126,527
Union County General Obligation Debt	561,918,296	7.48%	42,021,730
Subtotal, Overlapping Debt			72,840,390
Scotch Plains-Fanwood Regional School District Direct Debt			11,555,000
Total Direct and Overlapping Debt			$ 84,395,390

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Fanwood and Scotch Plains. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

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

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2013

Year Ended December 31,	Borough of Fanwood	Township of Scotch Plains	Equalized Valuation Basis
2010	$ 1,152,934,542	$ 3,980,726,362	$ 5,133,660,904
2011	1,139,387,531	3,995,264,386	5,134,651,917
2012	1,099,514,685	3,853,410,436	4,952,925,121
	$ 3,391,836,758	$ 11,829,401,184	$ 15,221,237,942

Average Equalized Valuation of Taxable Property	$ 5,073,745,981
Debt Limit (4% of Average Equalization Value)[a]	$ 202,949,839
Net Bonded School Debt	11,555,000
Legal Debt Margin	$ 191,394,839

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt Limit	$ 132,292,987	$ 146,940,098	$ 164,427,090	$ 184,600,382	$ 203,299,156
Total Net Debt Applicable to Limit	24,200,150	24,644,300	21,088,450	19,532,600	19,976,750
Legal Debt Margin	$ 108,092,837	$ 122,295,798	$ 143,338,640	$ 165,067,782	$ 183,322,406
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	18.29%	16.77%	12.83%	10.58%	9.83%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	$ 215,485,944	$ 217,924,045	$ 213,492,146	$ 208,608,930	$ 202,949,839
Total Net Debt Applicable to Limit	17,931,900	15,974,250	14,061,700	12,805,850	11,555,000
Legal Debt Margin	$ 197,554,044	$ 201,949,795	$ 199,430,446	$ 195,803,080	$ 191,394,839
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.32%	7.33%	6.59%	6.14%	5.69%

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

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

Exhibit J-14

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

BOROUGH OF FANWOOD

Year	Population [a]	Union County Per Capita Personal Income [b]	Personal Income (thousands of dollars) [c]	Borough Unemployment Rate [d]
2003	7,189	$ 41,452	$ 297,998,428	3.0%
2004	7,142	42,775	305,499,050	2.6%
2005	7,101	44,243	314,169,543	2.8%
2006	7,066	48,636	343,661,976	2.9%
2007	7,078	50,752	359,222,656	2.6%
2008	7,072	52,307	369,915,104	3.4%
2009	7,124	48,723	347,102,652	6.0%
2010	7,333	50,448	369,935,184	6.1%
2011	7,360	50,448	371,297,280	6.1%
2012	7,410	51,860 *	384,282,600 *	6.1%

TOWNSHIP OF SCOTCH PLAINS

Year	Population [a]	Union County Per Capita Personal Income [b]	Personal Income (thousands of dollars) [c]	Township Unemployment Rate [d]
2003	22,767	$ 41,452	$ 943,737,684	3.9%
2004	22,659	42,775	969,238,725	2.4%
2005	22,787	44,243	1,008,165,241	2.6%
2006	22,759	48,636	1,106,906,724	2.7%
2007	22,751	50,752	1,154,658,752	2.5%
2008	22,817	52,307	1,193,488,819	3.2%
2009	23,054	48,723	1,123,260,042	5.6%
2010	23,554	50,448	1,188,252,192	5.7%
2011	23,643	50,448	1,192,742,064	5.7%
2012	23,797	51,860 *	1,234,112,420 *	5.7%

* - Latest Union County per capita personal income data available (2011) 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.

Exhibit J-15

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

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

Exhibit J-16

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013
Instruction:									
Regular	354	362	367	374	371	375	382	381	386
Special Education	74	80	87	87	88	80	76	76	78
Support Services:									
Student & Instruction Related Services	100	102	104	109	101	96	97	97	98
General Administrative Services	3	3	3	3	3	3	3	3	3
School Administrative Services	59	59	61	62	69	63	60	55	56
Plant Operations and Maintenance	65	64	73	75	70	65	62	60	58
Pupil Transportation	6	6	7	6	6	6	6	6	7
Business and Other Support Services	36	37	37	34	32	29	25	25	27
Food Service	8	8	8	4	4	4	2	2	2
Total	705	721	747	754	744	721	713	705	715

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.

Exhibit J-17

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

Fiscal Year	Enrollment[a]	Operating Expenditures[b]	Cost Per Pupil[c]	Percentage Change	Teaching Staff[d]	Pupil/Teacher Ratio: Elementary School	Pupil/Teacher Ratio: Middle School	Pupil/Teacher Ratio: High School	Average Daily Enrollment (ADE)[e]	Average Daily Attendance (ADA)[e]	% Change in Average Daily Enrollment	Student Attendance Percentage
2005	5,147	$ 64,627,196	$ 12,556	5.66%	428	16:1	14:1	14:1	5,067	4,873	3.18%	96.17%
2006	5,320	67,800,423	12,744	1.50%	442	16:1	14:1	14:1	5,220	5,012	3.02%	96.02%
2007	5,456	76,036,593	13,936	9.35%	454	16:1	13:1	15:1	5,340	5,130	2.30%	96.07%
2008	5,452	78,695,715	14,434	3.57%	461	15:1	13:1	14:1	5,333	5,123	-0.13%	96.06%
2009	5,502	78,764,651	14,316	-0.82%	459	16:1	14:1	16:1	5,398	5,179	1.22%	95.94%
2010	5,546	80,982,975	14,602	2.00%	455	18:1	15:1	16:1	5,439	5,228	0.76%	96.12%
2011	5,574	78,756,911	14,129	-3.24%	458	19:1	15:1	16:1	5,514	5,287	1.38%	95.88%
2012	5,583	79,876,572	14,307	1.26%	457	20:1	16:1	16:1	5,478	5,278	-0.65%	96.35%
2013	5,599	84,364,191	15,068	5.32%	468	20:1	15:1	16:1	5,475	5,258	-0.05%	96.04%

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.

Exhibit J-18
1 of 2

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013
District Building									
Elementary Schools									
Howard B. Brunner (1961)									
Square Feet	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580
Capacity (students)	383	383	383	383	383	383	383	383	383
Enrollment	403	449	468	460	463	407	411	410	426
J. Ackerman Coles (1963)									
Square Feet	50,850	50,850	50,850	50,850	50,850	50,850	50,850	50,850	50,850
Capacity (students)	440	440	440	440	440	440	440	440	440
Enrollment	541	548	545	528	519	552	539	517	500
Evergreen (1951)									
Square Feet	36,958	36,958	36,958	36,958	36,958	36,958	36,958	36,958	36,958
Capacity (students)	339	339	339	339	339	339	339	339	339
Enrollment	337	348	370	395	405	415	414	418	402
William J. McGinn (1973)									
Square Feet	47,182	47,182	47,182	47,182	47,182	47,182	47,182	47,182	47,182
Capacity (students)	389	389	389	389	389	389	389	389	389
Enrollment	458	474	474	475	474	494	481	485	485
School One (1972)									
Square Feet	44,328	44,328	44,328	44,328	44,328	44,328	44,328	44,328	44,328
Capacity (students)	337	337	337	337	337	337	337	337	337
Enrollment	338	371	390	388	389	392	375	379	376
Middle Schools									
Park (1922)									
Square Feet	114,483	114,483	114,483	114,483	114,483	114,483	114,483	117,633	117,633
Capacity (students)	795	795	795	795	795	795	795	895	895
Enrollment	775	744	745	794	823	875	924	927	932
Terrill (1964)									
Square Feet	94,179	94,179	94,179	97,973	97,973	97,973	97,973	97,973	97,973
Capacity (students)	637	637	637	737	737	737	737	737	737
Enrollment	783	819	863	841	847	858	847	865	841
High School									
Scotch Plains-Fanwood									
Square Feet	265,876	265,876	265,876	265,876	265,876	265,876	265,876	265,876	265,876
Capacity (students)	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479	1,479
Enrollment	1,423	1,473	1,502	1,461	1,467	1,426	1,483	1,505	1,537

Exhibit J-18
2 of 2

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

District Building	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other									
Administration Wing									
Square Feet	6,380	6,380	6,380	6,380	6,380	6,380	6,380	6,380	6,380
Maintenance Offices									
Square Feet	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
Outbuilding									
Square Feet	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581

Number of Schools at June 30, 2013
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 and does not include out of district placements.

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, 2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Howard B. Brunner Elementary	N/A	$ 45,800	$ 76,459	$ 76,189	$ 74,405	$ 69,235	$ 75,664	$ 77,393	$ 90,271	$ 68,977	$ 79,216
J. Ackerman Coles Elementary	N/A	42,659	81,304	81,017	65,104	73,622	80,458	77,806	90,753	69,345	79,120
Evergreen Elementary	N/A	44,365	65,793	65,561	74,405	59,577	65,109	56,550	65,959	59,113	58,742
William J. McGinn Elementary	N/A	40,935	74,810	74,546	74,405	67,742	74,032	72,192	84,206	64,343	74,028
School One Elementary	N/A	37,468	69,845	69,599	55,804	63,247	69,119	67,826	79,113	60,451	69,976
Park Middle	N/A	77,818	171,813	171,208	120,908	155,581	170,027	175,171	204,320	175,088	193,468
Terrill Middle	N/A	86,828	141,455	140,957	139,509	128,091	139,984	149,909	174,854	137,747	163,245
Scotch Plains-Fanwood High	N/A	206,379	348,577	347,349	325,522	315,645	344,951	406,817	474,513	454,850	963,583
Total School Facilities		582,252	1,030,056	1,026,426	930,062	932,740	1,019,344	1,083,664	1,263,989	1,089,914	1,681,378
Grand Total		$ 582,252	$ 1,030,056	$ 1,026,426	$ 930,062	$ 932,740	$ 1,019,344	$ 1,083,664	$ 1,263,989	$ 1,089,914	$ 1,681,378

N/A - Not Applicable.

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

Source: Scotch Plains-Fanwood Regional School District records.

Exhibit J-20
1 of 2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

		Coverage	Deductible
Utica Insurance Company			
MULTI PERIL PACKAGE POLICY			
Property			
Property - Blanket Building and Contents -			
Replacement Cost Values		$ 143,628,021	$ 1,000
Extra Expense		1,000,000	1,000
Flood		10,000,000	1,000
Musical Instruments		Included in property limit	1,000
Miscellaneous Equipment		5,000,000	1,000
Computer Equipment		Included in property limit	1,000
Demolition/Increase Cost of Construction		Included in property limit	1,000
Energy Systems			
Spoilage		Included in property limit	
Commercial Liability			
Bodily Injury and Property Damage	Per occurrence	1,000,000	
	Aggregate	3,000,000	
Fire Damage		1,000,000	
Medical Expense Limit (excluding students)		10,000	
Employee Benefit Liability	Per occurrence and aggregate	1,000,000/2,000,000	
Crime Coverage			
Employee Dishonesty with Faithful Performance		400,000	1,000
Theft, Disappearance and Destruction -			
Money and Securities - Inside and Out		50,000	1,000
Forgery and Alteration		50,000	1,000
Computer Fraud		50,000	1,000
Business Automotive Coverage			
Bodily Injury and Property Damage (each)		1,000,000	
Personal Injury Protection		Statutory	
Uninsured and Underinsured		1,000,000	
Comprehensive Deductible			500
Collision Deductible			1,000

Exhibit J-20
2 of 2

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

		Coverage	Deductible
Utica Insurance Company			
EXCESS UMBRELLA	Limit of liability	$ 10,000,000	$ 10,000
Fireman's Fund			
CAP	Limit of liability (group aggregate)	50,000,000	
Selective Insurance Company			
FLOOD			
Elementary School #1 -			
Building		500,000	5,000
Contents		500,000	5,000
Chubb Insurance Company			
ENVIRONMENTAL IMPAIRMENT LIABILITY			
	Limit of liability (each loss)	1,000,000	25,000
Bollinger Insurance Company			
STUDENT ACCIDENT	Limit of liability	5,000,000	
Utica Insurance Company			
EDUCATION LEGAL LIABILITY		1,000,000/2,000,000	15,000
Selective Insurance Company			
PUBLIC OFFICIAL BONDS			
Treasurer		400,000	
Business Administrator/Board Secretary		400,000	
South Bergen Workmen's Compensation Pool			
Worker's Compensation		Statutory	

Source: Scotch Plains-Fanwood Regional School District records.

SINGLE AUDIT SECTION

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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

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

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

Independent 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, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotch Plains/Fanwood Regional Board of Education, in the County of Union (the "District") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
October 18, 2013

NISIVOCCIA LLP

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

NISIVOCCIA LLP
Certified Public Accountants & Advisors

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

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

Report on Compliance For Each Major Federal and State Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133
and New Jersey OMB's Circular 04-04

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Scotch Plains/Fanwood Regional Board of Education's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.* Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
October 18, 2013

NISIVOCCIA LLP

Heidi A. Wohlleb

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, 2013

Federal Grantor/Pass-Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2012 Unearned Revenue/ (Accounts Receivable)	Balance at June 30, 2012 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2013 (Accounts Receivable)	Balance at June 30, 2013 Unearned Revenue	Balance at June 30, 2013 Due to Grantor
U.S. Department of Education - Passed-through													
State Department of Education:													
Special Revenue Fund:													
Special Education Cluster:													
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4670-13	9/1/12	8/31/13	$ 1,273,934				$ 1,096,465	$ (1,182,526)	$ (86,061)		
I.D.E.A. - Part B, Basic Regular	84.027	IDEA-4670-12	9/1/11	8/31/12	1,262,144	$ (180,022)			180,022				
I.D.E.A. - Part B, Basic Regular - Summer	84.027	IDEA-4670-12	9/1/11	8/31/12	1,262,144				98,866	(98,866)			
I.D.E.A. - Part B, Basic Regular - Summer	84.027	IDEA-4670-11	9/1/10	8/31/11	1,298,638	(831)			831				
I.D.E.A. - Part B, Preschool	84.173	IDEA-4670-13	9/1/12	8/31/13	59,470				54,865	(54,865)			
Subtotal Special Education Cluster						(180,853)			1,431,049	(1,336,257)	(86,061)		
No Child Left Behind:													
Title I	84.010	NCLB-4670-13	9/1/12	8/31/13	127,798				77,080	(89,559)	(12,479)		
Title I	84.010	NCLB-4670-12	9/1/11	8/31/12	119,002	(22,691)			22,691				
Title I - Summer	84.010	NCLB-4670-12	9/1/11	8/31/12	119,002				29,055	(29,055)			
Title II A	84.367A	NCLB-4670-13	9/1/12	8/31/13	75,840				59,383	(75,002)	(15,619)		
Title II A	84.367A	NCLB-4670-12	9/1/11	8/31/12	76,596	(17,114)			17,114				
Title II A - Summer	84.367A	NCLB-4670-12	9/1/11	8/31/12	76,596				1,257	(1,257)			
Title II A - Summer	84.367A	NCLB-4670-11	9/1/10	8/31/11	91,221	(4,610)			4,610				
Title II D	84.318	NCLB-4670-12	9/1/11	8/31/12	140				140	(140)			
Title II D	84.318	NCLB-4670-11	9/1/10	8/31/11	496	(22)			22				
Title III	84.365A	NCLB-4670-13	9/1/12	8/31/13	22,044				16,445	(16,446)	(1)		
Total Special Revenue Fund						(225,290)			1,658,846	(1,547,716)	(114,160)		
Total U.S. Department of Education						(225,290)			1,658,846	(1,547,716)	(114,160)		
U.S. Department of Homeland Security:													
Passed-through Federal Emergency Management Agency:													
Special Revenue Fund:													
Disaster Grants - Public Assistance - FEMA	97.036	N/A	10/26/12	6/30/13	44,351					(44,351)	(44,351)		
Total U.S. Department of Homeland Security										(44,351)	(44,351)		

N/A - Not Available/Applicable

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2012 Unearned Revenue/ (Accounts Receivable)	Balance at June 30, 2012 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2013 (Accounts Receivable)	Balance at June 30, 2013 Unearned Revenue	Balance at June 30, 2013 Due to Grantor
U.S. Department of Health and Human Services - Passed-through State Department of Human Services:													
General Fund:													
Medical Assistance Program (SEMI)	93.778	N/A	7/1/12	6/30/13	$ 45,242				$ 45,242	$ (45,242)			
Medical Assistance Program (SEMI)	93.778	N/A	7/1/11	6/30/12	25,731	$ (114)			114				
Total U.S. Department of Health and Human Services						(114)			45,356	(45,242)			
U.S. Department of Agriculture - Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
Special Milk Program	10.556	N/A	7/1/12	6/30/13	4,697				4,394	(4,697)	$ (303)		
Special Milk Program	10.556	N/A	7/1/11	6/30/12	5,983	(407)			407				
National School Lunch Program	10.555	N/A	7/1/12	6/30/13	188,585				175,816	(188,585)	(12,769)		
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	182,016	(12,256)			12,256				
Federal Food Distribution Program	10.555	N/A	7/1/12	6/30/13	69,402				69,402	(69,402)			
Subtotal Child Nutrition Cluster						(12,663)			262,275	(262,684)	(13,072)		
Total U.S. Department of Agriculture						(12,663)			262,275	(262,684)	(13,072)		
TOTAL FEDERAL AWARDS						$ (238,067)	$ -0-	$ -0-	$ 1,966,477	$ (1,899,993)	$ (171,583)	$ -0-	$ -0-

N/A - Not Available/Applicable

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2012 Budgetary Unearned Revenue/ (Accounts Receivable)	Balance at June 30, 2012 Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013 GAAP (Accounts Receivable)	Balance at June 30, 2013 Budgetary Unearned Revenue	Balance at June 30, 2013 Due to Grantor	MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Transportation Aid	13-495-034-5120-014	7/1/12	6/30/13	$ 215,669			$ 195,978	$ (215,669)					$ 19,691	$ 215,669
Special Education Categorical Aid	13-495-034-5120-089	7/1/12	6/30/13	2,455,543			2,231,346	(2,455,543)					224,197	2,455,543
Special Education Categorical Aid	12-495-034-5120-089	7/1/11	6/30/12	2,199,793	$ (198,622)		198,622							
Security Aid	13-495-034-5120-084	7/1/12	6/30/13	79,992			72,688	(79,992)					7,304	79,992
Extraordinary Special Education Costs Aid	13-100-034-5120-473	7/1/12	6/30/13	851,559				(851,559)		$ (851,559)			851,559	851,559
Extraordinary Special Education Costs Aid	12-100-034-5120-473	7/1/11	6/30/12	869,040	(869,040)		869,040							
Nonpublic School Transportation Costs	13-495-034-5120-014	7/1/12	6/30/13	28,434				(28,434)		(28,434)			28,434	28,434
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	37,051	(37,051)		37,051							
TPAF Social Security Aid	13-495-034-5095-002	7/1/12	6/30/13	2,467,764			2,345,592	(2,467,764)		(122,172)			122,172	2,467,764
TPAF Social Security Aid	12-495-034-5095-002	7/1/11	6/30/12	2,442,317	(120,968)		120,968							
Total General Fund State Aid					(1,225,681)		6,071,285	(6,098,961)		(1,002,165)			1,253,357	6,098,961
Special Revenue Fund:														
NJ Nonpublic Aid:														
Technology Initiative	13-100-034-5120-373	7/1/12	6/30/13	19,170			19,170	(19,083)				$ 87		19,083
Textbook Aid (Chapter 194)	13-100-034-5120-064	7/1/12	6/30/13	51,942			51,942	(51,714)				228		51,714
Textbook Aid (Chapter 194)	12-100-034-5120-064	7/1/11	6/30/12	48,099		$ 369			$ (369)					
Nursing Services (Chapter 226)	13-100-034-5120-070	7/1/12	6/30/13	72,093			72,093	(66,337)				5,756		66,337
Nursing Services (Chapter 226)	12-100-034-5120-070	7/1/11	6/30/12	68,702		866			(866)					
Auxiliary Services (Chapter 192):														
Compensatory Education	13-100-034-5120-067	7/1/12	6/30/13	57,606			57,606	(57,606)						57,606
English as a Second Language	13-100-034-5120-067	7/1/12	6/30/13	4,775			4,775	(853)				3,922		853
Transportation	13-100-034-5120-068	7/1/12	6/30/13	15,030			15,030	(15,030)						15,030
Home Instruction	13-100-034-5120-067	7/1/12	6/30/13	2,676				(2,676)		(2,676)			2,676	2,676
Home Instruction	12-100-034-5120-067	7/1/11	6/30/12	12,533	(12,533)		12,533							
Handicapped Services (Chapter 193):														
Supplementary Instruction	13-100-034-5120-066	7/1/12	6/30/13	113,859			113,859	(113,096)				763		113,096
Examination and Classification	13-100-034-5120-066	7/1/12	6/30/13	122,139			122,139	(112,113)				10,026		112,113
Examination and Classification	12-100-034-5120-066	7/1/11	6/30/12	128,315		323			(323)					
Corrective Speech	13-100-034-5120-066	7/1/12	6/30/13	27,342			27,342	(27,342)						27,342
Preschool Education Aid	13-495-034-5120-086	7/1/12	6/30/13	49,500			44,550	(49,500)					4,950	49,500
Preschool Education Aid	12-495-034-5120-086	7/1/11	6/30/12	49,500	(4,950)		4,950							
Total Special Revenue Fund					(17,483)	1,558	545,989	(515,350)	(1,558)	(2,676)		20,782	7,626	515,350
Enterprise Fund:														
State School Lunch Program	13-100-010-3350-023	7/1/12	6/30/13	12,780			11,906	(12,780)		(874)			874	12,780
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	14,702	(983)		983							
State School Lunch Program - Supplemental	13-100-010-3350-023	7/1/12	6/30/13	808				(808)		(808)			808	808
Total Enterprise Fund					(983)		12,889	(13,588)		(1,682)			1,682	13,588
TOTAL STATE AWARDS					$ (1,244,147)	$ 1,558	$ 6,630,163	$ (6,627,899)	$ (1,558)	$ (1,006,523)	$ -0-	$ 20,782	$ 1,262,665	$ 6,627,899

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, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include federal and state awards activity of the Board of Education, Scotch Plains-Fanwood Regional School District under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $(52,570) for the general fund and $(7,705) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post-Retirement Medical Benefits and Pension Contributions revenue of $2,436,949 and $2,155,166, respectively. Awards and financial assistance revenue are reported on the Board's financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	$ 45,242	$ 10,638,506	$10,683,748
Special Revenue Fund	1,590,597	509,115	2,099,712
Food Service Enterprise Fund	262,684	13,588	276,272
Total Financial Assistance	$ 1,898,523	$ 11,161,209	$13,059,732

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, 2013. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.

- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.

- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

- There were no material weaknesses or significant deficiencies in internal control over major federal or state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04*.

- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.

- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.

- The District's federal and state programs tested as major for the current fiscal year were the following:

	C.F.D.A. Number/ State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
Federal:				
Special Education Cluster:				
I.D.E.A. - Part B, Basic:				
Regular:				
2012-13	84.027	9/1/12-8/31/13	$1,273,934	$ 1,182,526
2011-12 Summer	84.027	9/1/11-8/31/12	1,262,144	98,866
Preschool:				
2012-13	84.173	9/1/12-8/31/13	59,470	54,865
State:				
Special Education				
Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	2,455,543	2,455,543
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	79,992	79,992

- The threshold used for distinguishing between Type A and Type B federal and state programs was $300,000.

- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 was $500,000.

- The District was determined to be a "low-risk" auditee for both state and federal programs under the provisions of section 530 of the federal Circular.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Status of Prior Year Findings:

The District had no prior year audit findings.