

**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, 2017**

**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, 2017**

**Prepared by**

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

**Finance Department**

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**INTRODUCTORY SECTION**

# The Scotch Plains-Fanwood Public Schools

Evergreen Avenue and Cedar Street  
SCOTCH PLAINS, NEW JERSEY 07076

October 20, 2017

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, 2017. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

## SCHOOL DISTRICT ORGANIZATION

The Scotch Plains-Fanwood Regional School District is one of 678 school districts in the State of New Jersey and one of 28 public school districts in the County of Union. The School District provides education to students in grade levels 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. The District completed the 2016-2017 school year with an average daily enrollment of 5,440 students, compared to 5,435 students as of June 30, 2016. 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, service learning is emphasized within the sequence of the K-12 curriculum continuum.

3) MAJOR INITIATIVES:

Students continue to score above the State and National averages on District administered tests. In the area of PARCC results, the high school, elementary and middle schools consistently scored above the state average.

**Technology**

The Elementary schools’ wireless networks were updated to Meraki access points, with an access point in each classroom and common area. The high school received a Chromebook cart for each Language Arts classroom, five carts to be used in the Social Studies department, and one cart for the Business department. At the middle schools, grade five received two Chromebook carts per school, and Social Studies received a total of five carts across the two schools. Each Science class now has a storage/charging container with six Chromebooks. The ESL classes in the Middle and High School now have a set of Chromebooks. Five iPads for each Kindergarten classroom were purchased along with the storage and charging containers for them. The oldest MacBook cart in each elementary school were updated with MacBook Airs. All of the remaining MacBook Pro models held by the staff were replaced with MacBook Airs.

**Mathematics**

During the 2016-2017 school year, the mathematics department professional development activities focused on the incorporation of coding and lesson study. Elementary and middle school teachers previewed the Hour of Code activities and implemented them during the week of code. At the middle school level, the teachers in grades 6-8 continued to study the lessons found in the *Connected Mathematics 3* program. The high school teachers refined the Algebra I curriculum to ensure that the District is meeting the needs of all of our students.

### **Language Arts**

In the Language Arts Department, the textbook and trade book resource inventory continued to be replenished during the 2016-17 school year. These resources included some of the following titles: *The Crucible*, *The Pearl*, and *A Streetcar Named Desire*. We also continued to purchase teacher texts to support continued professional development in reading and writing instruction. Titles such as *Writing with Mentors*, *Notebook Connections*, and *Book Love* helped us to continue to move towards this goal. The department also continues to expand our global and nonfiction literature selections to better address District priorities. These titles included *Unbroken*, *Zeitoun*, and *The Reluctant Fundamentalist*. Funds at the elementary level continued to support the purchase of our standards-aligned balanced literacy programs, *Good Habits Great Readers* and *Words Their Way*. We also purchased non-fiction texts for Kindergarten and First Grade classrooms that aligned with our new science curriculum. These texts will help teachers and students to continue to make valuable interdisciplinary connections in their work. 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 ensure that the curriculum was aligned to the New Jersey Student Learning Standards.

### **Social Studies**

The Social Studies Department budget allocations in 2016-17 focused on bringing globally-oriented and culturally-responsive materials into the classrooms, in addition to expanding access to digital resources that support curriculum initiatives. At the elementary level, we continue to integrate fiction and non-fiction texts that support students at various reading levels. In addition to print texts, manipulatives such as maps and globes, artifacts and visual resources are purchased to help students understand and appreciate global diversity. At the secondary level, texts at various levels were purchased to extend and enrich the curriculum through literature circles, document analysis and thematic studies. Subscriptions to online resources and databases for students at all grade levels have been purchased to provide students with access to an extensive variety of digital resources including text and multimedia sources. These sources support the teaching of media literacy and research skills, and support learners with diverse needs.

### **Science**

For the 2016-2017 school year, the continued focus of the department was to provide and support learning environments that promote hands-on as well as minds-on, inquiry-based, problem-solving activities. Elementary teachers continued to receive support materials and resources to support their science classes as they utilized the FOSS modules in their classrooms. The Kindergarten and Grade 1 classes transitioned to the new Next Generation Science Standards aligned FOSS modules. The curriculum was revised and teachers were provided with the necessary PD and training in an effort to support them with the transition. At the middle and high school levels, the teachers continued to work on inquiry-based and problem-solving lessons to further student engagement and to bring real-world applications into the classroom. Teachers continued 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. The twelve middle school science classrooms were equipped with six ChromeBooks each. Advanced Placement Biology, Chemistry, Physics and Environmental Science 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 and AP Environmental Science 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 and the Google Apps Suite as a means to share and collaborate the development of units, lessons, and assessments.

### **World Languages**

During the 2016-2017 school year, 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. Purchases for all languages included a variety of manipulatives, audio resources, cultural DVDs, online interactive resources and authentic literary and cultural resources such as Scholastic and other authentic language magazines for middle and high school level courses. At the high school level in particular, we purchased instructional materials and resources that supported our AP courses and the continued growth of our Mandarin program. We also provided opportunities for many teachers to attend professional development workshops on effective instructional strategies and authentic assessments.

### **Fine Arts**

During the 2016-2017 school year, the budget supported all of the Fine Arts curriculum with financial assistance to all co-curricular activities, and scheduled classes. The budget supported professional development, transportation, supplies, field trips, sheet music, increases to uniform and instrument inventories, marching band props, instrumental and equipment refurbishing.

### **Professional Development**

In 2016-2017 the District continued to provide three in-service days of staff development as well as optional summer workshop opportunities. Staff development also took place in department and faculty meetings, in District study groups, in program visitations, and in out-of-district workshops. A three-day summer orientation program was provided for all first-year teachers, as well as for teachers new to the District, providing guidance for new staff. This support continued through New Teacher Roundtable Workshops provided throughout the year. Additionally, a summer and after-school academy was open to all District professional staff where teachers learned about strategies to meet the needs of all students. Additionally, there was a strand that focused on educational technology. The District coaching and mentoring program continued to evolve to meet the changing needs of our staff.

**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.

4) INTERNAL ACCOUNTING CONTROLS: (Cont'd) 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 a vote of the Board of Education. 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.

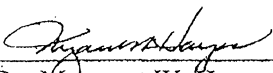
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2017.

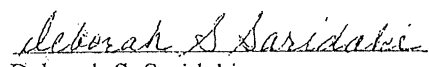
6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *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.

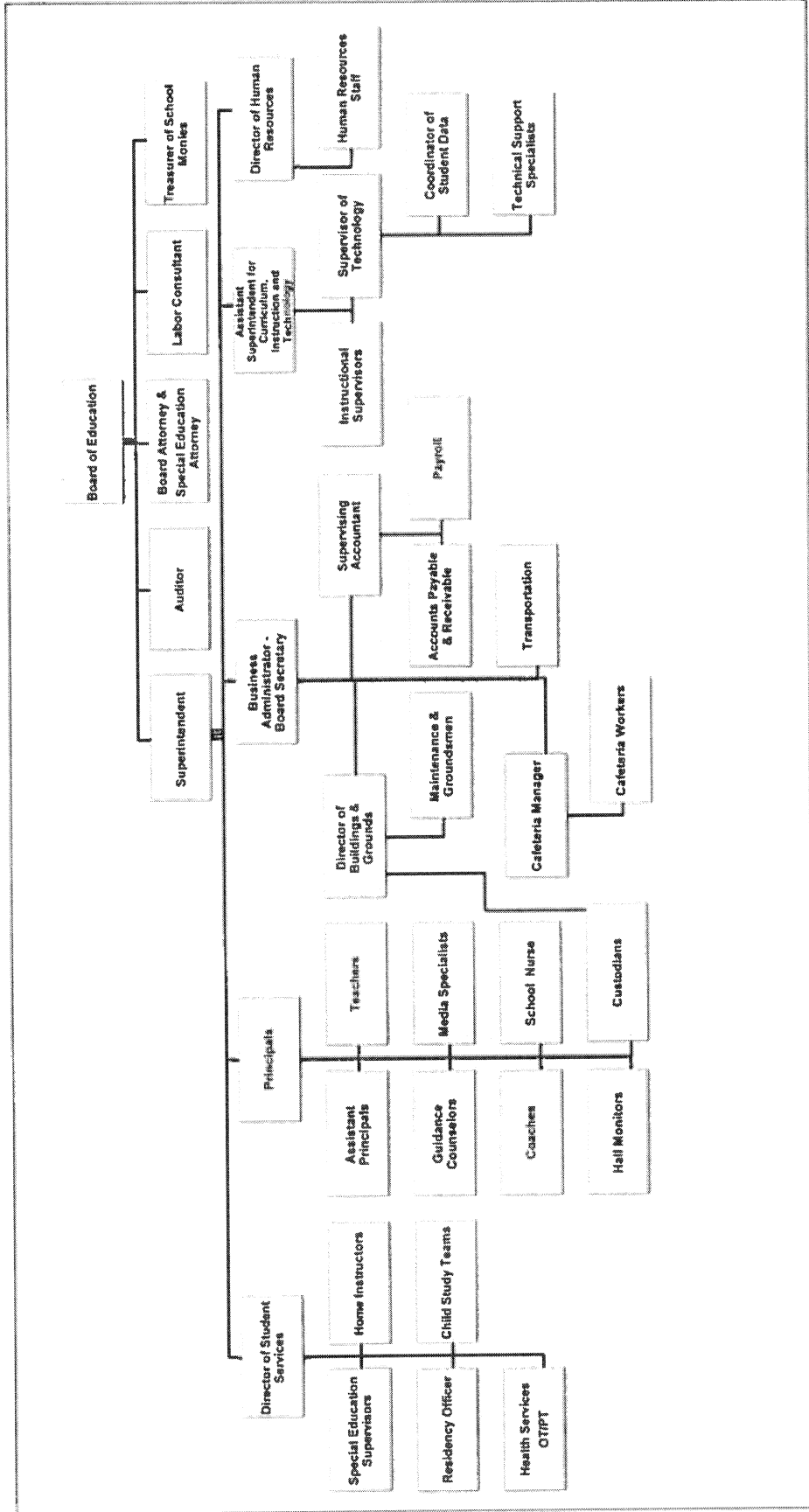
8) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Scotch Plains-Fanwood Regional School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to 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  
 2016 - 2017**



**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2017**

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|--|---------------------|
| Nancy Bauer, President                   | 2019                |
| Jeanne Cleary, Vice President            | 2017                |
| Debora Brody                             | 2018                |
| Dr. Cynthia Clancy                       | 2017                |
| Karen Kulikowski                         | 2018                |
| Evan Murray                              | 2017                |
| Stephanie Suriani                        | 2019                |
| Tonya Williams                           | 2018                |
| Amy Winkler                              | 2019                |

| <u>Other Officials</u> | <u>Title</u>                                  |
|------------------------|---|
| 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

**Attorneys**

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Counselor at Law  
155 Harrison Road  
Jacobstown, NJ 08562

Nathanya Simon, Esq.  
Schwartz, Simon, Edelstein & Celso LLC  
100 South Jefferson Road, Suite 200  
Whippany, NJ 07981

**Architect of Record**

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

**Official Depository**

TD Bank  
245 Park Avenue  
Scotch Plains, NJ 07076

**FINANCIAL SECTION**





Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax  
Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

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

### **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, 2017, 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, 2017, 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, the post-retirement benefits schedule of funding progress, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-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 and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are 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 Honorable President and Members  
of the Board of Education  
Scotch Plains-Fanwood Regional School District  
Page 3

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 20, 2017 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.

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
October 20, 2017

NISIVOCCIA LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
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, 2017  
(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, 2017. 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.

**Financial Highlights**

- The District's financial position remains strong and improved \$1,494,962 on a District-wide basis due to increased capital assets and reductions in debt but decreased \$(2,651,563) on a governmental fund basis (due to continued expenditures and progress in completing various capital projects).
- Overall revenue was \$120,266,038 on a District-wide basis.
- Overall expenditures were \$118,767,942 on a District-wide basis.

**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, 2017  
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**Figure A-1  
Organization of Scotch Plains-Fanwood Regional School District's Financial Report**

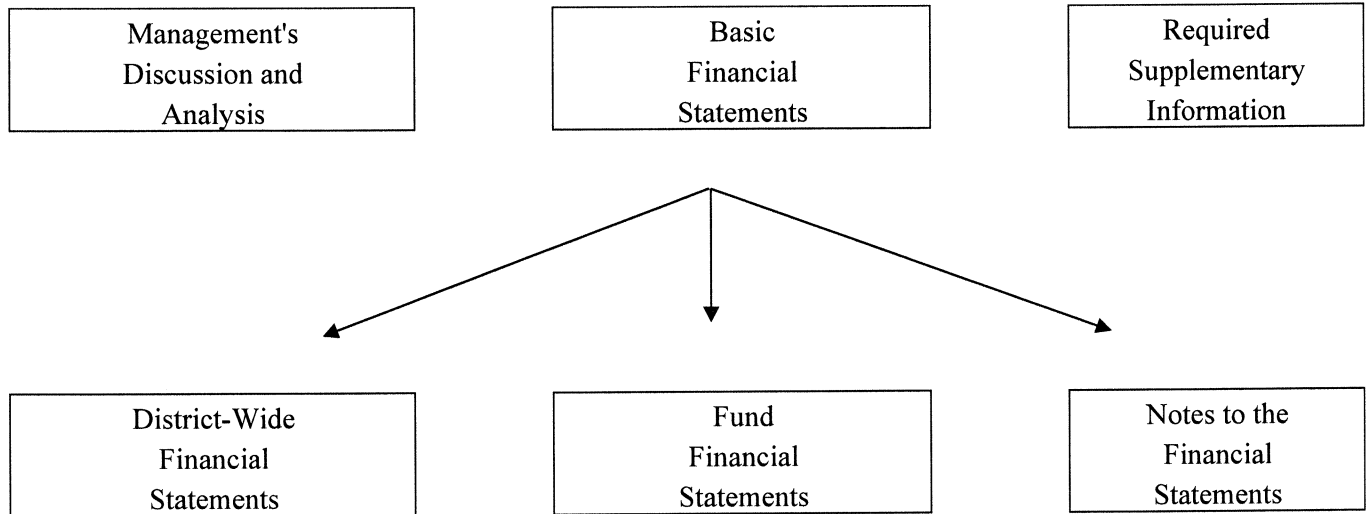


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Figure A-2**

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

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

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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**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, deferred inflows and outflows, 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, deferred inflows and outflows, 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 it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

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



**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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**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 \$26,963,351 on June 30, 2017, \$1,494,962 or 5.87% more than the year before (See Figure A-3). Net investment in capital assets increased by \$7,171,230 due to bonded debt maturities of \$1,210,000, \$636,849 of capital leases retired, and \$7,478,747 of capital additions, offset by \$675,000 in new capital leases, \$76,652 of deferred amount on refunding amortized, depreciation of \$1,343,246 and \$35,664 related to governmental and business-type capital assets, respectively, and capital asset disposals, net of depreciation, of \$23,804. Restricted net position decreased by \$1,977,357 due to net decreases in the capital reserve and maintenance reserve accounts of \$1,935,684 and \$41,673, respectively. Unrestricted net position decreased by \$3,698,911 mainly due to the change in net pension liability and increases in compensated absences payable, the liability for the other post-retirement benefits payable and accrued interest payable and, with regard to pensions, changes in proportion, offset by an excess in federal, state and local revenues, unexpended budget appropriations, unamortized bond issuance premiums and, with regard to pensions, changes in assumptions, the difference between expected and actual experience, and the net difference between projected and actual investment earnings on pension plan investments.

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

|                                  | Governmental Activities |               | Business-Type Activities |            | Total School District |               | Percentage        |
|----------------------------------|-------------------------|---------------|--------------------------|------------|-----------------------|---------------|-------------------|
|                                  | 2016/17                 | 2015/16       | 2016/17                  | 2015/16    | 2016/17               | 2015/16       | Change<br>2016/17 |
| Current and                      |                         |               |                          |            |                       |               |                   |
| Other Assets                     | \$ 19,270,023           | \$ 22,108,382 | \$ 917,981               | \$ 627,578 | \$ 20,188,004         | \$ 22,735,960 | -11.21%           |
| Capital Assets, Net              | 44,731,426              | 38,712,918    | 476,491                  | 418,966    | 45,207,917            | 39,131,884    | 15.53%            |
| Total Assets                     | 64,001,449              | 60,821,300    | 1,394,472                | 1,046,544  | 65,395,921            | 61,867,844    | 5.70%             |
| Deferred Outflows of Resources   | 12,281,525              | 6,291,995     |                          |            | 12,281,525            | 6,291,995     | 95.19%            |
| Other Liabilities                | 2,950,033               | 3,031,955     | 246,732                  | 83,025     | 3,196,765             | 3,114,980     | 2.63%             |
| Long-Term Liabilities            | 47,517,330              | 39,142,252    |                          |            | 47,517,330            | 39,142,252    | 21.40%            |
| Total Liabilities                | 50,467,363              | 42,174,207    | 246,732                  | 83,025     | 50,714,095            | 42,257,232    | 20.01%            |
| Deferred Inflows of Resources    |                         | 434,218       |                          |            |                       | 434,218       | -100.00%          |
| Net Position:                    |                         |               |                          |            |                       |               |                   |
| Net Investment in Capital Assets | 37,610,963              | 30,497,258    | 476,491                  | 418,966    | 38,087,454            | 30,916,224    | 23.20%            |
| Restricted                       | 10,940,585              | 12,917,942    |                          |            | 10,940,585            | 12,917,942    | -15.31%           |
| Unrestricted (Deficit)           | (22,735,937)            | (18,910,330)  | 671,249                  | 544,553    | (22,064,688)          | (18,365,777)  | -20.14%           |
| Total Net Position               | \$ 25,815,611           | \$ 24,504,870 | \$ 1,147,740             | \$ 963,519 | \$ 26,963,351         | \$ 25,468,389 | 5.87%             |

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*Changes in Net Position.* The District's combined net position increased by \$1,494,962 or 5.87%. Net position from governmental activities increased by \$1,310,741 and net position from business-type activities increased by \$184,221 (See Figure A-4).

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

|  | Governmental Activities |                     | Business-Type Activities |                   | Total School District |                     | Percentage        |
|--|-------------------------|---------------------|--------------------------|-------------------|-----------------------|---------------------|-------------------|
|  | 2016/17                 | 2015/16             | 2016/17                  | 2015/16           | 2016/17               | 2015/16             | Change<br>2016/17 |
| Revenue:   |                         |                     |                          |                   |                       |                     |                   |
| Program Revenue:                                   |                         |                     |                          |                   |                       |                     |                   |
| Charges for Services                               | \$ 326,598              | \$ 241,240          | \$ 1,549,194             | \$ 1,415,463      | \$ 1,875,792          | \$ 1,656,703        | 13.22%            |
| Grants and Contributions:                          |                         |                     |                          |                   |                       |                     |                   |
| Operating  | 31,671,333              | 24,893,790          | 330,762                  | 303,524           | 32,002,095            | 25,197,314          | 27.01%            |
| Capital  | 136                     | 584,459             |                          |                   | 136                   | 584,459             | -99.98%           |
| General Revenue:                                   |                         |                     |                          |                   |                       |                     |                   |
| Property Taxes                                     | 85,750,008              | 83,512,033          |                          |                   | 85,750,008            | 83,512,033          | 2.68%             |
| Unrestricted State/<br>Federal Aid                 | 295,334                 | 211,565             |                          |                   | 295,334               | 211,565             | 39.59%            |
| Other  | 340,720                 | 406,744             | 1,953                    | 840               | 342,673               | 407,584             | -15.93%           |
| Total Revenue                                      | <u>118,384,129</u>      | <u>109,849,831</u>  | <u>1,881,909</u>         | <u>1,719,827</u>  | <u>120,266,038</u>    | <u>111,569,658</u>  | 7.79%             |
| Expenses:  |                         |                     |                          |                   |                       |                     |                   |
| Instruction  | 66,443,099              | 58,191,729          |                          |                   | 66,443,099            | 58,191,729          | 14.18%            |
| Pupil and Instruction<br>Services                  | 24,318,228              | 21,306,398          |                          |                   | 24,318,228            | 21,306,398          | 14.14%            |
| Administration and<br>Business                     | 8,666,922               | 7,853,394           |                          |                   | 8,666,922             | 7,853,394           | 10.36%            |
| Maintenance and<br>Operations                      | 12,488,899              | 12,109,564          |                          |                   | 12,488,899            | 12,109,564          | 3.13%             |
| Transportation                                     | 3,648,484               | 3,357,758           |                          |                   | 3,648,484             | 3,357,758           | 8.66%             |
| Other  | 1,507,756               | 1,463,465           | 1,694,554                | 1,581,286         | 3,202,310             | 3,044,751           | 5.17%             |
| Total Expenses                                     | <u>117,073,388</u>      | <u>104,282,308</u>  | <u>1,694,554</u>         | <u>1,581,286</u>  | <u>118,767,942</u>    | <u>105,863,594</u>  | 12.19%            |
| Disposal of Capital Assets,<br>Net of Depreciation |                         |                     | (3,134)                  | (5,536)           | (3,134)               | (5,536)             | -43.39%           |
| Increase in Net Position                           | <u>\$ 1,310,741</u>     | <u>\$ 5,567,523</u> | <u>\$ 184,221</u>        | <u>\$ 133,005</u> | <u>\$ 1,494,962</u>   | <u>\$ 5,700,528</u> | -73.78%           |

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

*Revenue Sources.* The District's total revenue for the 2016/2017 school year was \$120,266,038 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$85,750,008 of the total or 71.3 percent (See Figure A-5). The remaining 28.7 percent of revenue is comprised of 26.71 percent from state formula aid and federal and state categorical grants, 1.56 percent from charges for services and .43 percent from other miscellaneous sources. It is important to note that, included in the \$29,116,771 federal and state categorical grants revenue is over \$22.64 million of funds that are not paid to the District, but are included in funding for TPAF Pension, Post-Retirement Benefits, Long-Term Disability Insurance and Non-Contributory Insurance 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 2017**

| Sources of Income:                   | <u>Amount</u>         | <u>Percentage</u> |
|--------------------------------------|-----------------------|-------------------|
| State Formula Aid                    | \$ 3,005,534          | 2.50%             |
| Property Taxes                       | 85,750,008            | 71.30%            |
| Federal and State Categorical Grants | 29,116,771            | 24.21%            |
| Charges for Services                 | 1,875,792             | 1.56%             |
| Other                                | 517,933               | 0.43%             |
|                                      | <u>\$ 120,266,038</u> | <u>100.00%</u>    |

The total cost of all programs and services was \$118,767,942. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (79.49 percent) (See Figure A-6). Maintenance and operations and administration and business represented 10.51% and 7.3%, respectively, of total costs.

**Figure A-6  
Expenses for Fiscal Year 2017**

| Expense Category:              | <u>Amount</u>         | <u>Percentage</u> |
|--------------------------------|-----------------------|-------------------|
| Instruction                    | \$ 66,443,099         | 55.94%            |
| Pupil and Instruction Services | 24,318,228            | 20.48%            |
| Administration and Business    | 8,666,922             | 7.30%             |
| Maintenance and Operations     | 12,488,899            | 10.51%            |
| Transportation                 | 3,648,484             | 3.07%             |
| Other                          | 3,202,310             | 2.70%             |
|                                | <u>\$ 118,767,942</u> | <u>100.00%</u>    |

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
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**Governmental Activities**

The financial position of the District continues to improve. 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 expenses 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**

|                                | <u>Total Cost of Services</u> |                       | <u>Net Cost of Services</u> |                      |
|--------------------------------|-------------------------------|-----------------------|-----------------------------|----------------------|
|                                | <u>2016/2017</u>              | <u>2015/2016</u>      | <u>2016/2017</u>            | <u>2015/2016</u>     |
| Instruction                    | \$ 66,443,099                 | \$ 58,191,729         | \$44,026,629                | \$40,538,573         |
| Pupil and Instruction Services | 24,318,228                    | 21,306,398            | 19,385,357                  | 17,332,553           |
| Administration and Business    | 8,666,922                     | 7,853,394             | 6,510,011                   | 6,254,884            |
| Maintenance and Operations     | 12,488,899                    | 12,109,564            | 10,505,211                  | 10,051,542           |
| Transportation                 | 3,648,484                     | 3,357,758             | 3,140,357                   | 2,921,802            |
| Other                          | 1,507,756                     | 1,463,465             | 1,507,756                   | 1,463,465            |
|                                | <u>\$ 117,073,388</u>         | <u>\$ 104,282,308</u> | <u>\$ 85,075,321</u>        | <u>\$ 78,562,819</u> |

- The cost of all governmental activities this year was \$117.073 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$28.786 million).
- Most of the District's costs, however, were financed by District taxpayers (\$85.75 million).
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$3.006 million).
- The remainder of funding came from charges for services, investment earnings and miscellaneous revenues (\$.516 million).

**Business-Type Activities**

The net position of the District's business-type activities increased by \$184,221 (an increase of \$185,186 in the Food Service Fund, offset by a decrease of \$965 in the Summer Community Education Fund) primarily as a result of increased participation, revenue and federal and state subsidies over increased expenses of the District's food service operations. (Refer to Figure A-4).

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Financial Analysis of the District's Funds**

While the District's financial position increased \$1,494,962 on a District-wide basis, it decreased \$2,651,563 on a fund basis. The overall General Fund fund balance increased \$278,270, and the Capital Projects Fund fund balance decreased \$2,929,833 (due to continued expenditure and completion of various capital projects).

To maintain a stable financial position, the District continues to practice sound fiscal management and to closely monitor revenues, expenditures, and future needs. As a result, 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.

**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 Assets**

The District's capital assets increased by \$6,076,033, or 15.53%, from the previous year. This increase is attributable to the District's investment of \$7,478,747 in capital assets (\$7,382,424 and \$96,323 associated with governmental and business-type activities, respectively), offset by \$1,343,246 and \$35,664 of depreciation related to governmental and business-type capital assets, respectively and capital asset disposals, net of depreciation, of \$23,804. (More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements).

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

|   | Governmental Activities |               | Business-Type Activities |            | Total School District |               | Percentage Change |
|---|-------------------------|---------------|--------------------------|------------|-----------------------|---------------|-------------------|
|   | 2016/17                 | 2015/16       | 2016/17                  | 2015/16    | 2016/17               | 2015/16       |                   |
| Sites (Land)                              | \$ 449,315              | \$ 449,315    |                          |            | \$ 449,315            | \$ 449,315    | 0.00%             |
| Construction in Progress                  | 1,603,445               | 4,933,368     |                          |            | 1,603,445             | 4,933,368     | -67.50%           |
| Buildings and Building Improvements       | 40,410,927              | 31,648,254    |                          |            | 40,410,927            | 31,648,254    | 27.69%            |
| Machinery and Equipment                   | 2,267,739               | 1,681,981     | \$ 476,491               | \$ 418,966 | 2,744,230             | 2,100,947     | 30.62%            |
| Total Capital Assets, Net of Depreciation | \$ 44,731,426           | \$ 38,712,918 | \$ 476,491               | \$ 418,966 | \$ 45,207,917         | \$ 39,131,884 | 15.53%            |

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Long-term Liabilities**

The District's long-term liabilities increased by \$8,375,078, or 21.4%, from the previous year. At year-end, the District had \$6,630,000 in outstanding general obligation bonds, 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 Liabilities**

|   | <u>Total School District</u> |                      | <u>Percentage<br/>Change</u> |
|---|------------------------------|----------------------|------------------------------|
|   | <u>2016/17</u>               | <u>2015/16</u>       |                              |
| General Obligation Bonds, Net<br>(Financed with Property Taxes) | \$ 6,630,000                 | \$ 7,840,000         | -15.43%                      |
| Net Pension Liability   | 36,062,605                   | 27,006,836           | 33.53%                       |
| Other Long-Term Liabilities                                     | <u>4,824,725</u>             | <u>4,295,416</u>     | 12.32%                       |
|   | <u>\$ 47,517,330</u>         | <u>\$ 39,142,252</u> | <u>21.40%</u>                |

- Principal payments of \$1,210,000 on the District's general obligation bonds were made during the fiscal year.
- The District's net pension liability increased by \$9,055,769.
- The District's other long-term liabilities as of June 30, 2017 are comprised of capital leases, compensated absences payable, unamortized bond issuance premiums and other post-employment benefits.
- The District entered a \$675,000 capital lease and made \$636,849 of lease payments during the fiscal year.
- Compensated absences payable increased overall by \$76,747.
- The District's other post-employment benefits liability increased by \$492,208.
- Unamortized bond issuance premiums decreased by \$77,797.

**For the Future**

The Scotch Plains-Fanwood School district is in sound financial condition. The enrollment in the District continues to remain stable. The District is proud of its community support and student involvement in the public schools. Major concerns continue to be the increased reliance on local property taxes, levels of State aid and a 2% tax levy cap.

The largest expenditure in the school budget is for employee salaries and benefits. The contract with teachers, secretaries and aides will expire on July 1, 2018. Negotiations will affect future budgets.

Due to the District's sound fiscal management, capital reserve and maintenance 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.

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**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**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>  |                            |                             |                      |
| Cash and Cash Equivalents  | \$ 7,438,911               | \$ 901,064                  | \$ 8,339,975         |
| Internal Balances  | 6,510                      | (6,510)                     |                      |
| Receivables from Other Governments   | 1,417,973                  | 14,756                      | 1,432,729            |
| Other Receivables  | 102,091                    |                             | 102,091              |
| Inventory  |                            | 8,671                       | 8,671                |
| Prepaid Expenses   | 1,351,035                  |                             | 1,351,035            |
| Restricted Assets:   |                            |                             |                      |
| Cash and Cash Equivalents:   |                            |                             |                      |
| Capital Reserve Account  | 6,602,249                  |                             | 6,602,249            |
| Maintenance Reserve Account  | 2,338,336                  |                             | 2,338,336            |
| Capital Assets, Net:   |                            |                             |                      |
| Sites (Land) and Construction in Progress  | 2,052,760                  |                             | 2,052,760            |
| Depreciable Buildings and Building Improvements and<br>Machinery and Equipment                 | 42,678,666                 | 476,491                     | 43,155,157           |
| Total Assets   | <u>64,001,449</u>          | <u>1,394,472</u>            | <u>65,395,921</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                            |                             |                      |
| Deferred Amount on Refunding   | 459,912                    |                             | 459,912              |
| Changes in Assumptions - Pensions  | 7,470,245                  |                             | 7,470,245            |
| Changes in Proportion - Pensions   | 1,121,613                  |                             | 1,121,613            |
| Difference Between Expected and Actual Experience - Pensions                                   | 670,655                    |                             | 670,655              |
| Net Difference Between Projected and Actual Investment Earnings on<br>Pension Plan Investments | 1,375,100                  |                             | 1,375,100            |
| District Contribution Subsequent to the Measurement Date - Pensions                            | 1,184,000                  |                             | 1,184,000            |
| Total Deferred Outflows of Resources   | <u>12,281,525</u>          |                             | <u>12,281,525</u>    |
| <b>LIABILITIES</b>   |                            |                             |                      |
| Payable to State Government  | 28,509                     |                             | 28,509               |
| Accounts Payable   | 2,628,404                  | 192,249                     | 2,820,653            |
| Accrued Interest Payable   | 168,514                    |                             | 168,514              |
| Deposits Payable   | 21,106                     |                             | 21,106               |
| Unearned Revenue   | 103,500                    | 54,483                      | 157,983              |
| Noncurrent Liabilities:  |                            |                             |                      |
| Due Within One Year  | 1,735,193                  |                             | 1,735,193            |
| Due Beyond One Year  | 45,782,137                 |                             | 45,782,137           |
| Total Liabilities  | <u>50,467,363</u>          | <u>246,732</u>              | <u>50,714,095</u>    |
| <b>NET POSITION</b>  |                            |                             |                      |
| Net Investment in Capital Assets   | 37,610,963                 | 476,491                     | 38,087,454           |
| Restricted for:  |                            |                             |                      |
| Capital Projects   | 6,602,249                  |                             | 6,602,249            |
| Maintenance  | 2,338,336                  |                             | 2,338,336            |
| Excess Surplus   | 2,000,000                  |                             | 2,000,000            |
| Unrestricted (Deficit)   | <u>(22,735,937)</u>        | <u>671,249</u>              | <u>(22,064,688)</u>  |
| Total Net Position   | <u>\$ 25,815,611</u>       | <u>\$ 1,147,740</u>         | <u>\$ 26,963,351</u> |

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| Functions/Programs                     | Program Revenues   |                         |                   |                             | Net (Expense) Revenue and<br>Changes in Net Position |                             |                     |
|--|--------------------|-------------------------|-------------------|-----------------------------|--|-----------------------------|---------------------|
|  | Expenses           | Charges for<br>Services | Operating         |                             | Governmental<br>Activities                           | Business-type<br>Activities | Total               |
|  |                    |                         | Contributions     | Grants and<br>Contributions |  |                             |                     |
| <b>Governmental Activities:</b>        |                    |                         |                   |                             |  |                             |                     |
| <b>Instruction:</b>                    |                    |                         |                   |                             |  |                             |                     |
| Regular                                | \$ 49,923,482      | \$ 296,911              | \$ 13,203,033     |                             | \$ (36,423,538)                                      |                             | \$ (36,423,538)     |
| Special Education                      | 12,500,181         |                         | 7,885,036         |                             | (4,615,145)  |                             | (4,615,145)         |
| Other Special Instruction              | 1,770,756          |                         | 488,748           |                             | (1,282,008)  |                             | (1,282,008)         |
| School Sponsored/Other Instruction     | 2,248,680          |                         | 542,742           |                             | (1,705,938)  |                             | (1,705,938)         |
| <b>Support Services:</b>               |                    |                         |                   |                             |  |                             |                     |
| Tuition                                | 6,965,262          |                         |                   |                             | (6,965,262)  |                             | (6,965,262)         |
| Student & Instruction Related Services | 17,352,966         |                         | 4,932,871         |                             | (12,420,095)   |                             | (12,420,095)        |
| General Administrative Services        | 1,086,903          |                         | 175,533           |                             | (911,370)  |                             | (911,370)           |
| School Administrative Services         | 5,286,367          |                         | 1,448,124         |                             | (3,838,243)  |                             | (3,838,243)         |
| Central Services                       | 1,711,539          |                         | 430,200           |                             | (1,281,339)  |                             | (1,281,339)         |
| Administrative Information Technology  | 582,113            |                         | 103,054           |                             | (479,059)  |                             | (479,059)           |
| Plant Operations and Maintenance       | 12,488,899         |                         | 1,983,552         | \$ 136                      | (10,505,211)   |                             | (10,505,211)        |
| Pupil Transportation                   | 3,648,484          | 29,687                  | 478,440           |                             | (3,140,357)  |                             | (3,140,357)         |
| Transfer of Funds to Charter Schools   | 15,619             |                         |                   |                             | (15,619)   |                             | (15,619)            |
| Interest on Long-Term Debt             | 319,387            |                         |                   |                             | (319,387)  |                             | (319,387)           |
| Unallocated Depreciation               | 1,172,750          |                         |                   |                             | (1,172,750)  |                             | (1,172,750)         |
| <b>Total Governmental Activities</b>   | <b>117,073,388</b> | <b>326,598</b>          | <b>31,671,333</b> | <b>136</b>                  | <b>(85,075,321)</b>                                  |                             | <b>(85,075,321)</b> |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| Functions/Programs             | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                         |                          |              |
|--------------------------------|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|--------------|
|                                | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Governmental Activities | Business-type Activities | Total        |
| Business-Type Activities:      |                  |                      |                                    |   |                         |                          |              |
| Food Service                   | \$ 1,641,624     | \$ 1,497,477         | \$ 330,762                         |   | \$ 186,615              | \$ 186,615               | \$ 186,615   |
| Summer Community Education     | 52,930           | 51,717               |                                    |   | (1,213)                 | (1,213)                  | (1,213)      |
| Total Business-Type Activities | 1,694,554        | 1,549,194            | 330,762                            |   | 185,402                 | 185,402                  | 185,402      |
| Total Primary Government       | \$ 118,767,942   | \$ 1,875,792         | \$ 32,002,095                      | \$ 136  | \$ (85,075,321)         | 185,402                  | (84,889,919) |

General Revenues and Other Items:

|  |  |  |  |               |              |  |               |
|--|--|--|--|---------------|--------------|--|---------------|
| Taxes:   |  |  |  |               |              |  |               |
| Property Taxes, Levied for General Purposes, Net |  |  |  | 84,222,883    |              |  | 84,222,883    |
| Taxes Levied for Debt Service                    |  |  |  | 1,527,125     |              |  | 1,527,125     |
| Federal and State Aid not Restricted             |  |  |  | 295,334       |              |  | 295,334       |
| Investment Earnings                              |  |  |  | 63,501        | 1,953        |  | 65,454        |
| Miscellaneous Income                             |  |  |  | 277,219       |              |  | 277,219       |
| Other Item:                                      |  |  |  |               |              |  |               |
| Disposal of Capital Assets, Net of Depreciation  |  |  |  |               | (3,134)      |  | (3,134)       |
| Total General Revenues and Other Items           |  |  |  | 86,386,062    | (1,181)      |  | 86,384,881    |
| Change in Net Position                           |  |  |  | 1,310,741     | 184,221      |  | 1,494,962     |
| Net Position - Beginning                         |  |  |  | 24,504,870    | 963,519      |  | 25,468,389    |
| Net Position - Ending                            |  |  |  | \$ 25,815,611 | \$ 1,147,740 |  | \$ 26,963,351 |

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

**FUND FINANCIAL STATEMENTS**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

|   | General<br>Fund      | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------------|-----------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                            |                             |                                |
| Cash and Cash Equivalents   | \$ 6,963,228         | \$ 117,685                 | \$ 357,998                  | \$ 7,438,911                   |
| Interfunds Receivable   | 19,428               |                            |                             | 19,428                         |
| Receivables from Other Governments                                | 1,359,773            | 58,200                     |                             | 1,417,973                      |
| Other Receivables   |                      | 102,091                    |                             | 102,091                        |
| Prepaid Expenses  | 1,351,035            |                            |                             | 1,351,035                      |
| Restricted Cash and Cash Equivalents                              | 8,940,585            |                            |                             | 8,940,585                      |
| <b>Total Assets</b>   | <b>\$ 18,634,049</b> | <b>\$ 277,976</b>          | <b>\$ 357,998</b>           | <b>\$ 19,270,023</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>                              |                      |                            |                             |                                |
| <b>Liabilities:</b>   |                      |                            |                             |                                |
| Payable to State Government                                       |                      | \$ 28,509                  |                             | \$ 28,509                      |
| Accounts Payable  | \$ 1,293,487         | 150,917                    |                             | 1,444,404                      |
| Deposits Payable  | 21,106               |                            |                             | 21,106                         |
| Unearned Revenue  |                      | 103,500                    |                             | 103,500                        |
| <b>Total Liabilities</b>  | <b>1,314,593</b>     | <b>282,926</b>             | <b>357,998</b>              | <b>1,597,519</b>               |
| <b>Fund Balances:</b>   |                      |                            |                             |                                |
| <b>Restricted:</b>  |                      |                            |                             |                                |
| Capital Reserve Account   | 6,602,249            |                            |                             | 6,602,249                      |
| Maintenance Reserve Account                                       | 2,338,336            |                            |                             | 2,338,336                      |
| Excess Surplus - Designated for<br>Subsequent Year's Expenditures | 1,000,000            |                            |                             | 1,000,000                      |
| Excess Surplus  | 1,000,000            |                            |                             | 1,000,000                      |
| Committed   |                      |                            | \$ 357,998                  | 357,998                        |
| <b>Assigned:</b>  |                      |                            |                             |                                |
| Encumbrances  | 3,945,022            |                            |                             | 3,945,022                      |
| Unassigned/(Deficit)  | 2,433,849            | (4,950)                    |                             | 2,428,899                      |
| <b>Total Fund Balances/(Deficit)</b>                              | <b>17,319,456</b>    | <b>(4,950)</b>             | <b>357,998</b>              | <b>17,672,504</b>              |
| <b>Total Liabilities and Fund Balances</b>                        | <b>\$ 18,634,049</b> | <b>\$ 277,976</b>          | <b>\$ 357,998</b>           | <b>\$ 19,270,023</b>           |

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

|   |                      |
|---|----------------------|
| Total Fund Balances (from Above)  | \$ 17,672,504        |
| Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$68,659,837 and the accumulated depreciation is \$23,928,411.        | 44,731,426           |
| The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.  | (36,062,605)         |
| Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:  |                      |
| Changes in Assumptions - Pensions   | 7,470,245            |
| Changes in Proportions - Pensions   | 1,121,613            |
| Difference Between Expected and Actual Experience - Pensions  | 670,655              |
| Difference Between Projected and Actual Investment Earnings on Pension Plan Investments   | 1,375,100            |
| 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.   | (10,987,943)         |
| Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.   | (168,514)            |
| Bond Issuance Premiums are reported as revenue in the Funds. These premiums total \$1,089,161 and the accumulated amortization is \$622,379.  | (466,782)            |
| Deferred Amount on Refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure. The Deferred Amount on Refunding is \$1,073,130 and the accumulated amortization is \$613,218. | 459,912              |
| <b>Net Position of Governmental Activities</b>  | <b>\$ 25,815,611</b> |

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | General<br>Fund | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund | Total<br>Governmental<br>Funds |
|--|-----------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| <b>REVENUES</b>  |                 |                            |                             |                         |                                |
| Local Sources:   |                 |                            |                             |                         |                                |
| Local Tax Levy   | \$ 84,222,883   |                            |                             | \$ 1,527,125            | \$ 85,750,008                  |
| Transportation Fees from Individuals                         | 29,687          |                            |                             |                         | 29,687                         |
| Interest Earned on:  |                 |                            |                             |                         |                                |
| Capital Reserve Funds  | 8,865           |                            |                             |                         | 8,865                          |
| Maintenance Reserve Funds                                    | 4,726           |                            |                             |                         | 4,726                          |
| Miscellaneous Revenues                                       | 327,129         | \$ 472,171                 |                             |                         | 799,300                        |
| Total - Local Sources  | 84,593,290      | 472,171                    |                             | 1,527,125               | 86,592,586                     |
| State Sources  | 13,672,395      | 694,105                    | \$ 136                      |                         | 14,366,636                     |
| Federal Sources  | 43,496          | 1,560,283                  |                             |                         | 1,603,779                      |
| Total Revenues   | 98,309,181      | 2,726,559                  | 136                         | 1,527,125               | 102,563,001                    |
| <b>EXPENDITURES</b>  |                 |                            |                             |                         |                                |
| Current:   |                 |                            |                             |                         |                                |
| Regular Instruction  | 26,400,040      | 617,466                    |                             |                         | 27,017,506                     |
| Special Education Instruction                                | 6,059,892       | 1,065,325                  |                             |                         | 7,125,217                      |
| Other Special Instruction                                    | 936,319         |                            |                             |                         | 936,319                        |
| School Sponsored/Other Instruction                           | 1,323,044       |                            |                             |                         | 1,323,044                      |
| Support Services and Undistributed Costs:                    |                 |                            |                             |                         |                                |
| Tuition  | 6,965,262       |                            |                             |                         | 6,965,262                      |
| Student & Instruction Related Services                       | 9,752,919       | 1,096,313                  |                             |                         | 10,849,232                     |
| General Administrative Services                              | 762,455         |                            |                             |                         | 762,455                        |
| School Administrative Services                               | 2,805,046       |                            |                             |                         | 2,805,046                      |
| Central Services   | 984,219         |                            |                             |                         | 984,219                        |
| Administration Information Technology                        | 386,475         |                            |                             |                         | 386,475                        |
| Plant Operations and Maintenance                             | 7,618,734       |                            |                             |                         | 7,618,734                      |
| Pupil Transportation   | 3,279,991       |                            |                             |                         | 3,279,991                      |
| Allocated Benefits   | 1,241,365       |                            |                             |                         | 1,241,365                      |
| Unallocated Benefits   | 24,098,981      |                            |                             |                         | 24,098,981                     |
| Transfer of Funds to Charter Schools                         | 15,619          |                            |                             |                         | 15,619                         |
| Capital Outlay   | 5,612,378       |                            | 3,340,596                   |                         | 8,952,974                      |
| Debt Service:  |                 |                            |                             |                         |                                |
| Principal  |                 |                            |                             | 1,210,000               | 1,210,000                      |
| Interest and Other Charges                                   |                 |                            |                             | 317,125                 | 317,125                        |
| Total Expenditures   | 98,242,739      | 2,779,104                  | 3,340,596                   | 1,527,125               | 105,889,564                    |
| Excess/(Deficiency) of Revenues<br>Over/(Under) Expenditures | 66,442          | (52,545)                   | (3,340,460)                 |                         | (3,326,563)                    |
| <b>OTHER FINANCING SOURCES/(USES)</b>                        |                 |                            |                             |                         |                                |
| Capital Leases (non-budgeted)                                | 675,000         |                            |                             |                         | 675,000                        |
| Transfers In   | 56,391          | 52,545                     | 467,018                     |                         | 575,954                        |
| Transfers Out  | (519,563)       |                            | (56,391)                    |                         | (575,954)                      |
| Total Other Financing Sources/(Uses)                         | 211,828         | 52,545                     | 410,627                     |                         | 675,000                        |
| Net Change in Fund Balances                                  | 278,270         |                            | (2,929,833)                 |                         | (2,651,563)                    |
| Fund Balance/(Deficit) - July 1                              | 17,041,186      | (4,950)                    | 3,287,831                   |                         | 20,324,067                     |
| Fund Balance/(Deficit) - June 30                             | \$ 17,319,456   | \$ (4,950)                 | \$ 357,998                  | \$ -0-                  | \$ 17,672,504                  |

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  |   |
|--|---|
| Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)   | \$ (2,651,563)  |
| Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit 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 and disposals, net of accumulated depreciation, differs from capital outlays in the period.   | Depreciation expense \$ (1,343,246)<br>Capital outlays 7,382,424<br><u>(20,670)</u> |
| 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.  | Disposal of capital assets, net of accumulated depreciation 6,018,508<br>(675,000)  |
| 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.  | 636,849   |
| 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.  | 1,210,000   |
| In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. 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 (+).  | (2,596)   |
| The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:   |   |
| Change in Net Pension Liability  | (9,055,769)   |
| Deferred Outflows:   |   |
| Changes in Assumptions   | 4,569,927   |
| Changes in Proportion  | (7,490)   |
| Difference Between Expected and Actual Experience  | 26,367  |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments  | 1,375,100   |
| Deferred Inflows:  |   |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments  | 434,218   |
| In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used/(paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). | (568,955)   |
| The governmental funds report the effect of bond issuance 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 the deferred amount on refunding when debt is first issued, whereas this amount is deferred and amortized in the statement of activities (-)   | (76,652)  |
| Change in Net Position of Governmental Activities (Exhibit A-2)  | <u>\$ 1,310,741</u>   |

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



SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

|                                  | <u>Business-Type Activities - Enterprise Funds</u> |                           |               |
|----------------------------------|--|---------------------------|---------------|
|                                  | <u>Major Fund</u>                                  |                           | <u>Totals</u> |
|                                  | <u>Food<br/>Service</u>                            | <u>Non-Major<br/>Fund</u> |               |
| <b>ASSETS:</b>                   |  |                           |               |
| Current Assets:                  |  |                           |               |
| Cash and Cash Equivalents        | \$ 775,175   | \$ 125,889                | \$ 901,064    |
| Accounts Receivable:             |  |                           |               |
| Other Governments:               |  |                           |               |
| Federal                          | 13,839   |                           | 13,839        |
| State                            | 917  |                           | 917           |
| Inventories                      | 8,671  |                           | 8,671         |
| Total Current Assets             | 798,602  | 125,889                   | 924,491       |
| Non-Current Assets:              |  |                           |               |
| Capital Assets                   | 714,463  |                           | 714,463       |
| Less: Accumulated Depreciation   | (237,972)  |                           | (237,972)     |
| Total Non-Current Assets         | 476,491  | -0-                       | 476,491       |
| Total Assets                     | 1,275,093  | 125,889                   | 1,400,982     |
| <b>LIABILITIES:</b>              |  |                           |               |
| Current Liabilities:             |  |                           |               |
| Accounts Payable - Vendors       | 191,966  | 283                       | 192,249       |
| Interfund Payable - General Fund | 6,370  | 140                       | 6,510         |
| Unearned Revenue:                |  |                           |               |
| Prepaid Sales                    | 54,483   |                           | 54,483        |
| Total Current Liabilities        | 252,819  | 423                       | 253,242       |
| Total Liabilities                | 252,819  | 423                       | 253,242       |
| <b>NET POSITION:</b>             |  |                           |               |
| Investment in Capital Assets     | 476,491  |                           | 476,491       |
| Unrestricted                     | 545,783  | 125,466                   | 671,249       |
| Total Net Position               | \$ 1,022,274                                       | \$ 125,466                | \$ 1,147,740  |

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

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Business-Type Activities - Enterprise Funds |                   |              |
|--|---|-------------------|--------------|
|  | Major Fund                                  |                   | Totals       |
|  | Food<br>Service                             | Non-Major<br>Fund |              |
| Operating Revenue:                           |   |                   |              |
| Charges for Services:                        |   |                   |              |
| Daily Sales:                                 |   |                   |              |
| Reimbursable Programs                        | \$ 836,171                                  |                   | \$ 836,171   |
| Non-Reimbursable Programs                    | 650,107                                     |                   | 650,107      |
| Total Daily Sales                            | 1,486,278                                   |                   | 1,486,278    |
| Special Events                               | 11,199                                      |                   | 11,199       |
| Program Fees                                 |   | \$ 51,717         | 51,717       |
| Total Operating Revenue                      | 1,497,477                                   | 51,717            | 1,549,194    |
| Operating Expenses:                          |   |                   |              |
| Cost of Sales:                               |   |                   |              |
| Reimbursable Programs                        | 498,990                                     |                   | 498,990      |
| Non-Reimbursable Programs                    | 226,115                                     |                   | 226,115      |
| Total Cost of Sales                          | 725,105                                     |                   | 725,105      |
| Salaries                                     | 523,680                                     | 50,970            | 574,650      |
| Payroll Taxes                                | 71,063                                      |                   | 71,063       |
| Employee Benefits                            | 44,010                                      |                   | 44,010       |
| Purchased Property Services                  | 26,522                                      |                   | 26,522       |
| Management Fee                               | 83,955                                      |                   | 83,955       |
| Insurance                                    | 70,429                                      |                   | 70,429       |
| Supplies and Materials                       | 61,196                                      | 1,960             | 63,156       |
| Depreciation Expense                         | 35,664                                      |                   | 35,664       |
| Total Operating Expenses                     | 1,641,624                                   | 52,930            | 1,694,554    |
| Operating Income/(Loss)                      | (144,147)                                   | (1,213)           | (145,360)    |
| Non-Operating Revenue:                       |   |                   |              |
| Federal Sources:                             |   |                   |              |
| National School Lunch Program                | 212,325                                     |                   | 212,325      |
| Special Milk Program                         | 1,582                                       |                   | 1,582        |
| Food Distribution Program                    | 103,118                                     |                   | 103,118      |
| State Sources:                               |   |                   |              |
| School Lunch Program                         | 13,737                                      |                   | 13,737       |
| Local Sources - Interest Revenue             | 1,705                                       | 248               | 1,953        |
| Total Non-Operating Revenue                  | 332,467                                     | 248               | 332,715      |
| Change in Net Position Before Other Item     | 188,320                                     | (965)             | 187,355      |
| Other Item - Disposal of Capital Assets, Net | (3,134)                                     |                   | (3,134)      |
| Change in Net Position                       | 185,186                                     | (965)             | 184,221      |
| Net Position - Beginning of Year             | 837,088                                     | 126,431           | 963,519      |
| Net Position - End of Year                   | \$ 1,022,274                                | \$ 125,466        | \$ 1,147,740 |

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

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | <u>Business-Type Activities - Enterprise Funds</u> |                       |                   |
|--|--|-----------------------|-------------------|
|  | <u>Major Fund</u>                                  |                       |                   |
|  | <u>Food Service</u>                                | <u>Non-Major Fund</u> | <u>Totals</u>     |
| Cash Flows from Operating Activities:  |  |                       |                   |
| Receipts from Customers  | \$ 1,508,629                                       | \$ 51,914             | \$ 1,560,543      |
| Payments to Employees  | (50,142)   | (50,970)              | (101,112)         |
| Payments to Food Service Vendor  | (1,343,876)  |                       | (1,343,876)       |
| Payments to Suppliers  | (15,922)   | (2,184)               | (18,106)          |
| Net Cash Provided by/(Used for) Operating Activities   | <u>98,689</u>                                      | <u>(1,240)</u>        | <u>97,449</u>     |
| Cash Flows from Capital Financing Activities:  |  |                       |                   |
| Acquisition of Capital Assets  | (96,323)   |                       | (96,323)          |
| Net Cash Used for Capital Financing Activities   | <u>(96,323)</u>                                    | <u>-0-</u>            | <u>(96,323)</u>   |
| Cash Flows from Noncapital Financing Activities:   |  |                       |                   |
| Federal Sources  | 215,544  |                       | 215,544           |
| State Sources  | 13,799   |                       | 13,799            |
| Net Cash Provided by Noncapital Financing Activities   | <u>229,343</u>                                     | <u>-0-</u>            | <u>229,343</u>    |
| Cash Flows from Investing Activities:  |  |                       |                   |
| Interest Revenue   | 1,705  | 248                   | 1,953             |
| Net Cash Provided by Investing Activities  | <u>1,705</u>                                       | <u>248</u>            | <u>1,953</u>      |
| Net Increase/(Decrease) in Cash and Cash Equivalents   | 233,414  | (992)                 | 232,422           |
| Cash and Cash Equivalents, July 1  | 541,761  | 126,881               | 668,642           |
| Cash and Cash Equivalents, June 30   | <u>\$ 775,175</u>                                  | <u>\$ 125,889</u>     | <u>\$ 901,064</u> |
| Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:       |  |                       |                   |
| Operating Income/(Loss)  | \$ (144,147)                                       | \$ (1,213)            | \$ (145,360)      |
| Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities: |  |                       |                   |
| Depreciation   | 35,664   |                       | 35,664            |
| Federal Food Distribution Program  | 103,118  |                       | 103,118           |
| Changes in Assets and Liabilities:   |  |                       |                   |
| (Increase) in Inventory  | (3,128)  |                       | (3,128)           |
| Increase in Accounts Payable   | 152,272  | 283                   | 152,555           |
| (Decrease) in Interfund Payable  | (56,242)   | (310)                 | (56,552)          |
| Increase in Unearned Revenue   | 11,152   |                       | 11,152            |
| Net Cash Provided by/(Used for) Operating Activities   | <u>\$ 98,689</u>                                   | <u>\$ (1,240)</u>     | <u>\$ 97,449</u>  |

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$103,118 for the fiscal year ended June 30, 2017.

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2017

|                                     | <u>Agency</u>  | <u>Unemployment<br/>Compensation<br/>Trust</u> | <u>Flexible<br/>Spending<br/>Trust</u> |
|-------------------------------------|----------------|--|--|
| <b>ASSETS:</b>                      |                |  |  |
| Cash and Cash Equivalents           | \$ 670,616     | \$ 849,527                                     | \$ 39,794                              |
| Total Assets                        | <u>670,616</u> | <u>849,527</u>                                 | <u>39,794</u>                          |
| <b>LIABILITIES:</b>                 |                |  |  |
| Interfund Payable                   | 12,918         |  |  |
| Payroll Deductions and Withholdings | 472,893        |  |  |
| Due to Student Groups               | 184,805        |  |  |
| Total Liabilities                   | <u>670,616</u> | <u>-0-</u>                                     | <u>-0-</u>                             |
| <b>NET POSITION:</b>                |                |  |  |
| Held in Trust for:                  |                |  |  |
| Unemployment Claims                 |                | 849,527  |  |
| Flexible Spending Claims            |                |  | 39,794                                 |
| Total Net Position                  | <u>\$ -0-</u>  | <u>\$ 849,527</u>                              | <u>\$ 39,794</u>                       |

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | <u>Unemployment<br/>Compensation<br/>Trust</u> | <u>Flexible<br/>Spending<br/>Trust</u> |
|---|--|--|
| ADDITIONS:  |  |  |
| Contributions:  |  |  |
| Plan Members  | \$ 79,216                                      | \$ 50,750                              |
| Employer  | 50,000   |  |
| Total Contributions   | <u>129,216</u>                                 | <u>50,750</u>                          |
| Investment Earnings:  |  |  |
| Interest  | 2,235  | 85                                     |
| Net Investment Earnings   | <u>2,235</u>                                   | <u>85</u>                              |
| Total Additions   | <u>131,451</u>                                 | <u>50,835</u>                          |
| DEDUCTIONS:   |  |  |
| Quarterly Contribution Reports and<br>Unemployment Benefit Claims | 93,302   |  |
| Flexible Spending Claims  |  | 42,743                                 |
| Total Deductions  | <u>93,302</u>                                  | <u>42,743</u>                          |
| Change in Net Position  | 38,149   | 8,092                                  |
| Net Position - Beginning of the Year                              | <u>811,378</u>                                 | <u>31,702</u>                          |
| Net Position - End of the Year                                    | <u>\$ 849,527</u>                              | <u>\$ 39,794</u>                       |

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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.

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 capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by Board resolution.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following governmental funds: (Cont'd)

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.

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 Trust Fund.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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.

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, 2017 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 revisions of the annual budget during the year).

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the 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 Fund and Special Revenue Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of NJSDA grants. These grants are recognized on the budgetary basis in full when they are awarded but recognized on the GAAP basis only to the extent of expenditures which have been submitted for reimbursement.

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue Fund</u> |
|--|-------------------------|---------------------------------|
| Sources/Inflows of Resources:  |                         |                                 |
| Actual Amounts (Budgetary Basis) "Revenue" from the<br>Budgetary Comparison Schedule   | \$ 98,318,113           | \$ 2,716,045                    |
| Difference - Budget to GAAP:   |                         |                                 |
| Grant accounting budgetary basis differs from GAAP in that the budgetary<br>basis recognizes encumbrances as expenditures and revenue, whereas<br>the GAAP basis does not. |                         |                                 |
| Current Year Encumbrances  |                         | (129)                           |
| Prior Year Encumbrances  |                         | 10,970                          |
| Cancellation of Prior Year Encumbrances  |                         | (327)                           |
| Prior Year State aid payments recognized for GAAP statements, not<br>recognized for budgetary purposes   | 264,441                 | 4,950                           |
| Current Year State aid payments recognized for budgetary purposes, not<br>recognized for GAAP statements   | <u>(273,373)</u>        | <u>(4,950)</u>                  |
| Total Revenues as Reported on the Statement of Revenues,<br>Expenditures and Changes in Fund Balances - Governmental Funds   | <u>\$ 98,309,181</u>    | <u>\$ 2,726,559</u>             |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

|   | General<br>Fund | Special<br>Revenue Fund      |
|---|-----------------|------------------------------|
| Uses/Outflows of Resources:   |                 |                              |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the<br>Budgetary Comparison Schedule   | \$ 98,242,739   | \$ 2,768,590                 |
| Differences - Budget to GAAP:   |                 |                              |
| Encumbrances for Supplies and Equipment ordered but not received are<br>reported in the year the order is placed for budgetary purposes, but in<br>the year the supplies are received for financial reporting purposes. |                 |                              |
| Current Year Encumbrances   |                 | (129)                        |
| Prior Year Encumbrances   |                 | 10,970                       |
| Cancellation of Prior Year Encumbrances   |                 | (327)                        |
| <br>Total Expenditures as Reported on the Statement of Revenues,<br>Expenditures, and Changes in Fund Balances - Governmental Funds   | \$ 98,242,739   | \$ 2,779,104                 |
|   |                 | <u>Capital Projects Fund</u> |
|   | <u>Revenue</u>  | <u>Fund Balance</u>          |
| Revenue and Other Financing Sources and Fund Balance per Summary<br>Schedule of Revenue, Expenditures and Changes in Fund Balance<br>(Budgetary Basis)  | \$ (37,936)     | \$ 833,924                   |
| Reconciliation to Governmental Funds Statement (GAAP):  |                 |                              |
| SDA Grants Recognized/(Not Recognized) on GAAP Basis  | 38,072          | (475,926)                    |
| Revenue and Other Financing Sources and Fund Balance per<br>Governmental Funds (GAAP)   | \$ 136          | \$ 357,998                   |

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.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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, 2017  
(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, 2017.

K. Capital Assets:

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

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

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital 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, 2017  
(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 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 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.

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 for this purpose as of June 30, 2017.

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, 2017

(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$17,319,456 General Fund balance at June 30, 2017, \$3,945,022 is assigned for encumbrances; \$6,602,249 is restricted for the capital reserve account; \$2,338,336 is restricted for the maintenance reserve account; \$2,000,000 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended (\$1,000,000 is prior year excess surplus which is included as anticipated revenue for the fiscal year ending June 30, 2018 and the remaining \$1,000,000 is current year excess surplus which will be included as anticipated revenue for the fiscal year ending June 30, 2019); and \$2,433,849 is unassigned which is \$273,373 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, 2018.

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, 2018.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2017 of \$357,998 is committed for capital projects which is \$475,926 less on the GAAP basis due to NJSDA grants which have not been recognized.

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, 2017 as defined above.

The District's unassigned fund balance is less on a GAAP basis than the budgetary basis by \$273,373 in the General Fund and by \$4,950 in the Special Revenue Fund as reported in the fund statements. 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus and capital and maintenance reserves.

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 had \$357,998 of committed resources in the Capital Projects Fund at June 30, 2017.

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 of \$3,945,022 for encumbrances in the General Fund at June 30, 2017.

R. Deficit Fund Balance/Net Position:

The District has a deficit in unassigned fund balance in the Special Revenue Fund of \$4,950 as of June 30, 2017 due to the June state aid payments that were not recognized on the GAAP basis as explained in Note 1P on the previous page. The District has a \$22,735,937 deficit in unrestricted net position from governmental activities, primarily due to the accrual of \$1,171,983 in compensated absences payable, \$168,514 in accrued interest payable, \$466,782 of unamortized bond issuance premiums, and net pension liability of \$36,062,605, offset by changes in pension assumptions of \$7,470,245, changes in proportion in pensions of \$1,121,613, the difference between expected and actual experience for pensions of \$670,655, the net difference between projected and actual investment earnings on pension plan investments of \$1,375,100, and Governmental Funds unassigned, committed and assigned fund balances. These deficits do not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2017 for the deferred amount on refunding of debt related to the District's 2010 refunding bonds and, with regard to pensions, changes in assumptions, changes in proportion, difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, and District contribution subsequent to measurement date.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had no deferred inflow of resources at June 30, 2017.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

S. Net Position: (Cont'd)

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.

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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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 governmental 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.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

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

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

Custodial Credit Risk – The District's policy with respect to custodial credit risk ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

|                   | Cash and Cash<br>Equivalents | Restricted Cash and<br>Cash Equivalents |              | Total         |
|-------------------|------------------------------|---|--------------|---------------|
|                   |                              | Reserve Accounts                        |              |               |
|                   |                              | Capital                                 | Maintenance  |               |
| Checking Accounts | \$ 9,899,912                 | \$ 6,602,249                            | \$ 2,338,336 | \$ 18,840,497 |

During the period ended June 30, 2017, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$18,840,497 and the bank balance was \$22,247,263.

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, 2016 to June 30, 2017 fiscal year is as follows:

|   |              |
|---|--------------|
| Beginning Balance, July 1, 2016             | \$ 8,537,933 |
| Interest Earnings                           | 8,865        |
| Deposit by Board Resolution - June 30, 2017 | 3,668,172    |
| Unexpended Capital Outlay Funds Returned    | 427,193      |
| Unexpended Capital Projects Funds Returned  | 56,391       |
| Withdrawals by Budget Appropriation         | (2,662,010)  |
| Withdrawals by Board Resolution             | (3,434,295)  |
| Ending Balance, June 30, 2017               | \$ 6,602,249 |

The balance in the capital reserve account at June 30, 2017 does not exceed the balance of local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT

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

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring 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. 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, 2016 to June 30, 2017 fiscal year is as follows:

|   |                     |
|---|---------------------|
| Beginning Balance, July 1, 2016             | \$ 2,380,009        |
| Interest Earnings                           | 4,726               |
| Deposit by Board Resolution - June 30, 2017 | 500,000             |
| Withdrawals by Board Resolution             | <u>(546,399)</u>    |
| Ending Balance, June 30, 2017               | <u>\$ 2,338,336</u> |

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred \$4,128,366 to the capital outlay accounts; \$1,458,536 for equipment which did not require County Superintendent approval and \$2,669,830 for facilities acquisition and construction services which was transferred from the Capital Reserve Account by Board resolution.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Adjustments/<br/>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|-----------------------------------|---------------------------|
| <b>Governmental Activities:</b>   |                              |                     |                                   |                           |
| Capital Assets not Being Depreciated:                                       |                              |                     |                                   |                           |
| Sites (Land)  | \$ 449,315                   |                     |                                   | \$ 449,315                |
| Construction in Progress  | 4,933,368                    | \$ 3,340,596        | \$ (6,670,519)                    | 1,603,445                 |
| Total Capital Assets Not Being Depreciated                                  | <u>5,382,683</u>             | <u>3,340,596</u>    | <u>(6,670,519)</u>                | <u>2,052,760</u>          |
| Capital Assets Being Depreciated:   |                              |                     |                                   |                           |
| Buildings and Building Improvements   | 50,897,399                   | 3,203,482           | 6,659,712                         | 60,760,593                |
| Machinery and Equipment   | 5,037,551                    | 838,346             | (29,413)                          | 5,846,484                 |
| Total Capital Assets Being Depreciated                                      | <u>55,934,950</u>            | <u>4,041,828</u>    | <u>6,630,299</u>                  | <u>66,607,077</u>         |
| Governmental Activities Capital Assets                                      | <u>61,317,633</u>            | <u>7,382,424</u>    | <u>(40,220)</u>                   | <u>68,659,837</u>         |
| Less Accumulated Depreciation for:  |                              |                     |                                   |                           |
| Buildings and Building Improvements   | (19,249,145)                 | (1,100,521)         |                                   | (20,349,666)              |
| Machinery and Equipment   | (3,355,570)                  | (242,725)           | 19,550                            | (3,578,745)               |
|   | <u>(22,604,715)</u>          | <u>(1,343,246)</u>  | <u>19,550</u>                     | <u>(23,928,411)</u>       |
| Governmental Activities Capital Assets,<br>Net of Accumulated Depreciation  | <u>\$ 38,712,918</u>         | <u>\$ 6,039,178</u> | <u>\$ (20,670)</u>                | <u>\$ 44,731,426</u>      |
|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Adjustments/<br/>Decreases</u> | <u>Ending<br/>Balance</u> |
| <b>Business Type Activities:</b>  |                              |                     |                                   |                           |
| Capital Assets Being Depreciated:   |                              |                     |                                   |                           |
| Machinery and Equipment   | \$ 632,948                   | \$ 96,323           | \$ (14,808)                       | \$ 714,463                |
| Less Accumulated Depreciation   | (213,982)                    | (35,664)            | 11,674                            | (237,972)                 |
| Business Type Activities Capital Assets,<br>Net of Accumulated Depreciation | <u>\$ 418,966</u>            | <u>\$ 60,659</u>    | <u>\$ (3,134)</u>                 | <u>\$ 476,491</u>         |

Capital acquisitions totaled \$7,478,747 and include \$3,340,596 of construction projects in progress and \$4,041,828 and \$96,323 of current fiscal year capitalized expenditures in the Governmental and Business-Type Activities, respectively. The District transferred \$6,670,519 of completed capital projects to depreciable capital assets during the current fiscal year. As of June 30, 2017, the District had active construction projects balances totaling \$833,924, including \$457,557 of outstanding construction encumbrances.

Depreciation expense was charged to governmental functions as follows:

|  |                     |
|--|---------------------|
| Regular Instruction                      | \$ 27,319           |
| Student and Instruction Related Services | 8,145               |
| General Administrative Services          | 20,329              |
| School Administrative Services           | 2,296               |
| Administration Information Technology    | 4,322               |
| Plant Operations and Maintenance         | 107,425             |
| Pupil Transportation                     | 660                 |
| Unallocated                              | 1,172,750           |
|  | <u>\$ 1,343,246</u> |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the District-wide financial statements:

|  | Balance<br>6/30/2016 | Issued/<br>Accrued   | Retired             | Balance<br>6/30/2017 |
|--|----------------------|----------------------|---------------------|----------------------|
| Serial Bonds Payable                   | \$ 7,840,000         |                      | \$ 1,210,000        | \$ 6,630,000         |
| Capital Leases Payable                 | 912,224              | \$ 675,000           | 636,849             | 950,375              |
| Compensated Absences Payable           | 1,095,236            | 162,682              | 85,935              | 1,171,983            |
| Unamortized Bond Issuance Premiums     | 544,579              |                      | 77,797              | 466,782              |
| Net Pension Liability                  | 27,006,836           | 9,055,769            |                     | 36,062,605           |
| Other Post-Employment Benefits Payable | 1,743,377            | 492,208              |                     | 2,235,585            |
|  | <u>\$ 39,142,252</u> | <u>\$ 10,385,659</u> | <u>\$ 2,010,581</u> | <u>\$ 47,517,330</u> |

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2017 as follows:

| Purpose                | Date of<br>Issue | Final<br>Maturity | Interest<br>Rate | Amount              |
|------------------------|------------------|-------------------|------------------|---------------------|
| School Refunding Bonds | 02/11/10         | 07/15/22          | 4.0% - 5.0%      | <u>\$ 6,630,000</u> |

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

| Fiscal<br>Year Ended<br>June 30, | Principal           | Interest          | Total               |
|----------------------------------|---------------------|-------------------|---------------------|
| 2018                             | \$ 1,195,000        | \$ 272,050        | \$ 1,467,050        |
| 2019                             | 1,185,000           | 224,450           | 1,409,450           |
| 2020                             | 1,175,000           | 177,250           | 1,352,250           |
| 2021                             | 1,170,000           | 124,500           | 1,294,500           |
| 2022                             | 1,165,000           | 66,125            | 1,231,125           |
| Thereafter:                      |                     |                   |                     |
| 2023                             | 740,000             | 18,500            | 758,500             |
|                                  | <u>\$ 6,630,000</u> | <u>\$ 882,875</u> | <u>\$ 7,512,875</u> |

B. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

C. Capital Leases Payable:

As of June 30, 2017, the District has three capital leases payable for computer and technology equipment that originally totaled \$1,892,000 of which \$941,625 has been liquidated as of June 30, 2017. All of the leases are for four years with the final payments occurring in fiscal years 2017-18, 2018-19 and 2019-20. 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, 2017 are detailed below.

| <u>Year</u>                                 | <u>Amount</u>     |
|---|-------------------|
| 2018  | \$ 477,079        |
| 2019  | 332,138           |
| 2020  | 166,623           |
|   | <u>975,840</u>    |
| Less: Amount representing interest          | <u>(25,465)</u>   |
| Present value of net minimum lease payments | <u>\$ 950,375</u> |

The current portion of capital leases payable at June 30, 2017 is \$462,396 and the long-term portion is \$487,979. The General Fund will be used to liquidate capital leases payable.

D. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums 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 unamortized bond issuance premiums at June 30, 2017 is \$77,797 and the long-term portion is \$388,985.

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 entire \$1,171,983 of compensated absences payable at June 30, 2017 is long-term.

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, 2017, 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 entire \$2,235,585 of other post-employment benefits payable at June 30, 2017 is long-term. See Note 10 for further information on these benefits.

G. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire \$36,062,605 net pension liability at June 30, 2017 is long-term. See Note 9 for further information on the PERS.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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).

A. Public Employees’ Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees’ Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

| <u>Tier</u> | <u>Definition</u>  |
|-------------|--|
| 1           | Members who were enrolled prior to July 1, 2007  |
| 2           | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3           | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4           | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011    |
| 5           | Members who were eligible to enroll on or after June 28, 2011                              |

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$1,081,722 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$36,062,605 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.12%, which was an increase of 0.004% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$3,739,306.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

|  | Amortization<br>Period | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|------------------------|--------------------------------------|-------------------------------------|
| Changes in Assumptions:  |                        |                                      |                                     |
| 2014   | 6.44 years             | \$ 453,314                           |                                     |
| 2015   | 5.72 years             | 1,852,342                            |                                     |
| 2016   | 5.57 years             | 5,164,589                            |                                     |
| Subtotal   |                        | 7,470,245                            |                                     |
| Changes in Proportion:   |                        |                                      |                                     |
| 2014   | 6.44 years             | 305,002                              |                                     |
| 2015   | 5.72 years             | 579,625                              |                                     |
| 2016   | 5.57 years             | 236,986                              |                                     |
| Subtotal   |                        | 1,121,613                            |                                     |
| Difference Between Expected and<br>Actual Experience:  |                        |                                      |                                     |
| 2015   | 5.72 years             | 513,924                              |                                     |
| 2016   | 5.57 years             | 156,731                              |                                     |
| Subtotal   |                        | 670,655                              |                                     |
| Net Difference Between Projected and<br>Actual Investment Earnings on Pension<br>Plan Investments: |                        |                                      |                                     |
| 2014   | 5 years                | (679,298)                            |                                     |
| 2015   | 5 years                | 434,610                              |                                     |
| 2016   | 5 years                | 1,619,788                            |                                     |
| Subtotal   |                        | 1,375,100                            |                                     |
| District Contribution Subsequent to the<br>Measurement Date - 2016                                 | 1 year                 | 1,184,000                            |                                     |
|  |                        | \$ 11,821,613                        | \$ - 0 -                            |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

| Fiscal Year<br>Ending June 30, | Total        |
|--------------------------------|--------------|
| 2017                           | \$ 2,142,441 |
| 2018                           | 2,142,441    |
| 2019                           | 2,482,090    |
| 2020                           | 2,085,319    |
| 2021                           | 663,709      |
|                                | \$ 9,516,000 |

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

|                           |                           |
|---------------------------|---------------------------|
| Inflation Rate            | 3.08%                     |
| Salary Increases:         |                           |
| Through 2026              | 1.65 – 4.15% based on age |
| Thereafter                | 2.65 – 5.15% based on age |
| Investment Rate of Return | 7.65%                     |

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 5.00%                    | 0.87%   |
| U.S. Treasuries             | 1.50%                    | 1.74%   |
| Investment Grade Credit     | 8.00%                    | 1.79%   |
| Mortgages                   | 2.00%                    | 1.67%   |
| High Yield Bonds            | 2.00%                    | 4.56%   |
| Inflation-Indexed Bonds     | 1.50%                    | 3.44%   |
| Broad U.S. Equities         | 26.00%                   | 8.53%   |
| Developed Foreign Equities  | 13.25%                   | 6.83%   |
| Emerging Market Equities    | 6.50%                    | 9.95%   |
| Private Equity              | 9.00%                    | 12.40%  |
| Hedge Funds/Absolute Return | 12.50%                   | 4.68%   |
| Real Estate (Property)      | 2.00%                    | 6.91%   |
| Commodities                 | 0.50%                    | 5.45%   |
| Global Debt ex. U.S.        | 5.00%                    | -0.25%  |
| REIT                        | 5.25%                    | 5.63%   |

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|  | June 30, 2016             |                                     |                           |
|--|---------------------------|-------------------------------------|---------------------------|
|  | 1%<br>Decrease<br>(2.98%) | Current<br>Discount Rate<br>(3.98%) | 1%<br>Increase<br>(4.98%) |
| District's proportionate share of the<br>Net Pension Liability | \$ 44,190,513             | \$ 36,062,605                       | \$ 29,352,312             |

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

| <u>Tier</u> | <u>Definition</u>  |
|-------------|--|
| 1           | Members who were enrolled prior to July 1, 2007  |
| 2           | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3           | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4           | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011    |
| 5           | Members who were eligible to enroll on or after June 28, 2011                              |

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$3,583,750 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$19,404,878.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$258,263,100. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.3283%, which was a decrease of 0.0027% from its proportion measured as of June 30, 2015.

|   |                       |
|---|-----------------------|
| District's Proportionate Share of the Net Pension Liability                           | \$ -0-                |
| State's Proportionate Share of the Net Pension Liability Associated with the District | <u>258,263,100</u>    |
| Total   | <u>\$ 258,263,100</u> |

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$19,404,878 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Amortization<br>Period | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|------------------------|--------------------------------------|-------------------------------------|
| Changes in Assumptions:  |                        |                                      |                                     |
| 2014   | 8.5 years              | \$ 1,691,524,165                     |                                     |
| 2015   | 8.3 years              | 4,488,602,746                        |                                     |
| 2016   | 8.3 years              | 9,522,623,964                        |                                     |
| Difference Between Expected and<br>Actual Experience:  |                        |                                      |                                     |
| 2014   | 8.5 years              |                                      | \$ 16,110,615                       |
| 2015   | 8.3 years              | 277,221,464                          |                                     |
| 2016   | 8.3 years              |                                      | 118,421,979                         |
| Net Difference Between Projected and<br>Actual Investment Earnings on Pension<br>Plan Investments: |                        |                                      |                                     |
| 2014   | 5 years                | (870,618,286)                        |                                     |
| 2015   | 5 years                | 577,926,182                          |                                     |
| 2016   | 5 years                | <u>1,727,420,767</u>                 |                                     |
|  |                        | <u>\$ 17,414,701,002</u>             | <u>\$ 134,532,594</u>               |



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

| Fiscal Year<br>Ending June 30, | Total             |
|--------------------------------|-------------------|
| 2017                           | \$ 2,538,535,636  |
| 2018                           | 2,538,535,636     |
| 2019                           | 2,973,844,781     |
| 2020                           | 2,781,202,718     |
| 2021                           | 2,349,347,527     |
| Thereafter                     | 4,098,702,110     |
|                                | \$ 17,280,168,408 |

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

|                           |                            |
|---------------------------|----------------------------|
| Inflation Rate            | 2.50%                      |
| Salary Increases:         |                            |
| 2012-2021                 | Varies based on experience |
| Thereafter                | Varies based on experience |
| Investment Rate of Return | 7.65%                      |

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| Cash                         | 5.00%                    | 0.39%   |
| US Government Bonds          | 1.50%                    | 1.28%   |
| US Credit Bonds              | 13.00%                   | 2.76%   |
| US Mortgages                 | 2.00%                    | 2.38%   |
| US Inflation-Indexed Bonds   | 1.50%                    | 1.41%   |
| US High Yield Bonds          | 2.00%                    | 4.70%   |
| US Equity Market             | 26.00%                   | 5.14%   |
| Foreign-Developed Equity     | 13.25%                   | 5.91%   |
| Emerging Market Equities     | 6.50%                    | 8.16%   |
| Private Real Estate Property | 5.25%                    | 3.64%   |
| Timber                       | 1.00%                    | 3.86%   |
| Farmland                     | 1.00%                    | 4.39%   |
| Private Equity               | 9.00%                    | 8.97%   |
| Commodities                  | 0.50%                    | 2.87%   |
| Hedge Funds - MultiStrategy  | 5.00%                    | 3.70%   |
| Hedge Funds - Equity Hedge   | 3.75%                    | 4.72%   |
| Hedge Funds - Distressed     | 3.75%                    | 3.49%   |

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|   | June 30, 2016       |                          |                     |
|---|---------------------|--------------------------|---------------------|
|   | 1%                  | Current                  | 1%                  |
|   | Decrease<br>(2.22%) | Discount Rate<br>(3.22%) | Increase<br>(4.22%) |
| State's Proportionate Share of the Net Pension Liability Associated with the District | \$ 308,423,856      | \$ 258,263,100           | \$ 217,300,368      |

Pension Plan Fiduciary Net Position

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. 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 the DCRP. 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.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$24,958 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$34,974 for the fiscal year ended June 30, 2017.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides employer-paid 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members for Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial/2016divisioncombined.pdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$3,094,272, \$3,129,831 and \$2,841,276 for 2017, 2016 and 2015, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

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, 2017, the valuation date, approximately 337 retirees and 736 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 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.

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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

Funding Policy (Cont'd)

The ARC is defined as the employer's required contributions for the year, calculated in accordance with certain parameters, and includes (a) the normal cost for the year and (b) a component for amortization of the total unfunded actuarial accrued liability (or funding excess) of the plan over a period not to exceed thirty years. If the methods and assumptions used in determining a plan's funding requirements meet the parameters, the same methods and assumptions are required for financial reporting by both a plan and its participating employer(s). However, if a plan's method of financing does not meet the parameters (for example, the plan is financed on a pay-as-you-go basis), the parameters nevertheless apply for financial reporting purposes.

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.

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, 2015, 2016 and 2017:

**Benefit Obligations and Normal Cost**

|   | Valuation June 30,  |                      |                      |
|---|---------------------|----------------------|----------------------|
|   | 2015                | 2016                 | 2017                 |
| Actuarial accrued liability (AAL):          |                     |                      |                      |
| Retired employees                           | \$ 5,078,897        | \$ 4,926,544         | \$ 6,149,353         |
| Active employees                            | 4,663,462           | 5,114,626            | 6,835,743            |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 9,742,359</u> | <u>\$ 10,041,170</u> | <u>\$ 12,985,096</u> |
| Normal Cost with interest                   | \$ 207,610          | \$ 217,991           | \$ 409,787           |
| Amortization factor based on 30 years       | \$ 462,018          | \$ 462,018           | \$ 457,618           |
| Annual covered payroll                      | \$ 46,446,730       | \$ 46,834,134        | \$ 50,230,068        |
| UAAL as a percentage of covered payroll     | 20.98%              | 21.44%               | 25.85%               |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(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, 2015, 2016 and 2017: (Cont'd)

| <b>Level Dollar Amortization</b>  |                     |                     |                      |
|---|---------------------|---------------------|----------------------|
| Calculation of ARC under Projected Unit Credit Method   |                     |                     |                      |
| ARC normal cost with interest to end of year  | \$ 207,610          | \$ 217,991          | \$ 409,787           |
| Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end | 462,018             | 462,018             | 457,618              |
| Annual Required Contribution (ARC)  | 669,628             | 680,009             | 867,405              |
| Interest on net OPEB obligation   | 75,902              | 80,478              | 69,735               |
| Adjustment to ARC   | (230,276)           | (230,276)           | (68,997)             |
| Annual OPEB cost (expense)  | 515,254             | 530,211             | 868,143              |
| Pay as you go benefits  | (423,740)           | (396,388)           | (375,935)            |
| Net OPEB expense at June 30,:   |                     |                     |                      |
| 2015, 2016 and 2017, respectively   | 91,514              | 133,823             | 492,208              |
| Prior year  | 1,518,040           | 1,609,554           | 1,743,377            |
| Net OPEB obligation June 30,:   |                     |                     |                      |
| 2015, 2016 and 2017, respectively   | <u>\$ 1,609,554</u> | <u>\$ 1,743,377</u> | <u>\$ 2,235,585</u>  |
| Projected unfunded actuarial accrued liability (June 30, 2015)                                      |                     |                     | <u>\$ 9,742,359</u>  |
| Projected unfunded actuarial accrued liability (June 30, 2016)                                      |                     |                     | <u>\$ 10,041,170</u> |
| Projected unfunded actuarial accrued liability (June 30, 2017)                                      |                     |                     | <u>\$ 12,985,096</u> |

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, 2017 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization over 30 years. The actuarial assumptions include a 4% discount rate and an initial health care cost trend rate of 9% beginning in 2018, leveling off to 5% by 2026 with 0.5% annual decrements.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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 New Jersey Schools Insurance Group (the "Group") 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 Group 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 Group are elected.

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

The June 30, 2017 audit was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2016 is as follows:

|   | New Jersey Schools<br>Insurance Group<br>(NJSIG) |
|---|--|
| Total Assets  | \$ 311,014,416                                   |
| Net Position  | \$ 68,222,364                                    |
| Total Revenue   | \$ 124,872,219                                   |
| Total Expenses  | \$ 113,965,181                                   |
| Members Dividends                                       | \$ -0-   |
| Change in Net Position for the Year Ended June 30, 2016 | \$ 10,907,038                                    |

Financial statements for the Group are available at the Group's Office or website:

New Jersey Schools Insurance Group  
6000 Midlantic Drive  
Mount Laurel, NJ 08054  
(609) 386-6060  
www.njsig.org

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

| <u>Fiscal Year</u> | <u>District Contributions</u> | <u>Interest Earned</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|------------------------|-------------------------------|--------------------------|-----------------------|
| 2016-2017          | \$ 50,000                     | \$ 2,235               | \$ 79,216                     | \$ 93,302                | \$ 849,527            |
| 2015-2016          | 125,000                       | 953                    | 73,509                        | 52,085                   | 811,378               |
| 2014-2015          | 125,000                       | 596                    | 72,562                        | 104,746                  | 664,001               |

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.

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2017:

| <u>Fund</u>                        | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------------------|-----------------------------|--------------------------|
| General Fund                       | \$ 19,428                   |                          |
| Proprietary Funds:                 |                             |                          |
| Food Service                       |                             | \$ 6,370                 |
| Summer Community Education Program |                             | 140                      |
| Fiduciary Fund - Student Activity  |                             | 12,918                   |
|                                    | <u>\$ 19,428</u>            | <u>\$ 19,428</u>         |

The interfund payables from the Proprietary and Fiduciary Funds due to the General Fund are for disbursements made on-behalf of the Food Service and Summer Community Education Program Enterprise Funds and the Student Activity Fund.

During the fiscal year, the General Fund transferred \$467,018 from Capital Outlay to the Capital Projects Fund for the local share of capital projects and the Capital Projects Fund transferred \$56,391 of Capital Reserve to the General Fund for the unexpended local share of capital projects completed.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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:

| <u>403(b)</u>                                  | <u>457</u>            |
|--|-----------------------|
| FTJ Fund Choice                                | MetLife Insurance Co. |
| AXA Equitable                                  | AXA Equitable         |
| VALIC  | FTJ Fund Choice       |
| Foresters Financial (formerly First Investors) |                       |
| Lincoln Investment Planning, Inc.              |                       |
| Lincoln Financial                              |                       |

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.

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2017:

|                          | <u>Governmental Funds</u> |                            | District<br>Contribution<br>Subsequent<br>to the<br>Measurement<br>Date | Total<br>Governmental<br>Activities | <u>Business-<br/>Type<br/>Activities</u> |
|--------------------------|---------------------------|----------------------------|---|-------------------------------------|--|
|                          | General<br>Fund           | Special<br>Revenue<br>Fund |   |                                     | Proprietary<br>Funds                     |
| Salaries                 | \$ 199,619                | \$ 149                     |   | \$ 199,768                          |  |
| Vendors                  | 1,093,868                 | 4,749                      |   | 1,098,617                           | \$ 192,249                               |
| Due to:                  |                           |                            |   |                                     |  |
| Other Governmental Units |                           | 146,019                    |   | 146,019                             |  |
| State of New Jersey      |                           |                            | \$ 1,184,000  | 1,184,000                           |  |
|                          | <u>\$ 1,293,487</u>       | <u>\$ 150,917</u>          | <u>\$ 1,184,000</u>   | <u>\$ 2,628,404</u>                 | <u>\$ 192,249</u>                        |

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

NOTE 17. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Township of Scotch Plains recognized revenue in the amount of \$526,446 from one payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid on these properties for 2016 without the abatements would have been \$817,573 of which \$520,089 would have been regional school taxes.

The Borough of Fanwood recognized revenue in the amount of \$233,895 from three payments in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2016 without the abatements would have been \$384,318 of which \$231,554 would have been regional school taxes.

NOTE 18. CONTINGENCIES

Litigation

The Board is periodically involved in claims and lawsuits, including personnel matters, 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.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 18. CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2017, 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<br>Revenue | Capital<br>Projects | Total        |
| \$ 3,945,022       | \$ 129             | \$ 457,557          | \$ 4,402,708 |

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$-0- is assigned for encumbrances in the Special Revenue Fund, which is \$129 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. The \$457,557 of fiscal year-end encumbrances in the Capital Projects Fund on a budgetary basis are included in the \$357,998 committed fund balance on a GAAP basis at June 30, 2017 which is \$475,926 less on the GAAP basis due to NJSDA grants which have not been recognized.

NOTE 19. RECEIVABLES FROM OTHER GOVERNMENTS

The following receivables due from other governments existed as of June 30, 2017:

|         | Governmental Activities |                            |                                | Business-<br>Type<br>Activities |
|---------|-------------------------|----------------------------|--------------------------------|---------------------------------|
|         | General<br>Fund         | Special<br>Revenue<br>Fund | Total<br>Governmental<br>Funds | Proprietary<br>Funds            |
| Federal |                         | \$ 56,145                  | \$ 56,145                      | \$ 13,839                       |
| State   | \$ 1,359,773            | 2,055                      | 1,361,828                      | 917                             |
|         | \$ 1,359,773            | \$ 58,200                  | \$ 1,417,973                   | \$ 14,756                       |

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

|  | Fiscal Year Ending June 30, |               |               |
|--|-----------------------------|---------------|---------------|
|  | 2015                        | 2016          | 2017          |
| District's Proportion of the Net Pension Liability   | 0.1156785158%               | 0.1203084491% | 0.1217626510% |
| District's proportionate share<br>of the Net Pension Liability   | \$ 21,658,182               | \$ 27,006,836 | \$ 36,062,605 |
| District's Covered Employee Payroll  | \$ 8,036,851                | \$ 8,135,292  | \$ 7,989,478  |
| District's proportionate share of the Net Pension Liability<br>as a percentage of its Covered Employee Payroll | 269.49%                     | 331.97%       | 451.38%       |
| Plan Fiduciary Net Position as a percentage<br>of the Total Pension Liability                                  | 52.08%                      | 47.93%        | 40.14%        |

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

|   | Fiscal Year Ending June 30, |               |               |
|---|-----------------------------|---------------|---------------|
|   | 2015                        | 2016          | 2017          |
| Contractually Required Contribution                                     | \$ 953,637                  | \$ 1,034,330  | \$ 1,081,722  |
| Contributions in relation to the<br>Contractually Required Contribution | (953,637)                   | (1,034,330)   | (1,081,722)   |
| Contribution Deficiency/(Excess)  | <u>\$ -0-</u>               | <u>\$ -0-</u> | <u>\$ -0-</u> |
| District's Covered Employee Payroll                                     | \$ 8,135,292                | \$ 7,989,478  | \$ 8,241,104  |
| Contributions as a percentage of<br>Covered Employee Payroll            | 11.72%                      | 12.95%        | 13.13%        |

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

|  | Fiscal Year Ending June 30, |                |                |
|--|-----------------------------|----------------|----------------|
|  | 2015                        | 2016           | 2017           |
| State's proportion of the Net Pension Liability attributable to the District   | 0.3385841334%               | 0.3310504684%  | 0.3283018007%  |
| State's proportionate share of the Net Pension Liability attributable to the District  | \$ 180,962,200              | \$ 209,238,033 | \$ 258,263,100 |
| District's Covered Employee Payroll  | \$ 32,710,494               | \$ 33,340,326  | \$ 33,966,880  |
| State's proportionate share of the Net Pension Liability attributable to the District as a percentage of the District's Covered Employee Payroll | 553.22%                     | 627.58%        | 760.34%        |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability   | 33.64%                      | 28.71%         | 22.33%         |

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

|   | Fiscal Year Ending June 30, |                      |                      |
|---|-----------------------------|----------------------|----------------------|
|   | 2015                        | 2016                 | 2017                 |
| Contractually Required Contribution                                     | \$ 9,737,465                | \$ 12,775,866        | \$ 19,404,878        |
| Contributions in relation to the<br>Contractually Required Contribution | <u>(1,789,780)</u>          | <u>(2,628,512)</u>   | <u>(3,583,750)</u>   |
| Contribution Deficiency/(Excess)  | <u>\$ 7,947,685</u>         | <u>\$ 10,147,354</u> | <u>\$ 15,821,128</u> |
| District's Covered Employee Payroll                                     | \$ 33,340,326               | \$ 33,966,880        | \$ 35,597,583        |
| Contributions as a percentage of<br>Covered Employee Payroll            | 29.21%                      | 37.61%               | 54.51%               |

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

|  | As of June 30, |               |
|--|----------------|---------------|
|  | 2016           | 2015          |
| Discount Rate  | 3.98%          | 4.90%         |
| Municipal Bond Rate  | 2.85%          | 3.80%         |
| Inflation Rate   | 3.08%          | 3.04%         |
| Long-Term Expected Rate of Return on<br>Pension Plan Investments | 7.65%          | 7.90%         |
| Salary Increases Based on Age:                                   |                |               |
| Through 2026   | 1.65% - 4.15%  |               |
| 2012 - 2021  |                | 2.15% - 4.40% |
| Thereafter   | 2.65% - 5.15%  | 3.15% - 5.40% |

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

|  | <u>As of June 30,</u> |             |
|--|-----------------------|-------------|
|  | <u>2016</u>           | <u>2015</u> |
| Discount Rate  | 3.22%                 | 4.13%       |
| Municipal Bond Rate  | 2.85%                 | 3.80%       |
| Long-Term Expected Rate of Return on<br>Pension Plan Investments | 7.65%                 | 7.90%       |

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

SCOTCH PLAINS - FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
POST-RETIREMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS  
FOR THE PAST THREE FISCAL YEARS  
 UNAUDITED

| Fiscal<br>Year | Actuarial<br>Valuation<br>Date<br>June 30, | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll |
|----------------|--|---------------------------------|--|---|-----------------|--------------------|--|
| 2016-17        | 2017                                       | \$ - 0 -                        | \$ 12,460,349                              | \$ 12,985,096   | 0.00%           | \$ 50,230,068      | 25.85%   |
| 2015-16        | 2016                                       | - 0 -                           | 10,041,170                                 | 10,041,170  | 0.00%           | 46,834,134         | 21.44%   |
| 2014-15        | 2015                                       | - 0 -                           | 9,742,359                                  | 9,742,359   | 0.00%           | 46,446,730         | 20.98%   |

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**BUDGETARY COMPARISON SCHEDULES**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|  | Original Budget   | Budget Transfers | Final Budget      | Actual            | Variance Final to Actual |
|--|-------------------|------------------|-------------------|-------------------|--------------------------|
| <b>REVENUES:</b>                               |                   |                  |                   |                   |                          |
| Local Sources:                                 |                   |                  |                   |                   |                          |
| Local Tax Levy                                 | \$ 84,222,883     |                  | \$ 84,222,883     | \$ 84,222,883     |                          |
| Transportation Fees from Individuals           | 23,750            |                  | 23,750            | 29,687            | \$ 5,937                 |
| Interest Earned on Capital Reserve Funds       | 2,000             |                  | 2,000             | 8,865             | 6,865                    |
| Interest Earned on Maintenance Reserve Funds   | 500               |                  | 500               | 4,726             | 4,226                    |
| Unrestricted Miscellaneous Revenues            | 141,000           |                  | 141,000           | 327,129           | 186,129                  |
| <b>Total - Local Sources</b>                   | <b>84,390,133</b> |                  | <b>84,390,133</b> | <b>84,593,290</b> | <b>203,157</b>           |
| State Sources:                                 |                   |                  |                   |                   |                          |
| Categorical Transportation Aid                 | 237,609           |                  | 237,609           | 237,609           |                          |
| Special Education Categorical Aid              | 2,518,908         |                  | 2,518,908         | 2,518,908         |                          |
| Categorical Security Aid                       | 98,844            |                  | 98,844            | 98,844            |                          |
| Per Pupil Growth Aid                           | 53,090            |                  | 53,090            | 53,090            |                          |
| PARCC Readiness Aid                            | 53,090            |                  | 53,090            | 53,090            |                          |
| Professional Learning Courtesy Aid             | 52,925            |                  | 52,925            | 52,925            |                          |
| Extraordinary Special Education Costs Aid      | 300,000           |                  | 300,000           | 1,205,421         | 905,421                  |
| Nonpublic School Transportation Costs          |                   |                  |                   | 28,710            | 28,710                   |
| On-Behalf TPAF Contributions:                  |                   |                  |                   |                   |                          |
| Post-Retirement Medical                        |                   |                  |                   | 3,094,272         | 3,094,272                |
| Pension  |                   |                  |                   | 3,583,750         | 3,583,750                |
| Non-Contributory Insurance                     |                   |                  |                   | 129,848           | 129,848                  |
| Long-Term Disability Insurance                 |                   |                  |                   | 10,936            | 10,936                   |
| Reimbursed TPAF Social Security (Non-Budgeted) |                   |                  |                   | 2,613,924         | 2,613,924                |
| <b>Total State Sources</b>                     | <b>3,314,466</b>  |                  | <b>3,314,466</b>  | <b>13,681,327</b> | <b>10,366,861</b>        |
| Federal Sources:                               |                   |                  |                   |                   |                          |
| Medicaid Reimbursement (SEMI)                  | 25,046            |                  | 25,046            | 41,946            | 16,900                   |
| Medicaid Reimbursement (SEMI/ARRA)             |                   |                  |                   | 1,550             | 1,550                    |
| <b>Total Federal Sources</b>                   | <b>25,046</b>     |                  | <b>25,046</b>     | <b>43,496</b>     | <b>18,450</b>            |
| <b>TOTAL REVENUES</b>                          | <b>87,729,645</b> |                  | <b>87,729,645</b> | <b>98,318,113</b> | <b>10,588,468</b>        |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget   | Actual            | Variance<br>Final to Actual |
|---|--------------------|---------------------|-------------------|-------------------|-----------------------------|
| <b>EXPENDITURES:</b>                          |                    |                     |                   |                   |                             |
| <b>CURRENT EXPENSE</b>                        |                    |                     |                   |                   |                             |
| Regular Programs - Instruction:               |                    |                     |                   |                   |                             |
| Kindergarten - Salaries of Teachers           | \$ 1,366,697       | \$ (176,307)        | \$ 1,190,390      | \$ 1,182,423      | \$ 7,967                    |
| Grades 1-5 - Salaries of Teachers             | 9,285,681          | (778,465)           | 8,507,216         | 8,465,217         | 41,999                      |
| Grades 6-8 - Salaries of Teachers             | 7,430,330          | 527,180             | 7,957,510         | 7,933,793         | 23,717                      |
| Grades 9-12 - Salaries of Teachers            | 7,639,357          | (523,103)           | 7,116,254         | 6,980,901         | 135,353                     |
| Regular Programs - Home Instruction:          |                    |                     |                   |                   |                             |
| Salaries of Teachers                          | 98,000             | (28,443)            | 69,557            | 63,008            | 6,549                       |
| Purchased Professional - Educational Services | 52,000             | 3,560               | 55,560            | 55,560            |                             |
| Regular Programs - Undistributed Instruction: |                    |                     |                   |                   |                             |
| Other Salaries for Instruction                |                    | 26,832              | 26,832            | 26,832            |                             |
| Purchased Professional - Educational Services | 281,025            | (9,809)             | 271,216           | 259,597           | 11,619                      |
| Purchased Technical Services                  | 227,500            | (11,735)            | 215,765           | 132,253           | 83,512                      |
| Other Purchased Services (400-500 series)     | 72,183             | (8,829)             | 63,354            | 29,997            | 33,357                      |
| General Supplies                              | 1,071,575          | 103,320             | 1,174,895         | 953,379           | 221,516                     |
| Textbooks                                     | 333,322            | 50,811              | 384,133           | 258,605           | 125,528                     |
| Other Objects                                 | 72,652             | 753                 | 73,405            | 58,475            | 14,930                      |
| <b>Total Regular Programs - Instruction</b>   | <b>27,930,322</b>  | <b>(824,235)</b>    | <b>27,106,087</b> | <b>26,400,040</b> | <b>706,047</b>              |
| Special Education - Instruction:              |                    |                     |                   |                   |                             |
| Multiple Disabilities:                        |                    |                     |                   |                   |                             |
| Salaries of Teachers                          | 621,138            | (39,226)            | 581,912           | 581,302           | 610                         |
| Other Salaries for Instruction                |                    | 47,864              | 47,864            | 47,864            |                             |
| Purchased Professional - Educational Services | 25,000             | (7,350)             | 17,650            | 17,650            |                             |
| Other Purchased Services (400-500 series)     | 1,000              | (682)               | 318               | 318               |                             |
| General Supplies                              | 12,500             | (38)                | 12,462            | 11,162            | 1,300                       |
| Textbooks                                     | 1,500              | (1,500)             |                   |                   |                             |
| <b>Total Multiple Disabilities</b>            | <b>661,138</b>     | <b>(932)</b>        | <b>660,206</b>    | <b>658,296</b>    | <b>1,910</b>                |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Unaudited)

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual       | Variance<br>Final to Actual |
|---|--------------------|---------------------|-----------------|--------------|-----------------------------|
| EXPENDITURES:                             |                    |                     |                 |              |                             |
| CURRENT EXPENSE                           |                    |                     |                 |              |                             |
| Special Education - Instruction: (Cont'd) |                    |                     |                 |              |                             |
| Resource Room/Resource Center:            |                    |                     |                 |              |                             |
| Salaries of Teachers                      | \$ 4,432,989       | \$ (99,722)         | \$ 4,333,267    | \$ 4,317,272 | \$ 15,995                   |
| Other Salaries for Instruction            | 1,011,579          | (102,397)           | 909,182         | 898,284      | 10,898                      |
| Purchased Technical Services              | 3,100              | (3,100)             |                 |              |                             |
| General Supplies                          | 9,000              | 11,723              | 20,723          | 20,573       | 150                         |
| Total Resource Room/Resource Center       | 5,456,668          | (193,496)           | 5,263,172       | 5,236,129    | 27,043                      |
| Preschool Disabilities - Part-Time:       |                    |                     |                 |              |                             |
| Salaries of Teachers                      | 55,775             | (2,167)             | 53,608          | 53,608       |                             |
| Other Salaries for Instruction            | 12,349             | (125)               | 12,224          | 12,224       |                             |
| General Supplies                          | 3,000              | (1,506)             | 1,494           | 1,134        | 360                         |
| Total Preschool Disabilities - Part-Time  | 71,124             | (3,798)             | 67,326          | 66,966       | 360                         |
| Preschool Disabilities - Full-Time:       |                    |                     |                 |              |                             |
| Salaries of Teachers                      | 141,798            | (47,785)            | 94,013          | 94,013       |                             |
| Other Salaries for Instruction            | 45,530             | (45,530)            |                 |              |                             |
| Other Purchased Services (400-500 series) | 500                | (500)               |                 |              |                             |
| General Supplies                          | 3,000              | 1,488               | 4,488           | 4,488        |                             |
| Total Preschool Disabilities - Full-Time  | 190,828            | (92,327)            | 98,501          | 98,501       |                             |
| Total Special Education Instruction       | 6,379,758          | (290,553)           | 6,089,205       | 6,059,892    | 29,313                      |
| Basic Skills/Remedial - Instruction:      |                    |                     |                 |              |                             |
| Salaries of Teachers                      | 877,813            | (26,973)            | 850,840         | 850,685      | 155                         |
| Other Purchased Services (400-500 series) | 1,430              | (363)               | 1,067           | 1,067        |                             |
| General Supplies                          | 3,800              | (102)               | 3,698           | 3,698        |                             |
| Other Objects                             |                    | 75                  | 75              | 75           |                             |
| Total Basic Skills/Remedial - Instruction | 883,043            | (27,363)            | 855,680         | 855,525      | 155                         |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget   | Actual            | Variance<br>Final to Actual |
|---|--------------------|---------------------|-------------------|-------------------|-----------------------------|
| <b>EXPENDITURES:</b>  |                    |                     |                   |                   |                             |
| <b>CURRENT EXPENSE</b>  |                    |                     |                   |                   |                             |
| Bilingual Education - Instruction:                                  |                    |                     |                   |                   |                             |
| Salaries of Teachers  | \$ 82,030          | \$ (1,236)          | \$ 80,794         | \$ 80,794         |                             |
| General Supplies  | 1,500              | (1,500)             |                   |                   |                             |
| <b>Total Bilingual Education - Instruction</b>                      | <b>83,530</b>      | <b>(2,736)</b>      | <b>80,794</b>     | <b>80,794</b>     |                             |
| School-Sponsored Cocurricular Activities - Instruction:             |                    |                     |                   |                   |                             |
| Salaries  | 289,200            | (2,000)             | 287,200           | 274,328           | \$ 12,872                   |
| Purchased Services (300-500 series)                                 | 20,700             | (3,400)             | 17,300            | 15,353            | 1,947                       |
| Supplies and Materials  | 21,500             | 9,556               | 31,056            | 28,824            | 2,232                       |
| Other Objects   | 11,350             | 3,200               | 14,550            | 11,754            | 2,796                       |
| <b>Total School-Sponsored Cocurricular Activities - Instruction</b> | <b>342,750</b>     | <b>7,356</b>        | <b>350,106</b>    | <b>330,259</b>    | <b>19,847</b>               |
| School-Sponsored Cocurricular Athletics - Instruction:              |                    |                     |                   |                   |                             |
| Salaries  | 723,103            | (37,068)            | 686,035           | 686,035           |                             |
| Purchased Services (300-500 series)                                 | 126,314            | 9,397               | 135,711           | 129,791           | 5,920                       |
| Supplies and Materials  | 72,640             | 5,918               | 78,558            | 78,558            |                             |
| Other Objects   | 23,265             | 1,116               | 24,381            | 24,381            |                             |
| <b>Total School-Sponsored Cocurricular Athletics - Instruction</b>  | <b>945,322</b>     | <b>(20,637)</b>     | <b>924,685</b>    | <b>918,765</b>    | <b>5,920</b>                |
| Before/After School Programs - Instruction:                         |                    |                     |                   |                   |                             |
| Salaries of Teachers  | 10,000             | (10,000)            |                   |                   |                             |
| <b>Total Before/After School Programs - Instruction</b>             | <b>10,000</b>      | <b>(10,000)</b>     |                   |                   |                             |
| Summer School - Instruction:  |                    |                     |                   |                   |                             |
| Salaries  | 40,000             | 21,739              | 61,739            | 49,257            | 12,482                      |
| Other Salaries for Instruction                                      | 17,800             | 8,040               | 25,840            | 24,763            | 1,077                       |
| <b>Total Summer School - Instruction</b>                            | <b>57,800</b>      | <b>29,779</b>       | <b>87,579</b>     | <b>74,020</b>     | <b>13,559</b>               |
| <b>Total Instruction</b>  | <b>36,632,525</b>  | <b>(1,138,389)</b>  | <b>35,494,136</b> | <b>34,719,295</b> | <b>774,841</b>              |



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|   | Original Budget  | Budget Transfers | Final Budget     | Actual           | Variance Final to Actual |
|---|------------------|------------------|------------------|------------------|--------------------------|
| <b>EXPENDITURES:</b>  |                  |                  |                  |                  |                          |
| <b>CURRENT EXPENSE</b>  |                  |                  |                  |                  |                          |
| Undistributed Expenditures:   |                  |                  |                  |                  |                          |
| Instruction:  |                  |                  |                  |                  |                          |
| Tuition to Other LEAs Within the State - Regular                                | \$ 15,000        | \$ 15,000        | \$ 30,000        | \$ 30,000        |                          |
| Tuition to Other LEAs Within the State - Special                                | 2,046,285        | 86,895           | 2,133,180        | 2,038,904        | \$ 94,276                |
| Tuition to County Vocational Schools - Regular                                  | 1,190,000        | 8,000            | 1,198,000        | 1,193,450        | 4,550                    |
| Tuition to County Vocational Schools - Special                                  | 52,000           | (4,000)          | 48,000           | 48,000           |                          |
| Tuition to Private Schools for the Disabled - Within the State                  | 2,739,550        | 826,175          | 3,565,725        | 3,478,979        | 86,746                   |
| Tuition to Private Schools for the Disabled and Other LEA's - Outside the State | 294,500          | (150,877)        | 143,623          | 143,623          |                          |
| Tuition - State Facilities  | 32,306           |                  | 32,306           | 32,306           |                          |
| <b>Total Undistributed Expenditures - Instruction</b>                           | <b>6,369,641</b> | <b>781,193</b>   | <b>7,150,834</b> | <b>6,965,262</b> | <b>185,572</b>           |
| Attendance and Social Work Services:  |                  |                  |                  |                  |                          |
| Salaries  | 65,721           | 1,029            | 66,750           | 64,802           | 1,948                    |
| <b>Total Attendance and Social Work Services</b>                                | <b>65,721</b>    | <b>1,029</b>     | <b>66,750</b>    | <b>64,802</b>    | <b>1,948</b>             |
| Health Services:  |                  |                  |                  |                  |                          |
| Salaries  | 776,654          | 49,001           | 825,655          | 824,264          | 1,391                    |
| Purchased Professional and Technical Services                                   | 16,220           | (2,215)          | 14,005           | 12,209           | 1,796                    |
| Other Purchased Services (400-500 series)                                       | 1,000            |                  | 1,000            | 699              | 301                      |
| Supplies and Materials  | 13,000           | 7,539            | 20,539           | 19,942           | 597                      |
| <b>Total Health Services</b>  | <b>806,874</b>   | <b>54,325</b>    | <b>861,199</b>   | <b>857,114</b>   | <b>4,085</b>             |
| Other Support Services - Speech, OT, PT and Related Services:                   |                  |                  |                  |                  |                          |
| Salaries  | 614,946          | (2,501)          | 612,445          | 608,729          | 3,716                    |
| Purchased Professional - Educational Services                                   | 2,360,000        | 309,623          | 2,669,623        | 2,118,508        | 551,115                  |
| Other Purchased Services (400-500 series)                                       |                  | 575              | 575              |                  | 575                      |
| Supplies and Materials  | 18,000           | (3,084)          | 14,916           | 13,567           | 1,349                    |
| <b>Total Other Support Services - Speech, OT, PT and Related Services</b>       | <b>2,992,946</b> | <b>304,613</b>   | <b>3,297,559</b> | <b>2,740,804</b> | <b>556,755</b>           |
| Other Support Services - Students - Extraordinary Services:                     |                  |                  |                  |                  |                          |
| Salaries  | 1,118,706        | (76,386)         | 1,042,320        | 1,037,883        | 4,437                    |
| <b>Total Other Support Services - Students - Extraordinary Services</b>         | <b>1,118,706</b> | <b>(76,386)</b>  | <b>1,042,320</b> | <b>1,037,883</b> | <b>4,437</b>             |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Unaudited)

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget  | Actual           | Variance<br>Final to Actual |
|---|--------------------|---------------------|------------------|------------------|-----------------------------|
| <b>EXPENDITURES:</b>                                |                    |                     |                  |                  |                             |
| <b>CURRENT EXPENSE</b>                              |                    |                     |                  |                  |                             |
| Undistributed Expenditures:                         |                    |                     |                  |                  |                             |
| Guidance:   |                    |                     |                  |                  |                             |
| Salaries of Other Professional Staff                | \$ 988,184         | \$ (46,399)         | \$ 941,785       | \$ 907,248       | \$ 34,537                   |
| Salaries of Secretarial and Clerical Assistants     | 305,508            | (8,430)             | 297,078          | 287,385          | 9,693                       |
| Other Salaries                                      | 23,624             |                     | 23,624           | 18,339           | 5,285                       |
| Other Purchased Professional and Technical Services | 5,114              |                     | 5,114            | 5,078            | 36                          |
| Supplies and Materials                              | 43,922             | (54)                | 43,868           | 26,360           | 17,508                      |
| Other Objects                                       | 535                | 54                  | 589              | 589              |                             |
| <b>Total Guidance</b>                               | <b>1,366,887</b>   | <b>(54,829)</b>     | <b>1,312,058</b> | <b>1,244,999</b> | <b>67,059</b>               |
| <b>Child Study Team:</b>                            |                    |                     |                  |                  |                             |
| Salaries of Other Professional Staff                | 1,058,391          | (123,814)           | 934,577          | 885,424          | 49,153                      |
| Salaries of Secretarial and Clerical Assistants     | 234,506            | 886                 | 235,392          | 235,392          |                             |
| Other Salaries                                      |                    | 453                 | 453              |                  |                             |
| Purchased Professional - Educational Services       | 62,000             | 53,213              | 115,213          | 103,696          | 11,517                      |
| Other Purchased Professional and Technical Services | 70,300             | 24,150              | 94,450           | 59,730           | 34,720                      |
| Miscellaneous Purchased Services                    | 3,000              | (575)               | 2,425            | 1,612            | 813                         |
| Supplies and Materials                              | 12,000             | 3,784               | 15,784           | 15,784           |                             |
| Other Objects                                       | 300                | 184                 | 484              | 484              |                             |
| <b>Total Child Study Team</b>                       | <b>1,440,497</b>   | <b>(41,719)</b>     | <b>1,398,778</b> | <b>1,302,575</b> | <b>96,203</b>               |
| <b>Improvement of Instructional Services:</b>       |                    |                     |                  |                  |                             |
| Salaries of Supervisors of Instruction              | 683,666            | (3,840)             | 679,826          | 585,133          | 94,693                      |
| Salaries of Other Professional Staff                | 158,692            |                     | 158,692          | 130,772          | 27,920                      |
| Salaries of Secretarial and Clerical Assistants     | 92,774             |                     | 92,774           | 91,160           | 1,614                       |
| Purchased Professional - Educational Services       | 77,100             | (783)               | 76,317           | 76,317           |                             |
| <b>Total Improvement of Instructional Services</b>  | <b>1,012,232</b>   | <b>(4,623)</b>      | <b>1,007,609</b> | <b>883,382</b>   | <b>124,227</b>              |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual         | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|----------------|-----------------------------|
| <b>EXPENDITURES:</b>                                   |                    |                     |                 |                |                             |
| <b>CURRENT EXPENSE</b>                                 |                    |                     |                 |                |                             |
| Undistributed Expenditures:                            |                    |                     |                 |                |                             |
| Educational Media Services/School Library:             |                    |                     |                 |                |                             |
| Salaries   | \$ 671,109         |                     | \$ 671,109      | \$ 660,610     | \$ 10,499                   |
| Purchased Professional and Technical Services          | 1,300              |                     | 1,300           |                | 1,300                       |
| Other Purchased Services (400-500 series)              | 1,600              | 50                  | 1,650           | 1,137          | 513                         |
| Supplies and Materials                                 | 81,835             |                     | 81,835          | 79,678         | 2,157                       |
| <b>Total Educational Media Services/School Library</b> | <b>755,844</b>     | <b>50</b>           | <b>755,894</b>  | <b>741,425</b> | <b>14,469</b>               |
| Instructional Staff Training Services:                 |                    |                     |                 |                |                             |
| Salaries of Supervisors of Instruction                 | 790,709            | (11,490)            | 779,219         | 779,219        |                             |
| Salaries of Secretarial and Clerical Assistants        | 77,111             | (2,263)             | 74,848          | 74,848         |                             |
| Unused Vacation Payment to Terminated/Retired Staff    |                    | 14,271              | 14,271          | 14,271         |                             |
| Purchased Professional - Educational Services          | 9,800              | 4,105               | 13,905          | 11,597         | 2,308                       |
| Other Objects  | 1,000              |                     | 1,000           |                | 1,000                       |
| <b>Total Instructional Staff Training Services</b>     | <b>878,620</b>     | <b>4,623</b>        | <b>883,243</b>  | <b>879,935</b> | <b>3,308</b>                |
| Support Services - General Administration:             |                    |                     |                 |                |                             |
| Salaries   | 334,868            |                     | 334,868         | 334,538        | 330                         |
| Legal Services   | 165,000            | (16,200)            | 148,800         | 129,492        | 19,308                      |
| Audit Fees   | 43,000             | 1,200               | 44,200          | 44,200         |                             |
| Architectural/Engineering Services                     | 52,468             | (8,284)             | 44,184          | 12,872         | 31,312                      |
| Other Purchased Professional Services                  | 11,362             |                     | 11,362          | 10,142         | 1,220                       |
| Purchased Technical Services                           | 20,000             |                     | 20,000          | 12,881         | 7,119                       |
| Communications/Telephone                               | 110,800            | (235)               | 110,565         | 57,031         | 53,534                      |
| BOE Other Purchased Services                           | 5,000              |                     | 5,000           | 3,978          | 1,022                       |
| Miscellaneous Purchased Services (400-500 series)      | 89,000             | 8,519               | 97,519          | 95,040         | 2,479                       |
| General Supplies                                       | 8,046              |                     | 8,046           | 2,170          | 5,876                       |
| Judgments Against The School District                  |                    | 15,000              | 15,000          | 15,000         |                             |
| Miscellaneous Expenditures                             | 21,000             |                     | 21,000          | 16,098         | 4,902                       |
| BOE Membership Dues and Fees                           | 30,000             |                     | 30,000          | 29,013         | 987                         |
| <b>Total Support Services - General Administration</b> | <b>890,544</b>     |                     | <b>890,544</b>  | <b>762,455</b> | <b>128,089</b>              |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget  | Actual           | Variance<br>Final to Actual |
|---|--------------------|---------------------|------------------|------------------|-----------------------------|
| <b>EXPENDITURES:</b>                                  |                    |                     |                  |                  |                             |
| <b>CURRENT EXPENSE</b>                                |                    |                     |                  |                  |                             |
| Undistributed Expenditures:                           |                    |                     |                  |                  |                             |
| Support Services - School Administration:             |                    |                     |                  |                  |                             |
| Salaries of Principals/Assistant Principals           | \$ 1,850,870       | \$ (3,205)          | \$ 1,847,665     | \$ 1,840,965     | \$ 6,700                    |
| Salaries of Other Professional Staff                  | 160,000            | 5,000               | 165,000          | 165,000          |                             |
| Salaries of Secretarial and Clerical Assistants       | 777,618            | (1,795)             | 775,823          | 753,938          | 21,885                      |
| Purchased Professional and Technical Services         | 500                |                     | 500              | 495              | 5                           |
| Other Purchased Services (400-500 series)             | 88,000             |                     | 88,000           | 42,948           | 45,052                      |
| Other Objects   | 2,000              |                     | 2,000            | 1,700            | 300                         |
| <b>Total Support Services - School Administration</b> | <b>2,878,988</b>   |                     | <b>2,878,988</b> | <b>2,805,046</b> | <b>73,942</b>               |
| Central Services:                                     |                    |                     |                  |                  |                             |
| Salaries  | 851,129            | (674)               | 850,455          | 819,622          | 30,833                      |
| Unused Vacation Payment to Terminated/Retired Staff   |                    | 274                 | 274              | 274              |                             |
| Purchased Professional Services                       | 53,800             | 4,882               | 58,682           | 57,911           | 771                         |
| Purchased Technical Services                          | 102,250            | (3,759)             | 98,491           | 83,214           | 15,277                      |
| Miscellaneous Purchased Services (400-500 series)     | 3,500              | 350                 | 3,850            | 2,603            | 1,247                       |
| Supplies and Materials                                | 27,828             | (1,150)             | 26,678           | 16,556           | 10,122                      |
| Miscellaneous Expenditures                            | 11,450             | 77                  | 11,527           | 4,039            | 7,488                       |
| <b>Total Central Services</b>                         | <b>1,049,957</b>   |                     | <b>1,049,957</b> | <b>984,219</b>   | <b>65,738</b>               |
| Administration Information Technology:                |                    |                     |                  |                  |                             |
| Salaries  | 282,937            | (4,725)             | 278,212          | 196,406          | 81,806                      |
| Purchased Professional Services                       | 199,500            |                     | 199,500          | 129,051          | 70,449                      |
| Purchased Technical Services                          | 89,000             |                     | 89,000           | 47,815           | 41,185                      |
| Other Purchased Services (400-500 series)             | 5,000              |                     | 5,000            | 2,808            | 2,192                       |
| Supplies and Materials                                | 6,286              | 4,725               | 11,011           | 10,395           | 616                         |
| <b>Total Administration Information Technology</b>    | <b>582,723</b>     |                     | <b>582,723</b>   | <b>386,475</b>   | <b>196,248</b>              |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual     | Variance<br>Final to Actual |
|---|--------------------|---------------------|-----------------|------------|-----------------------------|
| EXPENDITURES:                                       |                    |                     |                 |            |                             |
| CURRENT EXPENSE                                     |                    |                     |                 |            |                             |
| Undistributed Expenditures:                         |                    |                     |                 |            |                             |
| Required Maintenance for School Facilities:         |                    |                     |                 |            |                             |
| Salaries  | \$ 744,398         | \$ (3,500)          | \$ 740,898      | \$ 632,567 | \$ 108,331                  |
| Cleaning, Repair and Maintenance Services           | 1,807,977          | 479,793             | 2,287,770       | 1,455,585  | 832,185                     |
| General Supplies                                    | 359,720            | 4,736               | 364,456         | 238,797    | 125,659                     |
| Other Objects                                       | 7,000              |                     | 7,000           | 2,570      | 4,430                       |
| Total Required Maintenance for School Facilities    | 2,919,095          | 481,029             | 3,400,124       | 2,329,519  | 1,070,605                   |
| Custodial Services:                                 |                    |                     |                 |            |                             |
| Salaries  | 2,413,726          | (1,445)             | 2,412,281       | 2,356,393  | 55,888                      |
| Salaries of Non-Instructional Aides                 | 449,740            |                     | 449,740         | 356,559    | 93,181                      |
| Purchased Professional and Technical Services       | 198,180            |                     | 198,180         | 141,789    | 56,391                      |
| Cleaning, Repair and Maintenance Services           | 160,000            | 40,797              | 200,797         | 158,411    | 42,386                      |
| Other Purchased Property Services                   | 188,195            | (7,495)             | 180,700         | 161,140    | 19,560                      |
| Insurance   | 295,000            |                     | 295,000         | 284,739    | 10,261                      |
| General Supplies                                    | 231,441            | 6,619               | 238,060         | 227,201    | 10,859                      |
| Energy (Natural Gas)                                | 390,000            | (31,055)            | 358,945         | 252,179    | 106,766                     |
| Energy (Electricity)                                | 905,000            |                     | 905,000         | 742,247    | 162,753                     |
| Energy (Gasoline)                                   | 33,600             | (2,298)             | 31,302          | 16,076     | 15,226                      |
| Total Custodial Services                            | 5,264,882          | 5,123               | 5,270,005       | 4,696,734  | 573,271                     |
| Care and Upkeep of Grounds:                         |                    |                     |                 |            |                             |
| Salaries  | 327,726            | (16,908)            | 310,818         | 283,183    | 27,635                      |
| Unused Vacation Payment to Terminated/Retired Staff |                    | 1,445               | 1,445           | 1,445      |                             |
| Cleaning, Repair and Maintenance Services           | 90,900             | 1,590               | 92,490          | 76,266     | 16,224                      |
| General Supplies                                    | 81,215             | 17,542              | 98,757          | 80,556     | 18,201                      |
| Total Care and Upkeep of Grounds                    | 499,841            | 3,669               | 503,510         | 441,450    | 62,060                      |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget  | Actual           | Variance<br>Final to Actual |
|--|--------------------|---------------------|------------------|------------------|-----------------------------|
| <b>EXPENDITURES:</b>   |                    |                     |                  |                  |                             |
| <b>CURRENT EXPENSE</b>   |                    |                     |                  |                  |                             |
| Undistributed Expenditures:                                      |                    |                     |                  |                  |                             |
| Security:  |                    |                     |                  |                  |                             |
| Salaries   | \$ 162,887         |                     | \$ 162,887       | \$ 150,200       | \$ 12,687                   |
| General Supplies   | 1,200              |                     | 1,200            | 831              | 369                         |
| <b>Total Security</b>  | <b>164,087</b>     |                     | <b>164,087</b>   | <b>151,031</b>   | <b>13,056</b>               |
| Student Transportation Services:                                 |                    |                     |                  |                  |                             |
| Salaries for Pupil Transportation:                               |                    |                     |                  |                  |                             |
| Between Home and School - Regular                                | 344,550            | \$ (26,091)         | 318,459          | 312,514          | 5,945                       |
| Between Home and School - Special                                | 8,000              |                     | 8,000            | 5,495            | 2,505                       |
| Other Than Between Home and School - Regular                     | 125,000            | (22,469)            | 102,531          | 92,354           | 10,177                      |
| Management Fee - ESC & CTSA Transportation Program               | 55,000             | 11,700              | 66,700           | 63,414           | 3,286                       |
| Other Purchased Professional and Technical Services              | 7,000              | (898)               | 6,102            | 5,534            | 568                         |
| Cleaning, Repair and Maintenance Services                        | 2,500              | 2,941               | 5,441            | 5,441            |                             |
| Contracted Services:   |                    |                     |                  |                  |                             |
| Between Home and School - Vendors                                | 510,000            | (46,000)            | 464,000          | 456,946          | 7,054                       |
| Other Than Between Home and School - Vendors                     | 71,000             | 3,013               | 74,013           | 50,801           | 23,212                      |
| Special Education Students - Vendors                             | 500,000            | (144,275)           | 355,725          | 355,538          | 187                         |
| Regular Students - ESCs & CTSA                                   | 75,000             | (33,000)            | 42,000           | 21,062           | 20,938                      |
| Special Education Students - ESCs & CTSA                         | 1,305,000          | 475,749             | 1,780,749        | 1,722,077        | 58,672                      |
| Aid in Lieu Payments - Nonpublic Schools                         | 170,000            | (18,836)            | 151,164          | 139,584          | 11,580                      |
| Miscellaneous Purchased Services                                 | 2,500              | 975                 | 3,475            | 3,475            |                             |
| General Supplies   | 1,000              |                     | 1,000            | 337              | 663                         |
| Transportation Supplies  | 65,000             |                     | 65,000           | 44,891           | 20,109                      |
| Other Objects  | 650                | 32                  | 682              | 528              | 154                         |
| <b>Total Student Transportation Services</b>                     | <b>3,242,200</b>   | <b>202,841</b>      | <b>3,445,041</b> | <b>3,279,991</b> | <b>165,050</b>              |
| Allocated Benefits:  |                    |                     |                  |                  |                             |
| Regular Programs - Instruction:                                  |                    |                     |                  |                  |                             |
| Tuition Reimbursement  | 137,500            |                     | 137,500          | 130,479          | 7,021                       |
| <b>Total Allocated Benefits - Regular Programs - Instruction</b> | <b>137,500</b>     |                     | <b>137,500</b>   | <b>130,479</b>   | <b>7,021</b>                |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual     | Variance<br>Final to Actual |
|--|--------------------|---------------------|-----------------|------------|-----------------------------|
| <b>EXPENDITURES:</b>   |                    |                     |                 |            |                             |
| <b>CURRENT EXPENSE</b>   |                    |                     |                 |            |                             |
| Undistributed Expenditures:  |                    |                     |                 |            |                             |
| Allocated Benefits:  |                    |                     |                 |            |                             |
| Improvement of Instruction Services:                                   |                    |                     |                 |            |                             |
| Tuition Reimbursement  | \$ 13,000          |                     | \$ 13,000       |            | \$ 13,000                   |
| Total Allocated Benefits - Improvement of Instruction Services         | 13,000             |                     | 13,000          |            | 13,000                      |
| Support Services - School Administration:                              |                    |                     |                 |            |                             |
| Tuition Reimbursement  | 20,000             |                     | 20,000          | \$ 9,163   | 10,837                      |
| Total Allocated Benefits - Support Services - School Administration    | 20,000             |                     | 20,000          | 9,163      | 10,837                      |
| Operation and Maintenance of Plant Services:                           |                    |                     |                 |            |                             |
| Other Retirement Contributions - PERS                                  | 1,109,539          | \$ (7,816)          | 1,101,723       | 1,101,723  |                             |
| Total Allocated Benefits - Operation and Maintenance of Plant Services | 1,109,539          | (7,816)             | 1,101,723       | 1,101,723  |                             |
| Total Allocated Benefits   | 1,280,039          | (7,816)             | 1,272,223       | 1,241,365  | 30,858                      |
| Unallocated Benefits:  |                    |                     |                 |            |                             |
| Social Security Contributions  | 1,050,000          |                     | 1,050,000       | 965,229    | 84,771                      |
| Other Retirement Contributions - DCRP                                  | 31,600             |                     | 31,600          | 24,958     | 6,642                       |
| Unemployment Compensation  | 50,000             |                     | 50,000          | 50,000     |                             |
| Workmen's Compensation   | 350,000            |                     | 350,000         | 270,253    | 79,747                      |
| Health Benefits  | 14,536,973         | (45,228)            | 14,491,745      | 12,872,760 | 1,618,985                   |
| Other Employee Benefits  | 452,100            |                     | 452,100         | 420,713    | 31,387                      |
| Unused Sick Payment to Terminated/Retired Staff                        | 200,000            |                     | 200,000         | 62,338     | 137,662                     |
| Total Unallocated Benefits   | 16,670,673         | (45,228)            | 16,625,445      | 14,666,251 | 1,959,194                   |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Unaudited)

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget   | Actual            | Variance<br>Final to Actual |
|--|--------------------|---------------------|-------------------|-------------------|-----------------------------|
| <b>EXPENDITURES:</b>   |                    |                     |                   |                   |                             |
| <b>CURRENT EXPENSE</b>                                       |                    |                     |                   |                   |                             |
| Undistributed Expenditures:                                  |                    |                     |                   |                   |                             |
| On-Behalf TPAF Contributions (Non-Budgeted):                 |                    |                     |                   |                   |                             |
| Post-Retirement Medical                                      |                    |                     |                   | \$ 3,094,272      | \$ (3,094,272)              |
| Pension  |                    |                     |                   | 3,583,750         | (3,583,750)                 |
| Non-Contributory Insurance                                   |                    |                     |                   | 129,848           | (129,848)                   |
| Long-Term Disability Insurance                               |                    |                     |                   | 10,936            | (10,936)                    |
| Reimbursed TPAF Social Security Contributions (Non-Budgeted) |                    |                     |                   | 2,613,924         | (2,613,924)                 |
| Total On-Behalf and Reimbursed Contributions                 |                    |                     |                   | 9,432,730         | (9,432,730)                 |
| Total Personal Services - Employee Benefits                  | \$ 17,950,712      | \$ (53,044)         | \$ 17,897,668     | \$ 25,340,346     | \$ (7,442,678)              |
| Total Undistributed Expenses                                 | 52,250,997         | 1,607,894           | 53,858,891        | 57,895,447        | (4,036,556)                 |
| <b>TOTAL GENERAL CURRENT EXPENSE</b>                         | <b>88,883,522</b>  | <b>469,505</b>      | <b>89,353,027</b> | <b>92,614,742</b> | <b>(3,261,715)</b>          |
| <b>CAPITAL OUTLAY</b>  |                    |                     |                   |                   |                             |
| Equipment:   |                    |                     |                   |                   |                             |
| School Sponsored and Other Instructional Programs            |                    | 5,800               | 5,800             | 5,800             |                             |
| Undistributed Expenditures:                                  |                    |                     |                   |                   |                             |
| Instruction  | 36,297             | 30,422              | 66,719            | 50,273            | 16,446                      |
| Other Support Services - Speech, OT, PT and Related Services |                    | 2,653               | 2,653             | 2,653             |                             |
| Required Maintenance for School Facilities                   | 230,000            | 1,006,032           | 1,236,032         | 488,234           | 747,798                     |
| Custodial Services   | 48,483             | 42,840              | 91,323            | 81,508            | 9,815                       |
| Care and Upkeep of Grounds                                   | 1,748              | 95,804              | 97,552            | 94,662            | 2,890                       |
| Security   | 75,850             |                     | 75,850            | 75,850            |                             |
| School Buses - Regular                                       |                    | 274,985             | 274,985           | 93,598            | 181,387                     |
| Total Equipment  | 392,378            | 1,458,536           | 1,850,914         | 892,578           | 958,336                     |



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Unaudited)

|   | Original<br>Budget | Budget<br>Transfers | Final<br>Budget | Actual     | Variance<br>Final to Actual |
|---|--------------------|---------------------|-----------------|------------|-----------------------------|
| <b>CAPITAL OUTLAY</b>                                       |                    |                     |                 |            |                             |
| Facilities Acquisition and Construction Services:           |                    |                     |                 |            |                             |
| Architectural/Engineering Services                          | \$ 265,590         | \$ (31,448)         | \$ 234,142      | \$ 133,650 | \$ 100,492                  |
| Construction Services                                       | 2,394,316          | 2,731,278           | 5,125,594       | 3,108,064  | 2,017,530                   |
| Supplies and Materials                                      | 30,000             | (30,000)            | 650,000         | 637,660    | 12,340                      |
| Lease Purchase Agreements - Principal                       | 650,000            |                     | 165,426         | 165,426    |                             |
| Other Objects (Debt Service Assessment)                     | 165,426            |                     |                 |            |                             |
| Total Facilities Acquisition and Construction Services      | 3,505,332          | 2,669,830           | 6,175,162       | 4,044,800  | 2,130,362                   |
| Assets Acquired Under Capital Leases (Non-Budgeted):        |                    |                     |                 |            |                             |
| Equipment:  |                    |                     |                 |            |                             |
| Undistributed Expenditures:                                 |                    |                     |                 | 675,000    | (675,000)                   |
| Instruction   |                    |                     |                 | 675,000    | (675,000)                   |
| Total Assets Acquired Under Capital Leases (Non-Budgeted)   |                    |                     |                 |            |                             |
| <b>TOTAL CAPITAL OUTLAY</b>                                 | 3,897,710          | 4,128,366           | 8,026,076       | 5,612,378  | 2,413,698                   |
| Transfer of Funds to Charter Schools                        | 15,619             |                     | 15,619          | 15,619     |                             |
| <b>TOTAL EXPENDITURES</b>                                   | 92,796,851         | 4,597,871           | 97,394,722      | 98,242,739 | (848,017)                   |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures   | (5,067,206)        | (4,597,871)         | (9,665,077)     | 75,374     | 9,740,451                   |
| Other Financing Sources/(Uses):                             |                    |                     |                 |            |                             |
| Capital Leases (Non-Budgeted)                               |                    |                     |                 | 675,000    | 675,000                     |
| Transfer In:  |                    |                     |                 |            |                             |
| Capital Projects Fund Unexpended Balances - Capital Reserve |                    |                     |                 | 56,391     | 56,391                      |
| Transfers Out:  |                    |                     |                 |            |                             |
| Board Contribution:   |                    |                     |                 |            |                             |
| Special Revenue Fund - PreK - Inclusion                     | (143,933)          | 14,977              | (128,956)       | (52,545)   | 76,411                      |
| Capital Projects Fund:                                      |                    |                     |                 |            |                             |
| Capital Outlay  | (143,933)          | (467,018)           | (467,018)       | (467,018)  |                             |
| Total Other Financing Sources/(Uses)                        | (143,933)          | (452,041)           | (595,974)       | 211,828    | 807,802                     |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Unaudited)

|   | Original<br>Budget   | Budget<br>Transfers   | Final<br>Budget     | Actual               | Variance<br>Final to Actual |
|---|----------------------|-----------------------|---------------------|----------------------|-----------------------------|
| Excess/(Deficiency) of Revenues and Other Financing Sources<br>Over/(Under) Expenditures and Other Financing Uses | \$ (5,211,139)       | \$ (5,049,912)        | \$ (10,261,051)     | \$ 287,202           | \$ 10,548,253               |
| Fund Balance, July 1  | 17,305,627           |                       | 17,305,627          | 17,305,627           |                             |
| Fund Balance, June 30   | <u>\$ 12,094,488</u> | <u>\$ (5,049,912)</u> | <u>\$ 7,044,576</u> | <u>\$ 17,592,829</u> | <u>\$ 10,548,253</u>        |

Recapitulation:

Restricted:

Excess Surplus - Designated for Subsequent Year's Expenditures

Excess Surplus

Capital Reserve

Maintenance Reserve

Assigned:

Encumbrances

Unassigned

|    |                   |
|----|-------------------|
| \$ | 1,000,000         |
| \$ | 1,000,000         |
| \$ | 6,602,249         |
| \$ | 2,338,336         |
| \$ | 3,945,022         |
| \$ | 2,707,222         |
| \$ | <u>17,592,829</u> |
| \$ | <u>(273,373)</u>  |
| \$ | <u>17,319,456</u> |

Reconciliation to Governmental Funds Statement (GAAP):

June State Aid Payments not Recognized on GAAP Basis

Fund Balance per Governmental Funds (GAAP)

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

|  | Original<br>Budget | Budget<br>Transfers | Final<br>Budget  | Actual           | Variance<br>Final to Actual |
|--|--------------------|---------------------|------------------|------------------|-----------------------------|
| <b>REVENUES:</b>   |                    |                     |                  |                  |                             |
| State Sources  | \$ 606,100         | \$ 116,676          | \$ 722,776       | \$ 694,105       | \$ (28,671)                 |
| Federal Sources  | 1,355,000          | 261,198             | 1,616,198        | 1,560,412        | (55,786)                    |
| Local Sources  | 82,891             | 531,107             | 613,998          | 461,528          | (152,470)                   |
| <b>Total Revenues</b>  | <b>2,043,991</b>   | <b>908,981</b>      | <b>2,952,972</b> | <b>2,716,045</b> | <b>(236,927)</b>            |
| <b>Other Financing Sources:</b>  |                    |                     |                  |                  |                             |
| Transfer In - Board Contribution - General Fund  | 364,433            | (311,888)           | 52,545           | 52,545           |                             |
| <b>Total Revenues and Other Financing Sources</b>  | <b>2,408,424</b>   | <b>597,093</b>      | <b>3,005,517</b> | <b>2,768,590</b> | <b>(236,927)</b>            |
| <b>EXPENDITURES:</b>   |                    |                     |                  |                  |                             |
| <b>Instruction</b>   |                    |                     |                  |                  |                             |
| Personal Services - Salaries   | 496,925            | 72,077              | 569,002          | 523,989          | 45,013                      |
| Purchased Professional and Technical Services  | 18,695             | 55,726              | 74,421           | 32,918           | 41,503                      |
| Other Purchased Services   | 775,000            | 183,091             | 958,091          | 956,973          | 1,118                       |
| General Supplies   | 45,496             | 126,085             | 171,581          | 93,432           | 78,149                      |
| Textbooks  | 54,000             | 7,963               | 61,963           | 61,706           | 257                         |
| Other Objects  | 2,100              | 2,170               | 4,270            | 3,130            | 1,140                       |
| <b>Total Instruction</b>   | <b>1,392,216</b>   | <b>447,112</b>      | <b>1,839,328</b> | <b>1,672,148</b> | <b>167,180</b>              |
| <b>Support Services</b>  |                    |                     |                  |                  |                             |
| Personal Services - Salaries   | 12,000             | 30,492              | 42,492           | 29,170           | 13,322                      |
| Personal Services - Employee Benefits  | 5,508              | 3,739               | 9,247            | 8,151            | 1,096                       |
| Purchased Professional/Educational Services  | 503,800            | 107,551             | 611,351          | 582,899          | 28,452                      |
| Purchased Professional and Technical Services  | 463,900            | (28,124)            | 435,776          | 424,270          | 11,506                      |
| Other Purchased Services   | 23,800             | 19,125              | 42,925           | 39,028           | 3,897                       |
| Supplies and Materials   |                    | 8,843               | 8,843            | 5,784            | 3,059                       |
| Other Objects  | 7,200              | 8,355               | 15,555           | 7,140            | 8,415                       |
| <b>Total Support Services</b>  | <b>1,016,208</b>   | <b>149,981</b>      | <b>1,166,189</b> | <b>1,096,442</b> | <b>69,747</b>               |
| <b>Total Expenditures</b>  | <b>2,408,424</b>   | <b>597,093</b>      | <b>3,005,517</b> | <b>2,768,590</b> | <b>236,927</b>              |
| <b>Excess/(Deficiency) of Revenues and Other<br/>Financing Sources Over/(Under) Expenditures</b> | <b>\$ -0-</b>      | <b>\$ -0-</b>       | <b>\$ -0-</b>    | <b>\$ -0-</b>    | <b>\$ -0-</b>               |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

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

|  | General<br>Fund      | Special<br>Revenue<br>Fund |
|--|----------------------|----------------------------|
| Sources/Inflows of Resources:  |                      |                            |
| Actual Amounts (Budgetary Basis) "Revenue"<br>from the Budgetary Comparison Schedule   | \$ 98,318,113        | \$ 2,716,045               |
| 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  |                      | (129)                      |
| Prior Year Encumbrances  |                      | 10,970                     |
| Cancellation of Prior Year Encumbrances  |                      | (327)                      |
| Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes  | 264,441              | 4,950                      |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements  | (273,373)            | (4,950)                    |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  | <u>\$ 98,309,181</u> | <u>\$ 2,726,559</u>        |
| Uses/Outflows of Resources:  |                      |                            |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule   | \$ 98,242,739        | \$ 2,768,590               |
| 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  |                      | (129)                      |
| Prior Year Encumbrances  |                      | 10,970                     |
| Cancellation of Prior Year Encumbrances  |                      | (327)                      |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds   | <u>\$ 98,242,739</u> | <u>\$ 2,779,104</u>        |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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, 2017 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, 2017

|  | No Child Left Behind |                  | Title III        | I.D.E.A. - Part B, Basic |                  |
|--|----------------------|------------------|------------------|--------------------------|------------------|
|  | Title I              | Title IIA        |                  | Regular                  | Preschool        |
| <b>REVENUE:</b>                                  |                      |                  |                  |                          |                  |
| State Sources                                    |                      |                  |                  |                          |                  |
| Federal Sources                                  | \$ 114,779           | \$ 86,454        | \$ 14,222        | \$ 1,289,360             | \$ 55,597        |
| Local Sources                                    |                      |                  |                  |                          |                  |
| <b>Total Revenue</b>                             | <b>114,779</b>       | <b>86,454</b>    | <b>14,222</b>    | <b>1,289,360</b>         | <b>55,597</b>    |
| <b>Other Financing Sources:</b>                  |                      |                  |                  |                          |                  |
| Transfer In - Board Contribution - General Fund  |                      |                  |                  |                          |                  |
| <b>Total Revenue and Other Financing Sources</b> | <b>\$ 114,779</b>    | <b>\$ 86,454</b> | <b>\$ 14,222</b> | <b>\$ 1,289,360</b>      | <b>\$ 55,597</b> |
| <b>EXPENDITURES:</b>                             |                      |                  |                  |                          |                  |
| Instruction:                                     |                      |                  |                  |                          |                  |
| Personal Services - Salaries                     | \$ 77,525            |                  | \$ 3,845         |                          |                  |
| Purchased Professional and Technical Services    |                      |                  | 3,515            |                          |                  |
| Other Purchased Services                         |                      |                  | 588              | \$ 900,000               | \$ 55,597        |
| General Supplies                                 | 20,319               |                  | 3,936            |                          |                  |
| Textbooks  |                      |                  |                  |                          |                  |
| Other Objects                                    |                      |                  |                  |                          |                  |
| <b>Total Instruction</b>                         | <b>97,844</b>        |                  | <b>11,884</b>    | <b>900,000</b>           | <b>55,597</b>    |
| Support Services:                                |                      |                  |                  |                          |                  |
| Personal Services - Salaries                     | 5,247                | \$ 23,131        | 792              |                          |                  |
| Personal Services - Employee Benefits            | 6,321                | 1,769            | 61               |                          |                  |
| Purchased Professional/Educational Services      |                      | 33,425           | 1,485            | 389,360                  |                  |
| Purchased Professional and Technical Services    |                      | 20,572           |                  |                          |                  |
| Other Purchased Services                         | 5,367                | 417              |                  |                          |                  |
| Supplies and Materials                           |                      | 7,140            |                  |                          |                  |
| Other Objects                                    |                      |                  |                  |                          |                  |
| <b>Total Support Services</b>                    | <b>16,935</b>        | <b>86,454</b>    | <b>2,338</b>     | <b>389,360</b>           |                  |
| <b>Total Expenditures</b>                        | <b>\$ 114,779</b>    | <b>\$ 86,454</b> | <b>\$ 14,222</b> | <b>\$ 1,289,360</b>      | <b>\$ 55,597</b> |



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | NJ Nonpublic   |           |           |           |                       |
|---|----------------|-----------|-----------|-----------|-----------------------|
|   | Local Programs | Security  | Textbooks | Nursing   | Technology Initiative |
| REVENUE:  |                |           |           |           |                       |
| State Sources                                   |                | \$ 52,435 | \$ 61,706 | \$ 89,787 | \$ 27,677             |
| Federal Sources                                 |                |           |           |           |                       |
| Local Sources                                   | \$ 164,617     |           |           |           |                       |
| Total Revenue                                   | 164,617        | 52,435    | 61,706    | 89,787    | 27,677                |
| Other Financing Sources:                        |                |           |           |           |                       |
| Transfer In - Board Contribution - General Fund |                |           |           |           |                       |
| Total Revenue and Other Financing Sources       | \$ 164,617     | \$ 52,435 | \$ 61,706 | \$ 89,787 | \$ 27,677             |

|   |           |  |           |  |  |
|---|-----------|--|-----------|--|--|
| EXPENDITURES:                                 |           |  |           |  |  |
| Instruction:                                  |           |  |           |  |  |
| Personal Services - Salaries                  | \$ 53,715 |  |           |  |  |
| Purchased Professional and Technical Services | 29,403    |  |           |  |  |
| Other Purchased Services                      | 788       |  |           |  |  |
| General Supplies                              | 59,525    |  | \$ 61,706 |  |  |
| Textbooks                                     |           |  |           |  |  |
| Other Objects                                 | 3,130     |  |           |  |  |
| Total Instruction                             | 146,561   |  | 61,706    |  |  |

|   |            |           |           |           |           |
|---|------------|-----------|-----------|-----------|-----------|
| Support Services:                           |            |           |           |           |           |
| Personal Services - Salaries                |            |           |           |           |           |
| Personal Services - Employee Benefits       |            |           |           |           |           |
| Purchased Professional/Educational Services |            | \$ 52,435 |           | \$ 89,787 | \$ 27,677 |
| Purchased Technical Services                |            |           |           |           |           |
| Other Purchased Services                    | 18,056     |           |           |           |           |
| Supplies and Materials                      |            |           |           |           |           |
| Other Objects                               |            |           |           |           |           |
| Total Support Services                      | 18,056     | 52,435    |           | 89,787    | 27,677    |
| Total Expenditures                          | \$ 164,617 | \$ 52,435 | \$ 61,706 | \$ 89,787 | \$ 27,677 |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | Nonpublic Auxiliary Services (Chapter 192) |                           |                |                     |
|---|--|---------------------------|----------------|---------------------|
|   | Preschool<br>Education Aid                 | Compensatory<br>Education | Transportation | Home<br>Instruction |
| REVENUE:  |  |                           |                |                     |
| State Sources                                   | \$ 49,500                                  | \$ 71,306                 | \$ 19,365      | \$ 2,055            |
| Federal Sources                                 |  |                           |                |                     |
| Local Sources                                   | 296,911                                    |                           |                |                     |
| Total Revenue                                   | 346,411                                    | 71,306                    | 19,365         | 2,055               |
| Other Financing Sources:                        |  |                           |                |                     |
| Transfer In - Board Contribution - General Fund | 52,545                                     |                           |                |                     |
| Total Revenue and Other Financing Sources       | \$ 398,956                                 | \$ 71,306                 | \$ 19,365      | \$ 2,055            |
| EXPENDITURES:                                   |  |                           |                |                     |
| Instruction:                                    |  |                           |                |                     |
| Personal Services - Salaries                    | \$ 388,904                                 |                           |                |                     |
| Purchased Professional and Technical Services   |  |                           |                |                     |
| Other Purchased Services                        |  |                           |                |                     |
| General Supplies                                | 9,652                                      |                           |                |                     |
| Textbooks                                       |  |                           |                |                     |
| Other Objects                                   |  |                           |                |                     |
| Total Instruction                               | 398,556                                    |                           |                |                     |
| Support Services:                               |  |                           |                |                     |
| Personal Services - Salaries                    |  |                           |                |                     |
| Personal Services - Employee Benefits           |  |                           |                |                     |
| Purchased Professional/Educational Services     |  | \$ 71,306                 | \$ 19,365      | \$ 2,055            |
| Purchased Technical Services                    |  |                           |                |                     |
| Other Purchased Services                        | 400  |                           |                |                     |
| Supplies and Materials                          |  |                           |                |                     |
| Other Objects                                   |  |                           |                |                     |
| Total Support Services                          | 400  | 71,306                    | 19,365         | 2,055               |
| Total Expenditures                              | \$ 398,956                                 | \$ 71,306                 | \$ 19,365      | \$ 2,055            |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | Nonpublic Handicapped Services (Chapter 193) |                                 | Totals        |
|---|--|---------------------------------|---------------|
|   | Supplementary<br>Instruction                 | Examination &<br>Classification | June 30, 2017 |
| REVENUE:  |  |                                 |               |
| State Sources                                   | \$ 130,888                                   | \$ 172,688                      | \$ 694,105    |
| Federal Sources                                 |  |                                 | 1,560,412     |
| Local Sources                                   |  |                                 | 461,528       |
| Total Revenue                                   | 130,888                                      | 172,688                         | 2,716,045     |
| Other Financing Sources:                        |  |                                 |               |
| Transfer In - Board Contribution - General Fund |  |                                 | 52,545        |
| Total Revenue and Other Financing Sources       | \$ 130,888                                   | \$ 172,688                      | \$ 2,768,590  |
| EXPENDITURES:                                   |  |                                 |               |
| Instruction:                                    |  |                                 |               |
| Personal Services - Salaries                    |  |                                 | \$ 523,989    |
| Purchased Professional and Technical Services   |  |                                 | 32,918        |
| Other Purchased Services                        |  |                                 | 956,973       |
| General Supplies                                |  |                                 | 93,432        |
| Textbooks                                       |  |                                 | 61,706        |
| Other Objects                                   |  |                                 | 3,130         |
| Total Instruction                               |  |                                 | 1,672,148     |
| Support Services:                               |  |                                 |               |
| Personal Services - Salaries                    |  |                                 | 29,170        |
| Personal Services - Employee Benefits           |  |                                 | 8,151         |
| Purchased Professional/Educational Services     | \$ 130,888                                   | \$ 172,688                      | \$ 582,899    |
| Purchased Technical Services                    |  |                                 | 424,270       |
| Other Purchased Services                        |  |                                 | 39,028        |
| Supplies and Materials                          |  |                                 | 5,784         |
| Other Objects                                   |  |                                 | 7,140         |
| Total Support Services                          | 130,888                                      | 172,688                         | 1,096,442     |
| Total Expenditures                              | \$ 130,888                                   | \$ 172,688                      | \$ 2,768,590  |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

District-Wide Total

|                          | <u>Budgeted</u>   | <u>Actual</u>     | <u>Variance</u> |
|--------------------------|-------------------|-------------------|-----------------|
| EXPENDITURES:            |                   |                   |                 |
| Instruction:             |                   |                   |                 |
| Salaries of Teachers     | \$ 388,904        | \$ 388,904        |                 |
| General Supplies         | 9,652             | 9,652             |                 |
| Total Instruction        | <u>398,556</u>    | <u>398,556</u>    |                 |
| Support Services:        |                   |                   |                 |
| Other Purchased Services | 400               | 400               |                 |
| Total Support Services   | <u>400</u>        | <u>400</u>        |                 |
| Total Expenditures       | <u>\$ 398,956</u> | <u>\$ 398,956</u> | <u>\$ -0-</u>   |

CALCULATION OF BUDGET & CARRYOVER

|  |                  |
|--|------------------|
| Total Revised 2016-2017 Preschool Education Aid Allocation                                 | \$ 49,500        |
| Add: Actual Preschool Education Carryover (June 30, 2016)                                  | -0-              |
| Add: Budgeted Transfer from the General Fund 2016-17                                       | 52,545           |
| Add: Budgeted Tuition 2016-17  | <u>296,911</u>   |
| Total Preschool Education Aid Funds Available for 2016-2017 Budget                         | 398,956          |
| Less: 2016-2017 Budgeted Preschool Education Aid (Including prior year budgeted carryover) | <u>(398,956)</u> |
| Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017                   | -0-              |
| Add: June 30, 2017 Unexpended Preschool Education Aid                                      | -0-              |
| Less: 2016-2017 Commissioner-approved Transfer to the General Fund                         | <u>-0-</u>       |
| 2016-2017 Carryover - Preschool Education Aid  | <u>\$ -0-</u>    |
| 2016-2017 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2017-2018   | <u>\$ -0-</u>    |

**CAPITAL PROJECTS FUND**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  |             |
|--|-------------|
| Revenue and Other Financing Sources:   |             |
| State Sources - SDA Grant  | \$ (37,936) |
| Transfer from Capital Outlay   | 467,018     |
|  | <hr/>       |
| Total Revenue and Other Financing Sources  | 429,082     |
|  | <hr/>       |
| Expenditures and Other Financing Uses:   |             |
| Construction Services  | 3,340,596   |
| Transfer to General Fund:  |             |
| Unexpended Balances - Capital Reserve  | 56,391      |
|  | <hr/>       |
| Total Expenditures and Other Financing Uses  | 3,396,987   |
|  | <hr/>       |
| Excess/(Deficiency) of Revenue and Other Financing Sources<br>Over/(Under) Expenditures and Other Financing Uses   | (2,967,905) |
|  | <hr/>       |
| Fund Balance - Beginning   | 3,801,829   |
|  | <hr/>       |
| Fund Balance - Ending  | \$ 833,924  |
|  | <hr/> <hr/> |
| <u>Recapitulation of Fund Balance at June 30, 2017:</u>  |             |
| Committed - Year-End Encumbrances  | \$ 457,557  |
| Committed  | 376,367     |
|  | <hr/>       |
| Fund Balance per Governmental Funds (Budgetary Basis)  | 833,924     |
| Reconciliation to Governmental Funds Statement (GAAP):   |             |
| SDA Grants not Recognized on the GAAP Basis  | (475,926)   |
|  | <hr/>       |
| Fund Balance per Governmental Funds (GAAP)   | \$ 357,998  |
|  | <hr/> <hr/> |
| <u>Reconciliation of Revenue from Budgetary Basis to GAAP Basis:</u>   |             |
| State SDA Grant Revenue Realized (Budgetary Basis)   | \$ (37,936) |
| SDA Grants are Recognized as Revenue on the Budgetary Basis when<br>Awarded but are not Recognized on the GAAP Basis until Expended and<br>Submitted for Reimbursement | 38,072      |
|  | <hr/>       |
| State SDA Grant Revenue Realized (GAAP Basis)  | \$ 136      |
|  | <hr/> <hr/> |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
EVERGREEN ELEMENTARY SCHOOL - ADDITION PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Prior Periods | Current Year | Totals       | Project<br>Authorization |
|--|---------------|--------------|--------------|--------------------------|
| Revenue and Other Financing Sources:   |               |              |              |                          |
| Transfer from Capital Reserve  | \$ 2,548,000  |              | \$ 2,548,000 | \$ 2,548,000             |
| Total Revenue and Other Financing Sources  | 2,548,000     | -0-          | 2,548,000    | 2,548,000                |
| Expenditures:  |               |              |              |                          |
| Purchased Professional and Technical Services  | 268,551       |              | 268,551      | 300,000                  |
| Construction Services  | 1,550,443     | 612,086      | 2,162,529    | 2,248,000                |
| Total Expenditures   | 1,818,994     | 612,086      | 2,431,080    | 2,548,000                |
| Excess/(Deficiency) of Revenue and Other<br>Financing Sources Over/(Under)Expenditures | \$ 729,006    | \$ (612,086) | \$ 116,920   | \$ -0-                   |

## Additional Project Information:

|                                 |              |
|---------------------------------|--------------|
| Project Number                  | N/A          |
| Grant Date                      | N/A          |
| Bond Authorization Date         | N/A          |
| Bonds Authorized                | N/A          |
| Bonds Issued                    | N/A          |
| Original Authorized Cost        | \$ 2,548,000 |
| Change Orders                   | -0-          |
| Revised Authorized Cost         | \$ 2,548,000 |
| Change Order Percentage         | 0.00%        |
| Percentage Completion           | 95.41%       |
| Original Target Completion Date | 10/01/16     |
| Revised Target Completion Date  | 11/30/17     |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
McGINN ELEMENTARY SCHOOL - ADDITION PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Prior Periods | Current Year | Totals       | Project<br>Authorization |
|--|---------------|--------------|--------------|--------------------------|
| Revenue and Other Financing Sources:   |               |              |              |                          |
| Transfer from Capital Reserve  | \$ 2,030,625  |              | \$ 2,030,625 | \$ 2,030,625             |
| Total Revenue and Other Financing Sources  | 2,030,625     | -0-          | 2,030,625    | 2,030,625                |
| Expenditures:  |               |              |              |                          |
| Purchased Professional and Technical Services  | 84,193        |              | 84,193       | 120,000                  |
| Construction Services  | 1,268,595     | 582,370      | 1,850,965    | 1,910,625                |
| Total Expenditures   | 1,352,788     | 582,370      | 1,935,158    | 2,030,625                |
| Excess/(Deficiency) of Revenue and Other<br>Financing Sources Over/(Under)Expenditures | \$ 677,837    | \$ (582,370) | \$ 95,467    | \$ -0-                   |

## Additional Project Information:

|                                 |              |
|---------------------------------|--------------|
| Project Number                  | N/A          |
| Grant Date                      | N/A          |
| Bond Authorization Date         | N/A          |
| Bonds Authorized                | N/A          |
| Bonds Issued                    | N/A          |
| Original Authorized Cost        | \$ 2,030,625 |
| Change Orders                   | -0-          |
| Revised Authorized Cost         | \$ 2,030,625 |
| Change Order Percentage         | 0.00%        |
| Percentage Completion           | 95.30%       |
| Original Target Completion Date | 10/01/16     |
| Revised Target Completion Date  | 11/30/17     |



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
PARK MIDDLE SCHOOL - PARKING LOT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Prior Periods | Current Year | Totals     | Revised<br>Project<br>Authorization |
|--|---------------|--------------|------------|-------------------------------------|
| Revenue and Other Financing Sources:   |               |              |            |                                     |
| Transfer from Capital Outlay   | \$ 639,300    | \$ 93,720    | \$ 733,020 | \$ 733,020                          |
| Total Revenue and Other Financing Sources  | 639,300       | 93,720       | 733,020    | 733,020                             |
| Expenditures:  |               |              |            |                                     |
| Purchased Professional and Technical Services  | 102,457       |              | 102,457    | 102,457                             |
| Construction Services  |               | 627,313      | 627,313    | 630,563                             |
| Total Expenditures   | 102,457       | 627,313      | 729,770    | 733,020                             |
| Excess/(Deficiency) of Revenue and Other<br>Financing Sources Over/(Under)Expenditures | \$ 536,843    | \$ (533,593) | \$ 3,250   | \$ -0-                              |

## Additional Project Information:

|                                 |            |
|---------------------------------|------------|
| Project Number                  | N/A        |
| Grant Date                      | N/A        |
| Bond Authorization Date         | N/A        |
| Bonds Authorized                | N/A        |
| Bonds Issued                    | N/A        |
| Original Authorized Cost        | \$ 639,300 |
| Change Orders                   | -0-        |
| Additional Authorization        | 93,720     |
| Revised Authorized Cost         | \$ 733,020 |
| Change Order Percentage         | 0.00%      |
| Percentage Completion           | 99.56%     |
| Original Target Completion Date | 02/10/17   |
| Revised Target Completion Date  | 07/31/17   |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
PARK MIDDLE SCHOOL - SECURITY ALARM SYSTEM PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Project Authorization</u> |
|---|----------------------|---------------------|---------------|------------------------------|
| Revenue and Other Financing Sources:  |                      |                     |               |                              |
| State Sources - SDA Grant   | \$ 38,100            | \$ (21,909)         | \$ 16,191     | \$ 38,100                    |
| Transfer from Capital Reserve   | 57,151               | (32,864)            | 24,287        | 57,151                       |
| <b>Total Revenue and Other Financing Sources</b>                                    | <b>95,251</b>        | <b>(54,773)</b>     | <b>40,478</b> | <b>95,251</b>                |
| Expenditures:   |                      |                     |               |                              |
| Purchased Professional and Technical Services                                       | 8,910                |                     | 8,910         | 8,910                        |
| Construction Services   | 31,568               |                     | 31,568        | 86,341                       |
| <b>Total Expenditures</b>   | <b>40,478</b>        | <b>-0-</b>          | <b>40,478</b> | <b>95,251</b>                |
| Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures | <u>\$ 54,773</u>     | <u>\$ (54,773)</u>  | <u>\$ -0-</u> | <u>\$ -0-</u>                |

| Additional Project Information: |                  |
|---------------------------------|------------------|
| Project Number                  | 4670-060-14-1007 |
| Grant Date                      | July 11, 2014    |
| Bond Authorization Date         | N/A              |
| Bonds Authorized                | N/A              |
| Bonds Issued                    | N/A              |
| Original Authorized Cost        | \$ 95,251        |
| Change Orders                   | -0-              |
| Revised Authorized Cost         | \$ 95,251        |
| Change Order Percentage         | 0.00%            |
| Percentage Completion           | 100.00%          |
| Original Target Completion Date | 08/27/15         |
| Revised Target Completion Date  | 10/09/15         |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
TERRILL MIDDLE SCHOOL - SECURITY ALARM SYSTEM PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Project Authorization</u> |
|---|----------------------|---------------------|---------------|------------------------------|
| Revenue and Other Financing Sources:  |                      |                     |               |                              |
| State Sources - SDA Grant   | \$ 36,336            | \$ (15,564)         | \$ 20,772     | \$ 36,336                    |
| Transfer from Capital Reserve   | 54,505               | (23,347)            | 31,158        | 54,505                       |
| <b>Total Revenue and Other Financing Sources</b>                                    | <b>90,841</b>        | <b>(38,911)</b>     | <b>51,930</b> | <b>90,841</b>                |
| Expenditures:   |                      |                     |               |                              |
| Purchased Professional and Technical Services                                       | 8,910                |                     | 8,910         | 8,910                        |
| Construction Services   | 43,020               |                     | 43,020        | 81,931                       |
| <b>Total Expenditures</b>   | <b>51,930</b>        | <b>-0-</b>          | <b>51,930</b> | <b>90,841</b>                |
| Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures | <u>\$ 38,911</u>     | <u>\$ (38,911)</u>  | <u>\$ -0-</u> | <u>\$ -0-</u>                |

Additional Project Information:

|                                 |                  |
|---------------------------------|------------------|
| Project Number                  | 4670-065-14-1008 |
| Grant Date                      | July 11, 2014    |
| Bond Authorization Date         | N/A              |
| Bonds Authorized                | N/A              |
| Bonds Issued                    | N/A              |
| Original Authorized Cost        | \$ 90,841        |
| Change Orders                   | -0-              |
| Revised Authorized Cost         | \$ 90,841        |
| Change Order Percentage         | 0.00%            |
| Percentage Completion           | 100.00%          |
| Original Target Completion Date | 08/27/15         |
| Revised Target Completion Date  | 10/09/15         |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
COLES ELEMENTARY SCHOOL - WINDOW REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Prior Periods | Current Year | Totals     | Revised<br>Project<br>Authorization |
|--|---------------|--------------|------------|-------------------------------------|
| Revenue and Other Financing Sources:   |               |              |            |                                     |
| State Sources - SDA Grant  | \$ 215,552    |              | \$ 215,552 | \$ 215,552                          |
| Transfer from Capital Reserve  | 512,458       |              | 512,458    | 512,458                             |
| Total Revenue and Other Financing Sources  | 728,010       | \$ -0-       | 728,010    | 728,010                             |
| Expenditures:  |               |              |            |                                     |
| Purchased Professional and Technical Services  | 28,074        |              | 28,074     | 30,250                              |
| Construction Services  |               | 611,996      | 611,996    | 697,760                             |
| Total Expenditures   | 28,074        | 611,996      | 640,070    | 728,010                             |
| Excess/(Deficiency) of Revenue and Other<br>Financing Sources Over/(Under)Expenditures | \$ 699,936    | \$ (611,996) | \$ 87,940  | \$ -0-                              |

## Additional Project Information:

|                                 |                  |
|---------------------------------|------------------|
| Project Number                  | 4670-085-14-1018 |
| Grant Date                      | July 11, 2014    |
| Bond Authorization Date         | N/A              |
| Bonds Authorized                | N/A              |
| Bonds Issued                    | N/A              |
| Original Authorized Cost        | \$ 538,881       |
| Change Orders                   | -0-              |
| Additional Authorization        | 189,129          |
| Revised Authorized Cost         | \$ 728,010       |
| Change Order Percentage         | 0.00%            |
| Percentage Completion           | 87.92%           |
| Original Target Completion Date | 12/31/15         |
| Revised Target Completion Date  | 12/08/17         |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
EVERGREEN ELEMENTARY SCHOOL - WINDOW REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Prior Periods | Current Year | Totals     | Revised<br>Project<br>Authorization |
|--|---------------|--------------|------------|-------------------------------------|
| Revenue and Other Financing Sources:   |               |              |            |                                     |
| State Sources - SDA Grant  | \$ 260,374    |              | \$ 260,374 | \$ 260,374                          |
| Transfer from Capital Reserve  | 831,116       |              | 831,116    | 831,116                             |
| Total Revenue and Other Financing Sources  | 1,091,490     | \$ -0-       | 1,091,490  | 1,091,490                           |
| Expenditures:  |               |              |            |                                     |
| Purchased Professional and Technical Services  | 27,610        |              | 27,610     | 30,250                              |
| Construction Services  |               | 906,831      | 906,831    | 1,061,240                           |
| Total Expenditures   | 27,610        | 906,831      | 934,441    | 1,091,490                           |
| Excess/(Deficiency) of Revenue and Other<br>Financing Sources Over/(Under)Expenditures | \$ 1,063,880  | \$ (906,831) | \$ 157,049 | \$ -0-                              |

## Additional Project Information:

|                                 |                  |
|---------------------------------|------------------|
| Project Number                  | 4670-090-14-1019 |
| Grant Date                      | July 11, 2014    |
| Bond Authorization Date         | N/A              |
| Bonds Authorized                | N/A              |
| Bonds Issued                    | N/A              |
| Original Authorized Cost        | \$ 650,934       |
| Change Orders                   | -0-              |
| Additional Authorization        | 440,556          |
| Revised Authorized Cost         | \$ 1,091,490     |
| Change Order Percentage         | 0.00%            |
| Percentage Completion           | 85.61%           |
| Original Target Completion Date | 12/31/15         |
| Revised Target Completion Date  | 12/08/17         |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
SCHOOL ONE ELEMENTARY SCHOOL - SECURITY ALARM SYSTEM PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | Prior Periods | Current Year | Totals    | Project Authorization |
|---|---------------|--------------|-----------|-----------------------|
| Revenue and Other Financing Sources:  |               |              |           |                       |
| State Sources - SDA Grant   | \$ 12,058     | \$ (174)     | \$ 11,884 | \$ 12,058             |
| Transfer from Capital Reserve   | 18,086        | (259)        | 17,827    | 18,007                |
| Total Revenue and Other Financing Sources   | 30,144        | (433)        | 29,711    | 30,065                |
| Expenditures:   |               |              |           |                       |
| Purchased Professional and Technical Services                                       | 5,060         |              | 5,060     | 5,060                 |
| Construction Services   | 24,651        |              | 24,651    | 25,005                |
| Total Expenditures  | 29,711        | -0-          | 29,711    | 30,065                |
| Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures | \$ 433        | \$ (433)     | \$ -0-    | \$ -0-                |

## Additional Project Information:

|                                 |                  |
|---------------------------------|------------------|
| Project Number                  | 4670-070-14-1015 |
| Grant Date                      | July 11, 2014    |
| Bond Authorization Date         | N/A              |
| Bonds Authorized                | N/A              |
| Bonds Issued                    | N/A              |
| Original Authorized Cost        | \$ 30,144        |
| Change Orders                   | -0-              |
| Transfers                       | (79)             |
| Revised Authorized Cost         | \$ 30,065        |
| Change Order Percentage         | 0.00%            |
| Percentage Completion           | 100.00%          |
| Original Target Completion Date | 08/27/15         |
| Revised Target Completion Date  | 10/09/15         |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
BRUNNER ELEMENTARY SCHOOL - SECURITY ALARM SYSTEM PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Prior Periods | Current Year    | Totals        | Revised<br>Project<br>Authorization |
|--|---------------|-----------------|---------------|-------------------------------------|
| Revenue and Other Financing Sources:   |               |                 |               |                                     |
| State Sources - SDA Grant  | \$ 12,084     | \$ (289)        | \$ 11,795     | \$ 12,084                           |
| Transfer from Capital Reserve  | 17,613        | 79              | 17,692        | 17,692                              |
| <b>Total Revenue and Other Financing Sources</b>                                       | <b>29,697</b> | <b>(210)</b>    | <b>29,487</b> | <b>29,776</b>                       |
| Expenditures:  |               |                 |               |                                     |
| Purchased Professional and Technical Services  | 5,060         |                 | 5,060         | 5,060                               |
| Construction Services  | 24,427        |                 | 24,427        | 24,716                              |
| <b>Total Expenditures</b>  | <b>29,487</b> | <b>-0-</b>      | <b>29,487</b> | <b>29,776</b>                       |
| Excess/(Deficiency) of Revenue and Other<br>Financing Sources Over/(Under)Expenditures | <b>\$ 210</b> | <b>\$ (210)</b> | <b>\$ -0-</b> | <b>\$ -0-</b>                       |

## Additional Project Information:

|                                 |                  |
|---------------------------------|------------------|
| Project Number                  | 4670-080-14-1016 |
| Grant Date                      | July 11, 2014    |
| Bond Authorization Date         | N/A              |
| Bonds Authorized                | N/A              |
| Bonds Issued                    | N/A              |
| Original Authorized Cost        | \$ 30,210        |
| Change Orders                   | -0-              |
| Transfers                       | (434)            |
| Revised Authorized Cost         | \$ 29,776        |
| Change Order Percentage         | 0.00%            |
| Percentage Completion           | 100.00%          |
| Original Target Completion Date | 08/27/15         |
| Revised Target Completion Date  | 10/09/15         |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
PARK MIDDLE SCHOOL - STAGE LIGHTS AND SOUND PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Project<br/>Authorization</u> |
|--|----------------------|---------------------|---------------|----------------------------------|
| Revenue and Other Financing Sources:   |                      |                     |               |                                  |
| Transfer from Capital Outlay   |                      | \$ 373,298          | \$ 373,298    | \$ 373,298                       |
| Total Revenue and Other Financing Sources  | -0-                  | 373,298             | 373,298       | 373,298                          |
| Expenditures:  |                      |                     |               |                                  |
| Purchased Professional and Technical Services  |                      |                     |               | 20,700                           |
| Construction Services  |                      |                     |               | 352,598                          |
| Total Expenditures   | -0-                  | -0-                 | -0-           | 373,298                          |
| Excess/(Deficiency) of Revenue and Other<br>Financing Sources Over/(Under)Expenditures | \$ -0-               | \$ 373,298          | \$ 373,298    | \$ -0-                           |

## Additional Project Information:

|                                 |            |
|---------------------------------|------------|
| Project Number                  | N/A        |
| Grant Date                      | N/A        |
| Bond Authorization Date         | N/A        |
| Bonds Authorized                | N/A        |
| Bonds Issued                    | N/A        |
| Original Authorized Cost        | \$ 373,298 |
| Change Orders                   | -0-        |
| Revised Authorized Cost         | \$ 373,298 |
| Change Order Percentage         | 0.00%      |
| Percentage Completion           | 0.00%      |
| Original Target Completion Date | 11/30/17   |
| Revised Target Completion Date  | 08/31/18   |



**PROPRIETARY FUNDS**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017

|  | <u>Business-Type Activities - Enterprise Funds</u> |   | <u>Totals</u>       |
|--|--|---|---------------------|
|  | <u>Major Fund</u>                                  | <u>Non-Major Fund</u>                       |                     |
|  | Food<br>Service                                    | Summer<br>Community<br>Education<br>Program |                     |
| <u>ASSETS:</u>                           |  |   |                     |
| Current Assets:                          |  |   |                     |
| Cash and Cash Equivalents                | \$ 775,175   | \$ 125,889                                  | \$ 901,064          |
| Accounts Receivable - Other Governments: |  |   |                     |
| Federal                                  | 13,839   |   | 13,839              |
| State                                    | 917  |   | 917                 |
| Inventories                              | 8,671  |   | 8,671               |
| Total Current Assets                     | <u>798,602</u>                                     | <u>125,889</u>                              | <u>924,491</u>      |
| Non-Current Assets:                      |  |   |                     |
| Capital Assets                           | 714,463  |   | 714,463             |
| Less: Accumulated Depreciation           | (237,972)  |   | (237,972)           |
| Total Non-Current Assets                 | <u>476,491</u>                                     | <u>-0-</u>                                  | <u>476,491</u>      |
| Total Assets                             | <u>1,275,093</u>                                   | <u>125,889</u>                              | <u>1,400,982</u>    |
| <u>LIABILITIES:</u>                      |  |   |                     |
| Current Liabilities:                     |  |   |                     |
| Accounts Payable - Vendors               | 191,966  | 283   | 192,249             |
| Interfund Payable - General Fund         | 6,370  | 140   | 6,510               |
| Unearned Revenue - Prepaid Sales         | 54,483   |   | 54,483              |
| Total Current Liabilities                | <u>252,819</u>                                     | <u>423</u>                                  | <u>253,242</u>      |
| Total Liabilities                        | <u>252,819</u>                                     | <u>423</u>                                  | <u>253,242</u>      |
| <u>NET POSITION:</u>                     |  |   |                     |
| Investment in Capital Assets             | 476,491  |   | 476,491             |
| Unrestricted                             | 545,783  | 125,466                                     | 671,249             |
| Total Net Position                       | <u>\$ 1,022,274</u>                                | <u>\$ 125,466</u>                           | <u>\$ 1,147,740</u> |

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, 2017

|  | <u>Business-Type Activities - Enterprise Funds</u> |   | <u>Total</u> |
|--|--|---|--------------|
|  | <u>Major Fund</u>                                  | <u>Non-Major Fund</u>                     |              |
|  | <u>Food Service</u>                                | <u>Summer Community Education Program</u> |              |
| Operating Revenue:                           |  |   |              |
| Charges for Services:                        |  |   |              |
| Daily Sales:                                 |  |   |              |
| Reimbursable Programs                        | \$ 836,171   |   | \$ 836,171   |
| Non-Reimbursable Programs                    | 650,107  |   | 650,107      |
| Total Daily Sales                            | 1,486,278  |   | 1,486,278    |
| Special Events                               | 11,199   |   | 11,199       |
| Program Fees                                 |  | \$ 51,717                                 | 51,717       |
| Total Operating Revenue                      | 1,497,477  | 51,717                                    | 1,549,194    |
| Operating Expenses:                          |  |   |              |
| Cost of Sales:                               |  |   |              |
| Reimbursable Programs                        | 498,990  |   | 498,990      |
| Non-Reimbursable Programs                    | 226,115  |   | 226,115      |
| Total Cost of Sales                          | 725,105  |   | 725,105      |
| Salaries                                     | 523,680  | 50,970                                    | 574,650      |
| Payroll Taxes                                | 71,063   |   | 71,063       |
| Employee Benefits                            | 44,010   |   | 44,010       |
| Purchased Property Services                  | 26,522   |   | 26,522       |
| Management Fee                               | 83,955   |   | 83,955       |
| Insurance                                    | 70,429   |   | 70,429       |
| Supplies and Materials                       | 61,196   | 1,960                                     | 63,156       |
| Depreciation Expense                         | 35,664   |   | 35,664       |
| Total Operating Expenses                     | 1,641,624  | 52,930                                    | 1,694,554    |
| Operating Income/(Loss)                      | (144,147)  | (1,213)                                   | (145,360)    |
| Non-Operating Revenue:                       |  |   |              |
| Federal Sources:                             |  |   |              |
| National School Lunch Program                | 212,325  |   | 212,325      |
| Special Milk Program                         | 1,582  |   | 1,582        |
| Food Distribution Program                    | 103,118  |   | 103,118      |
| State Sources:                               |  |   |              |
| School Lunch Program                         | 13,737   |   | 13,737       |
| Local Sources - Interest Revenue             | 1,705  | 248                                       | 1,953        |
| Total Non-Operating Revenue                  | 332,467  | 248                                       | 332,715      |
| Change in Net Position Before Other Item     | 188,320  | (965)                                     | 187,355      |
| Other Item - Disposal of Capital Assets, Net | (3,134)  |   | (3,134)      |
| Change in Net Position                       | 185,186  | (965)                                     | 184,221      |
| Net Position - Beginning of Year             | 837,088  | 126,431                                   | 963,519      |
| Net Position - End of Year                   | \$ 1,022,274                                       | \$ 125,466                                | \$ 1,147,740 |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | <u>Business-Type Activities - Enterprise Funds</u> |   |                   |
|---|--|---|-------------------|
|   | <u>Major Fund</u>                                  | <u>Non-Major Fund</u>                       | <u>Total</u>      |
|   | Food<br>Service                                    | Summer<br>Community<br>Education<br>Program |                   |
| Cash Flows from Operating Activities:   |  |   |                   |
| Receipts from Customers   | \$ 1,508,629                                       | \$ 51,914                                   | \$ 1,560,543      |
| Payments to Employees   | (50,142)   | (50,970)                                    | (101,112)         |
| Payments to Food Service Vendor   | (1,343,876)  |   | (1,343,876)       |
| Payments to Suppliers   | (15,922)   | (2,184)                                     | (18,106)          |
| Net Cash Provided by/(Used for) Operating Activities  | <u>98,689</u>                                      | <u>(1,240)</u>                              | <u>97,449</u>     |
| Cash Flows from Capital Financing Activities:   |  |   |                   |
| Acquisition of Capital Assets   | (96,323)   |   | (96,323)          |
| Net Cash Used for Capital Financing Activities  | <u>(96,323)</u>                                    | <u>-0-</u>                                  | <u>(96,323)</u>   |
| Cash Flows from Noncapital Financing Activities:  |  |   |                   |
| Federal Sources   | 215,544  |   | 215,544           |
| State Sources   | 13,799   |   | 13,799            |
| Net Cash Provided by Noncapital Financing Activities  | <u>229,343</u>                                     | <u>-0-</u>                                  | <u>229,343</u>    |
| Cash Flows from Investing Activities:   |  |   |                   |
| Interest Revenue  | 1,705  | 248   | 1,953             |
| Net Cash Provided by Investing Activities   | <u>1,705</u>                                       | <u>248</u>                                  | <u>1,953</u>      |
| Net Increase/(Decrease) in Cash and Cash Equivalents  | 233,414  | (992)                                       | 232,422           |
| Cash and Cash Equivalents, July 1   | <u>541,761</u>                                     | <u>126,881</u>                              | <u>668,642</u>    |
| Cash and Cash Equivalents, June 30  | <u>\$ 775,175</u>                                  | <u>\$ 125,889</u>                           | <u>\$ 901,064</u> |
| Reconciliation of Operating Income/(Loss) to Net Cash<br>Provided by/(Used for) Operating Activities:       |  |   |                   |
| Operating Income/(Loss)   | \$ (144,147)                                       | \$ (1,213)                                  | \$ (145,360)      |
| Adjustment to Reconcile Operating Income/(Loss) to<br>Net Cash Provided by/(Used for) Operating Activities: |  |   |                   |
| Depreciation  | 35,664   |   | 35,664            |
| Federal Food Distribution Program   | 103,118  |   | 103,118           |
| Changes in Assets and Liabilities:  |  |   |                   |
| (Increase) in Inventory   | (3,128)  |   | (3,128)           |
| Increase in Accounts Payable  | 152,272  | 283   | 152,555           |
| (Decrease) in Interfund Payable   | (56,242)   | (310)                                       | (56,552)          |
| Increase in Unearned Revenue  | 11,152   |   | 11,152            |
| Net Cash Provided by/(Used for) Operating Activities  | <u>\$ 98,689</u>                                   | <u>\$ (1,240)</u>                           | <u>\$ 97,449</u>  |

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$103,118 for the fiscal year ended June 30, 2017.

**FIDUCIARY FUNDS**

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017

|  | <u>Agency</u>               |                |                | <u>Unemployment<br/>Compensation<br/>Trust</u> | <u>Flexible<br/>Spending<br/>Trust</u> |
|--|-----------------------------|----------------|----------------|--|--|
|  | <u>Student<br/>Activity</u> | <u>Payroll</u> | <u>Total</u>   |  |  |
| <u>ASSETS:</u>                         |                             |                |                |  |  |
| Cash and Cash Equivalents              | \$ 197,723                  | \$ 472,893     | \$ 670,616     | \$ 849,527                                     | \$ 39,794                              |
| Total Assets                           | <u>197,723</u>              | <u>472,893</u> | <u>670,616</u> | <u>849,527</u>                                 | <u>39,794</u>                          |
| <u>LIABILITIES:</u>                    |                             |                |                |  |  |
| Interfund Payable:                     |                             |                |                |  |  |
| General Fund                           | 12,918                      |                | 12,918         |  |  |
| Payroll Deductions and<br>Withholdings |                             | 472,893        | 472,893        |  |  |
| Due to Student Groups                  | <u>184,805</u>              |                | <u>184,805</u> |  |  |
| Total Liabilities                      | <u>197,723</u>              | <u>472,893</u> | <u>670,616</u> | <u>-0-</u>                                     | <u>-0-</u>                             |
| <u>NET POSITION:</u>                   |                             |                |                |  |  |
| Held in Trust for:                     |                             |                |                |  |  |
| Unemployment Claims                    |                             |                |                | 849,527  |  |
| Flexible Spending Claims               |                             |                |                |  | <u>39,794</u>                          |
| Total Net Position                     | <u>\$ -0-</u>               | <u>\$ -0-</u>  | <u>\$ -0-</u>  | <u>\$ 849,527</u>                              | <u>\$ 39,794</u>                       |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|   | <u>Unemployment<br/>Compensation<br/>Trust</u> | <u>Flexible<br/>Spending<br/>Trust</u> |
|---|--|--|
| ADDITIONS:  |  |  |
| Contributions:  |  |  |
| Plan Members  | \$ 79,216                                      | \$ 50,750                              |
| Employer  | 50,000   |  |
| Total Contributions   | <u>129,216</u>                                 | <u>50,750</u>                          |
| Investment Earnings:  |  |  |
| Interest  | 2,235  | 85                                     |
| Net Investment Earnings   | <u>2,235</u>                                   | <u>85</u>                              |
| Total Additions   | <u>131,451</u>                                 | <u>50,835</u>                          |
| DEDUCTIONS:   |  |  |
| Quarterly Contribution Reports and<br>Unemployment Benefit Claims | 93,302   |  |
| Flexible Spending Claims  |  | 42,743                                 |
| Total Deductions  | <u>93,302</u>                                  | <u>42,743</u>                          |
| Change in Net Position  | 38,149   | 8,092                                  |
| Net Position - Beginning of the Year                              | <u>811,378</u>                                 | <u>31,702</u>                          |
| Net Position - End of the Year                                    | <u>\$ 849,527</u>                              | <u>\$ 39,794</u>                       |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                            | <u>Balance</u><br><u>July 1, 2016</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>Balance</u><br><u>June 30, 2017</u> |
|----------------------------|---------------------------------------|-------------------|-------------------|--|
| <b><u>ASSETS:</u></b>      |                                       |                   |                   |  |
| Cash and Cash Equivalents  | \$ 199,397                            | \$ 830,625        | \$ 832,299        | \$ 197,723                             |
| Total Assets               | <u>\$ 199,397</u>                     | <u>\$ 830,625</u> | <u>\$ 832,299</u> | <u>\$ 197,723</u>                      |
| <b><u>LIABILITIES:</u></b> |                                       |                   |                   |  |
| Liabilities:               |                                       |                   |                   |  |
| Interfund Payable:         |                                       |                   |                   |  |
| General Fund               |                                       | \$ 12,918         |                   | \$ 12,918                              |
| Due to Student Groups      | \$ 199,397                            | 817,707           | \$ 832,299        | 184,805                                |
| Total Liabilities          | <u>\$ 199,397</u>                     | <u>\$ 830,625</u> | <u>\$ 832,299</u> | <u>\$ 197,723</u>                      |



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                          | <u>Balance</u><br><u>July 1, 2016</u> | <u>Cash</u><br><u>Receipts</u> | <u>Cash</u><br><u>Disbursements</u> | <u>Balance</u><br><u>June 30, 2017</u> |
|--------------------------|---------------------------------------|--------------------------------|-------------------------------------|--|
| Senior High School:      |                                       |                                |                                     |  |
| Scotch Plains-Fanwood    | \$ 130,672                            | \$ 490,436                     | \$ 487,239                          | \$ 133,869                             |
| Student Athletic Account | 2,952                                 | 111,191                        | 111,763                             | 2,380                                  |
| Middle Schools:          |                                       |                                |                                     |  |
| Park                     | 3,847                                 | 54,651                         | 51,362                              | 7,136                                  |
| Terrill                  | 23,481                                | 46,222                         | 64,612                              | 5,091                                  |
| Elementary Schools       | 568                                   | 24,902                         | 22,634                              | 2,836                                  |
| Music Fund               | 37,877                                | 90,305                         | 94,689                              | 33,493                                 |
| Total All Schools        | <u>\$ 199,397</u>                     | <u>\$ 817,707</u>              | <u>\$ 832,299</u>                   | <u>\$ 184,805</u>                      |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                                     | <u>Balance</u><br><u>July 1, 2016</u> | <u>Additions</u>     | <u>Deletions</u>     | <u>Balance</u><br><u>June 30, 2017</u> |
|-------------------------------------|---------------------------------------|----------------------|----------------------|--|
| <u>ASSETS:</u>                      |                                       |                      |                      |  |
| Cash and Cash Equivalents           | \$ 373,757                            | \$ 54,948,100        | \$ 54,848,964        | \$ 472,893                             |
| Total Assets                        | <u>\$ 373,757</u>                     | <u>\$ 54,948,100</u> | <u>\$ 54,848,964</u> | <u>\$ 472,893</u>                      |
| <u>LIABILITIES:</u>                 |                                       |                      |                      |  |
| Interfund Payable:                  |                                       |                      |                      |  |
| General Fund                        |                                       | \$ 2,449             | \$ 2,449             |  |
| Payroll Deductions and Withholdings | \$ 373,757                            | 54,945,651           | 54,846,515           | \$ 472,893                             |
| Total Liabilities                   | <u>\$ 373,757</u>                     | <u>\$ 54,948,100</u> | <u>\$ 54,848,964</u> | <u>\$ 472,893</u>                      |

**LONG-TERM DEBT**

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

| Purpose                | Date of Issue | Original Issue | Maturities of Bonds Outstanding |               |         | Interest Rate | Balance July 1, 2016 | Retired/Matured | Balance June 30, 2017 |
|------------------------|---------------|----------------|---------------------------------|---------------|---------|---------------|----------------------|-----------------|-----------------------|
|                        |               |                | Date                            | June 30, 2017 | Amount  |               |                      |                 |                       |
| School Refunding Bonds | 02/11/10      | \$ 12,180,000  | 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%               |                 |                       |
|                        |               |                |                                 |               |         | \$ 7,840,000  | \$ 1,210,000         | \$ 6,630,000    |                       |
|                        |               |                |                                 |               |         | \$ 7,840,000  | \$ 1,210,000         | \$ 6,630,000    |                       |

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

| Item                                 | Interest<br>Rate | Original<br>Issue | Balance<br>July 1, 2016 | Issued     | Retired/<br>Matured | Balance<br>June 30, 2017 |
|--------------------------------------|------------------|-------------------|-------------------------|------------|---------------------|--------------------------|
| Computer and<br>Technology Equipment | 1.047%           | 550,000           | \$ 144,920              |            | \$ 144,920          |                          |
| Computer Equipment                   | 1.140%           | 570,000           | 285,000                 |            | 141,693             | \$ 143,307               |
| Technology Equipment                 | 1.469%           | 647,000           | 482,304                 |            | 158,429             | 323,875                  |
| Technology Equipment                 | 1.716%           | 675,000           |                         | \$ 675,000 | 191,807             | 483,193                  |
|                                      |                  |                   | \$ 912,224              | \$ 675,000 | \$ 636,849          | \$ 950,375               |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|                                      | <u>Original<br/>Budget</u> | <u>Budget<br/>Transfers</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>Final to Actual</u> |
|--------------------------------------|----------------------------|-----------------------------|-------------------------|---------------|-------------------------------------|
| REVENUES:                            |                            |                             |                         |               |                                     |
| Local Sources:                       |                            |                             |                         |               |                                     |
| Local Tax Levy                       | \$ 1,527,125               |                             | \$ 1,527,125            | \$ 1,527,125  |                                     |
| Total Revenues                       | 1,527,125                  |                             | 1,527,125               | 1,527,125     |                                     |
| EXPENDITURES:                        |                            |                             |                         |               |                                     |
| Regular Debt Service:                |                            |                             |                         |               |                                     |
| Interest                             | 317,125                    |                             | 317,125                 | 317,125       |                                     |
| Redemption of Principal              | 1,210,000                  |                             | 1,210,000               | 1,210,000     |                                     |
| Total Regular Debt Service           | 1,527,125                  |                             | 1,527,125               | 1,527,125     |                                     |
| Total Expenditures                   | 1,527,125                  |                             | 1,527,125               | 1,527,125     |                                     |
| Excess of Revenues Over Expenditures | -0-                        |                             | -0-                     | -0-           |                                     |
| Fund Balance, July 1                 | -0-                        |                             | -0-                     | -0-           |                                     |
| Fund Balance, June 30                | \$ -0-                     | \$ -0-                      | \$ -0-                  | \$ -0-        | \$ -0-                              |

**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.





SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED

(Accrual Basis of Accounting)

|  | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Fiscal Year Ending June 30,                    |               |               |               |               |               |               |               |               |               |               |
| Expenses:                                      |               |               |               |               |               |               |               |               |               |               |
| Governmental Activities:                       |               |               |               |               |               |               |               |               |               |               |
| Instruction:                                   |               |               |               |               |               |               |               |               |               |               |
| Regular  | \$ 32,546,072 | \$ 33,546,405 | \$ 34,892,752 | \$ 34,974,613 | \$ 35,282,492 | \$ 37,140,797 | \$ 35,478,201 | \$ 40,521,714 | \$ 43,692,898 | \$ 49,923,482 |
| Special Education                              | 8,126,570     | 8,038,031     | 8,262,388     | 8,054,577     | 8,584,624     | 8,938,963     | 8,694,618     | 9,859,045     | 10,934,944    | 12,500,181    |
| Other Special Instruction                      | 1,148,311     | 1,093,917     | 1,197,979     | 1,108,568     | 999,260       | 1,050,855     | 1,192,944     | 1,376,937     | 1,563,583     | 1,770,756     |
| Other Instruction                              | 1,723,244     | 1,742,805     | 1,758,112     | 1,482,290     | 1,546,737     | 1,628,973     | 1,696,535     | 1,902,654     | 2,000,304     | 2,248,680     |
| Support Services:                              |               |               |               |               |               |               |               |               |               |               |
| Tuition  | 5,190,826     | 6,205,373     | 6,932,769     | 6,965,007     | 6,423,166     | 6,858,331     | 6,678,878     | 5,611,000     | 5,831,628     | 6,965,262     |
| Student & Instruction Related Services         | 12,070,136    | 11,958,099    | 10,937,889    | 9,937,521     | 10,533,909    | 11,473,965    | 11,588,432    | 13,724,324    | 15,474,770    | 17,352,966    |
| General Administrative Services                | 1,054,929     | 979,670       | 1,028,764     | 933,389       | 1,016,294     | 977,288       | 956,102       | 995,246       | 997,976       | 1,086,903     |
| School Administrative Services                 | 3,782,650     | 3,653,271     | 3,844,802     | 3,795,205     | 3,900,767     | 3,999,547     | 3,958,554     | 4,416,941     | 4,738,566     | 5,286,367     |
| Central Services                               | 1,329,852     | 1,354,749     | 1,368,378     | 1,297,661     | 1,096,883     | 1,233,652     | 1,304,897     | 1,419,966     | 1,554,422     | 1,711,539     |
| Administrative Information Technology          | 542,494       | 521,197       | 503,050       | 468,516       | 395,203       | 534,482       | 452,867       | 530,507       | 562,430       | 582,113       |
| Plant Operations and Maintenance               | 9,060,286     | 8,376,992     | 8,430,303     | 8,634,741     | 8,806,384     | 8,568,519     | 9,878,576     | 11,168,268    | 12,109,564    | 12,488,899    |
| Pupil Transportation                           | 3,022,634     | 3,054,463     | 2,796,350     | 2,618,482     | 2,773,873     | 3,202,465     | 3,201,989     | 3,250,503     | 3,357,758     | 3,648,484     |
| Charter Schools                                | 17,284        | 9,653         | 46,894        | 28,347        |               | 12,452        |               | 29,914        | 13,382        | 15,619        |
| Interest on Long-term Debt                     | 856,669       | 883,477       | 676,764       | 634,086       | 568,395       | 508,890       | 434,941       | 385,708       | 350,352       | 319,387       |
| Unallocated Depreciation                       | 1,696,066     | 972,500       | 971,967       | 1,144,601     | 1,135,544     | 1,200,658     | 995,807       | 1,022,329     | 1,099,731     | 1,172,750     |
| Total Governmental Activities Expenses         | 82,168,023    | 82,390,602    | 83,649,161    | 82,077,604    | 83,063,531    | 87,329,837    | 86,513,341    | 96,215,056    | 104,282,308   | 117,073,388   |
| Business-Type Activities:                      |               |               |               |               |               |               |               |               |               |               |
| Food Service                                   | 1,237,042     | 1,269,772     | 1,235,126     | 1,306,592     | 1,539,363     | 1,408,969     | 1,469,874     | 1,426,093     | 1,531,493     | 1,641,624     |
| Summer Community Education Program             | 75,818        | 83,622        | 85,797        | 61,365        | 52,188        | 63,149        | 52,971        | 48,441        | 49,793        | 52,930        |
| Total Business-Type Activities Expenses        | 1,312,860     | 1,353,394     | 1,320,923     | 1,367,957     | 1,591,551     | 1,472,118     | 1,522,845     | 1,474,534     | 1,581,286     | 1,694,554     |
| Total District-Wide Expenses                   | 83,480,883    | 83,743,996    | 84,970,084    | 83,445,561    | 84,655,082    | 88,801,955    | 88,036,186    | 97,689,590    | 105,863,594   | 118,767,942   |
| Program Revenues:                              |               |               |               |               |               |               |               |               |               |               |
| Governmental Activities:                       |               |               |               |               |               |               |               |               |               |               |
| Charges for Services:                          |               |               |               |               |               |               |               |               |               |               |
| Instruction (Tuition)                          |               |               | 229,550       | 225,670       | 299,174       | 343,687       | 106,293       | 3,493         |               |               |
| Instruction (Preschool Tuition)                |               |               | 135,600       | 111,820       |               |               | 274,795       | 238,535       | 241,240       | 326,598       |
| Other Instruction (Student Activity Fees)      |               |               | 11,835,634    | 9,377,705     | 10,960,053    | 12,791,667    | 12,262,293    | 21,162,898    | 24,893,790    | 31,671,333    |
| Operating Grants and Contributions             | 13,327,272    | 11,199,836    | 11,835,634    | 9,377,705     | 10,960,053    | 12,791,667    | 12,262,293    | 21,162,898    | 24,893,790    | 31,671,333    |
| Capital Grants and Contributions               | 634,534       | 12,264        | 224,561       | 312,842       |               |               |               | 819,288       | 584,459       | 136           |
| Total Governmental Activities Program Revenues | 13,961,806    | 11,212,100    | 12,425,345    | 10,028,037    | 11,259,227    | 13,135,354    | 12,643,381    | 22,224,214    | 25,719,489    | 31,998,067    |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

|   | Fiscal Year Ending June 30, |              |              |              |              |              |              |              |              |              |
|---|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2008                        | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         |
| <b>Business-Type Activities:</b>  |                             |              |              |              |              |              |              |              |              |              |
| Charges for Services:   |                             |              |              |              |              |              |              |              |              |              |
| Food Service  | \$ 1,129,645                | \$ 1,121,874 | \$ 1,118,173 | \$ 1,116,135 | \$ 1,200,996 | \$ 1,171,896 | \$ 1,264,950 | \$ 1,201,116 | \$ 1,356,111 | \$ 1,497,477 |
| Summer Community Education Program  | 70,142                      | 65,704       | 72,726       | 61,958       | 70,216       | 66,470       | 59,215       | 42,858       | 59,352       | 51,717       |
| Operating Grants and Contributions  | 217,652                     | 224,017      | 263,493      | 265,235      | 287,189      | 276,272      | 274,297      | 288,009      | 303,524      | 330,762      |
| Total Business-Type Activities Revenues   | 1,417,439                   | 1,411,595    | 1,454,392    | 1,443,328    | 1,558,401    | 1,514,638    | 1,598,462    | 1,531,983    | 1,718,987    | 1,879,956    |
| Total District-wide Program Revenues  | 15,379,245                  | 12,623,695   | 13,879,737   | 11,471,365   | 12,817,628   | 14,649,992   | 14,241,843   | 23,756,197   | 27,438,476   | 33,878,023   |
| Net (Expense)/Revenue:  |                             |              |              |              |              |              |              |              |              |              |
| Governmental Activities   | (68,206,217)                | (71,178,502) | (71,223,816) | (72,049,567) | (71,804,304) | (74,194,483) | (73,869,960) | (73,990,842) | (78,562,819) | (85,075,321) |
| Business-Type Activities  | 104,579                     | 58,201       | 133,469      | 75,371       | (33,150)     | 42,520       | 75,617       | 57,449       | 137,701      | 185,402      |
| Total District-wide Net (Expense)/Revenue   | (68,101,638)                | (71,120,301) | (71,090,347) | (71,974,196) | (71,837,454) | (74,151,963) | (73,794,343) | (73,933,393) | (78,425,118) | (84,889,919) |
| <b>General Revenues and Other Changes in Net Position:</b>                        |                             |              |              |              |              |              |              |              |              |              |
| Governmental Activities:  |                             |              |              |              |              |              |              |              |              |              |
| Property Taxes Levied for General Purposes, Net                                   | 65,455,759                  | 67,753,660   | 71,122,752   | 74,107,662   | 73,596,374   | 74,816,890   | 76,313,228   | 79,539,492   | 81,930,358   | 84,222,883   |
| Taxes Levied for Debt Service   | 2,410,146                   | 2,343,994    | 2,343,994    | 2,343,855    | 1,806,964    | 1,601,640    | 1,678,758    | 1,639,850    | 1,581,675    | 1,527,125    |
| Unrestricted Grants and Contributions   | 568,314                     | 422,447      | 422,540      | 69,752       | 25,731       | 117,930      | 126,928      | 234,511      | 211,565      | 295,334      |
| Investment Earnings   | 293,172                     | 90,716       | 33,365       | 24,112       | 2,036        | 17,010       | 21,155       | 23,388       | 37,390       | 63,501       |
| Miscellaneous Income  | 284,729                     | 519,692      | 224,994      | 1,132,322    | 148,776      | 299,192      | 142,137      | 331,386      | 369,354      | 277,219      |
| Total Governmental Activities General Revenues and Other Changes in Net Position  | 69,012,120                  | 71,130,509   | 74,147,645   | 77,677,703   | 75,579,881   | 76,852,662   | 78,282,206   | 81,768,627   | 84,130,342   | 86,386,062   |
| Business-type Activities:   |                             |              |              |              |              |              |              |              |              |              |
| Investment Earnings   | 7,205                       | 2,564        | 1,191        | 954          | 729          | 557          | 577          | 554          | 840          | 1,953        |
| Disposal of Capital Assets, Net   |                             |              |              |              |              |              |              |              | (5,536)      | (3,134)      |
| Total Business-type Activities General Revenues and Other Changes in Net Position | 7,205                       | 2,564        | 1,191        | 954          | 729          | 557          | 577          | 554          | (4,696)      | (1,181)      |
| Total District-wide General Revenues and Other Changes in Net Position            | 69,019,325                  | 71,133,073   | 74,148,836   | 77,678,657   | 75,580,610   | 76,853,219   | 78,282,783   | 81,769,181   | 84,125,646   | 86,384,881   |
| Change in Net Position:   |                             |              |              |              |              |              |              |              |              |              |
| Governmental Activities   | 805,903                     | (47,993)     | 2,923,829    | 5,628,136    | 3,775,577    | 2,658,179    | 4,412,246    | 7,777,785    | 5,567,523    | 1,310,741    |
| Business-Type Activities  | 111,784                     | 60,765       | 134,660      | 76,325       | (32,421)     | 43,077       | 76,194       | 58,003       | 133,005      | 184,221      |
| Total District-Wide Change in Net Position  | \$ 917,687                  | \$ 12,772    | \$ 3,058,489 | \$ 5,704,461 | \$ 3,743,156 | \$ 2,701,256 | \$ 4,488,440 | \$ 7,835,788 | \$ 5,700,528 | \$ 1,494,962 |

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



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

|  | Fiscal Year Ending June 30, |                    |                   |                   |                   |                   |                   |                   |                    |                    |
|--|-----------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
|  | 2008                        | 2009               | 2010              | 2011              | 2012              | 2013              | 2014              | 2015              | 2016               | 2017               |
| <b>Revenues:</b>   |                             |                    |                   |                   |                   |                   |                   |                   |                    |                    |
| Tax Levy   | \$ 67,865,905               | \$ 70,097,654      | \$ 73,466,746     | \$ 76,451,517     | \$ 75,403,338     | \$ 76,418,530     | \$ 77,991,986     | \$ 81,179,342     | \$ 83,512,033      | \$ 85,750,008      |
| Tuition Charges  |                             |                    | 229,550           | 225,670           | 299,174           | 343,687           | 106,293           | 3,493             |                    |                    |
| Interest Earnings  | 293,172                     | 90,716             |                   |                   |                   |                   |                   |                   |                    |                    |
| Miscellaneous  | 277,976                     | 519,692            | 393,959           | 299,769           | 129,920           | 316,202           | 163,292           | 368,899           | 433,525            | 370,407            |
| Local Sources  | 76,711                      | 126,819            | 127,151           | 101,925           | 135,195           | 126,137           | 438,815           | 357,105           | 393,816            | 472,171            |
| State Sources  | 12,973,897                  | 10,135,611         | 10,358,250        | 7,074,596         | 9,035,294         | 11,147,621        | 10,633,656        | 12,511,793        | 13,769,750         | 14,366,636         |
| Federal Sources  | 1,479,512                   | 1,372,117          | 1,997,334         | 2,270,936         | 1,815,295         | 1,635,839         | 1,591,545         | 1,624,524         | 1,593,353          | 1,603,779          |
| <b>Total Revenues</b>  | <b>82,967,173</b>           | <b>82,342,609</b>  | <b>86,572,990</b> | <b>86,424,413</b> | <b>86,818,216</b> | <b>89,988,016</b> | <b>90,925,587</b> | <b>96,045,156</b> | <b>99,702,477</b>  | <b>102,563,001</b> |
| <b>Expenditures:</b>   |                             |                    |                   |                   |                   |                   |                   |                   |                    |                    |
| <b>Instruction:</b>  |                             |                    |                   |                   |                   |                   |                   |                   |                    |                    |
| Regular Instruction  | 23,006,070                  | 23,611,676         | 24,566,429        | 24,389,000        | 24,885,065        | 25,633,345        | 25,114,750        | 25,324,748        | 26,079,959         | 27,017,506         |
| Special Education Instruction                                    | 6,069,105                   | 6,072,699          | 6,385,070         | 6,143,604         | 6,401,389         | 6,422,060         | 6,391,483         | 6,436,136         | 6,804,505          | 7,125,217          |
| Other Special Instruction  | 800,617                     | 780,118            | 853,019           | 771,855           | 709,762           | 713,997           | 835,441           | 849,986           | 911,160            | 936,319            |
| School Sponsored/Other Instruction                               | 1,284,472                   | 1,310,668          | 1,326,815         | 1,111,359         | 1,185,244         | 1,197,075         | 1,274,445         | 1,276,284         | 1,290,430          | 1,323,044          |
| <b>Support Services:</b>   |                             |                    |                   |                   |                   |                   |                   |                   |                    |                    |
| Tuition  | 5,190,826                   | 6,205,373          | 6,932,769         | 6,965,007         | 6,423,166         | 6,858,331         | 6,678,878         | 5,611,000         | 5,831,628          | 6,965,262          |
| Student & Instruction Related Services                           | 8,955,785                   | 9,029,123          | 8,256,256         | 7,421,142         | 7,996,473         | 8,679,878         | 8,910,310         | 9,623,560         | 10,510,946         | 10,849,232         |
| General Administrative Services                                  | 864,174                     | 775,710            | 811,213           | 768,157           | 802,193           | 731,459           | 763,133           | 774,347           | 768,763            | 762,455            |
| School Administrative Services                                   | 2,645,341                   | 2,620,307          | 2,718,318         | 2,703,928         | 2,757,311         | 2,790,612         | 2,760,922         | 2,754,550         | 2,766,264          | 2,805,046          |
| Central Services   | 972,279                     | 1,026,734          | 1,027,952         | 996,535           | 829,361           | 883,667           | 963,399           | 926,432           | 955,902            | 984,219            |
| Administrative Information Technology                            | 394,652                     | 380,180            | 373,367           | 405,678           | 310,974           | 409,114           | 364,808           | 408,248           | 392,072            | 386,475            |
| Plant Operations and Maintenance                                 | 6,609,710                   | 6,728,714          | 6,705,686         | 6,886,933         | 6,095,898         | 6,622,257         | 7,172,308         | 7,592,586         | 7,129,027          | 7,618,734          |
| Pupil Transportation   | 2,836,576                   | 2,874,739          | 2,607,932         | 2,383,885         | 2,567,372         | 2,989,107         | 3,008,732         | 2,975,172         | 3,057,735          | 3,279,991          |
| Allocated Benefits   |                             |                    |                   |                   |                   |                   | 1,004,782         | 1,096,682         | 1,173,506          | 1,241,365          |
| Unallocated Benefits   | 19,048,824                  | 17,338,957         | 18,371,255        | 17,781,481        | 18,912,364        | 20,420,837        | 18,728,487        | 19,901,132        | 22,002,712         | 24,098,981         |
| Charter Schools  | 17,284                      | 9,653              | 46,894            | 28,347            |                   | 12,452            |                   | 29,914            | 13,382             | 15,619             |
| Capital Outlay   | 3,497,103                   | 2,300,230          | 2,258,122         | 2,590,562         | 1,837,971         | 3,308,215         | 3,892,310         | 4,852,717         | 8,964,239          | 8,952,974          |
| Debt Service:  |                             |                    |                   |                   |                   |                   |                   |                   |                    |                    |
| Principal  | 1,555,850                   | 2,044,850          | 2,079,150         | 1,912,550         | 1,255,850         | 1,250,850         | 1,250,000         | 1,240,000         | 1,225,000          | 1,210,000          |
| Interest and Other Charges                                       | 865,256                     | 849,005            | 654,735           | 583,251           | 551,114           | 499,082           | 449,650           | 399,850           | 356,675            | 317,125            |
| <b>Total Expenditures</b>  | <b>84,613,924</b>           | <b>83,958,736</b>  | <b>85,974,982</b> | <b>83,843,274</b> | <b>83,521,507</b> | <b>89,422,338</b> | <b>89,563,838</b> | <b>92,073,344</b> | <b>100,233,905</b> | <b>105,889,564</b> |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b>(1,646,751)</b>          | <b>(1,616,127)</b> | <b>598,008</b>    | <b>2,581,139</b>  | <b>3,296,709</b>  | <b>565,678</b>    | <b>1,361,749</b>  | <b>3,971,812</b>  | <b>(531,428)</b>   | <b>(3,326,563)</b> |



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<br>Ending June<br>30, | Interest on<br>Investments | Tuition  | Preschool<br>Tuition and<br>Application<br>Fees | Student<br>Activity Fees | Transportation<br>Fees from<br>Individuals | Other      | Total      |
|-----------------------------------|----------------------------|----------|---|--------------------------|--|------------|------------|
| 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                     | 18,699   | 280,475   |                          |  | 110,966    | 429,094    |
| 2013                              | 17,010                     | 70,937   | 272,750   |                          |  | 299,192    | 659,889    |
| 2014                              | 21,155                     | 106,293  |   |                          |  | 142,137    | 269,585    |
| 2015                              | 23,388                     | 3,493    |   |                          |  | \$ 14,125  | 372,392    |
| 2016                              | 37,390                     |          |   |                          |  | 26,781     | 369,354    |
| 2017                              | 63,501                     |          |   |                          |  | 29,687     | 277,219    |

Source: Scotch Plains-Fanwood Regional School District records.

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

BOROUGH OF FANWOOD

| Year Ended<br>December 31, | Vacant Land  | Residential    | Farm Regular | Farm<br>(Qualified) | Commercial    | Industrial   | Apartment | Total Assessed<br>Value | Add: Public<br>Utilities <sup>a</sup> | Net Valuation<br>Taxable | Tax-Exempt<br>Property | Total Direct<br>School Tax<br>Rate <sup>b</sup> | Estimated Actual<br>(County Equalized<br>Value) |
|----------------------------|--------------|----------------|--------------|---------------------|---------------|--------------|-----------|-------------------------|---------------------------------------|--------------------------|------------------------|---|---|
| 2007                       | \$ 1,727,600 | \$ 208,944,400 | \$ -         | \$ -                | \$ 12,284,500 | \$ 2,487,000 | \$ -      | \$ 225,443,500          | \$ 90,930                             | \$ 225,534,430           | \$ 7,505,900           | 6.519   | \$ 1,132,051,574                                |
| 2008                       | 1,930,300    | 209,549,200    | -            | -                   | 12,152,500    | 2,456,500    | -         | 226,088,500             | 91,295                                | 226,179,795              | 7,717,200              | 6.681   | 1,183,897,197                                   |
| 2009                       | 1,184,600    | 210,409,000    | -            | -                   | 14,217,700    | 2,284,100    | -         | 228,095,400             | 103,302                               | 228,198,702              | 8,009,500              | 7.164   | 1,236,990,322                                   |
| 2010                       | 1,294,100    | 210,556,900    | -            | -                   | 14,837,700    | 2,284,100    | -         | 228,972,800             | 99,851                                | 229,072,651              | 6,797,800              | 7.570   | 1,226,437,723                                   |
| 2011                       | 1,438,300    | 210,103,900    | -            | -                   | 14,620,900    | 2,284,100    | -         | 228,447,200             | 88,274                                | 228,535,474              | 6,713,400              | 7.409   | 1,152,140,049                                   |
| 2012                       | 1,342,300    | 210,195,800    | -            | -                   | 14,547,000    | 2,284,100    | -         | 228,369,200             | 101,515                               | 228,470,715              | 6,772,100              | 7.422   | 1,100,003,442                                   |
| 2013                       | 1,434,800    | 210,204,400    | -            | -                   | 14,298,200    | 2,269,700    | -         | 228,207,100             | 117,488                               | 228,324,588              | 7,635,700              | 7.583   | 1,100,474,184                                   |
| 2014                       | 1,647,900    | 209,793,300    | -            | -                   | 14,568,900    | 2,269,700    | -         | 228,279,800             | 94,804                                | 228,374,604              | 7,635,700              | 7.833   | 1,091,260,298                                   |
| 2015                       | 1,700,600    | 209,937,400    | -            | -                   | 14,485,000    | 2,269,700    | -         | 228,392,700             | 95,240                                | 228,487,940              | 7,808,700              | 7.890   | 1,092,779,236                                   |
| 2016                       | 1,559,000    | 210,529,400    | -            | -                   | 14,985,800    | 2,086,800    | -         | 229,161,000             | 92,309                                | 229,253,309              | 9,064,500              | 8.323   | 1,149,066,271                                   |

TOWNSHIP OF SCOTCH PLAINS

| Year Ended<br>December 31, | Vacant Land  | Residential    | Farm Regular | Farm<br>(Qualified) | Commercial    | Industrial   | Apartment     | Total Assessed<br>Value | Add: Public<br>Utilities <sup>a</sup> | Net Valuation<br>Taxable | Tax-Exempt<br>Property | Total Direct<br>School Tax<br>Rate <sup>b</sup> | Estimated Actual<br>(County Equalized<br>Value) |
|----------------------------|--------------|----------------|--------------|---------------------|---------------|--------------|---------------|-------------------------|---------------------------------------|--------------------------|------------------------|---|---|
| 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         | 5.228   | \$ 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            | 5.445   | 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            | 5.649   | 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            | 5.856   | 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            | 5.914   | 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            | 5.992   | 3,856,035,366                                   |
| 2013                       | 6,619,000    | 890,624,700    | 1,076,500    | 14,500              | 58,083,100    | 6,511,400    | 25,155,500    | 988,084,700             | 961,957                               | 989,046,657              | 210,670,600            | 6.086   | 3,854,355,541                                   |
| 2014                       | 6,389,000    | 890,741,400    | 1,076,500    | 14,500              | 58,053,900    | 6,511,400    | 25,155,500    | 987,942,200             | 878,839                               | 988,821,039              | 210,670,600            | 6.290   | 3,859,416,754                                   |
| 2015                       | 7,825,700    | 889,896,600    | 1,047,100    | 14,500              | 56,888,700    | 6,431,500    | 25,155,500    | 987,259,600             | 861,212                               | 988,120,812              | 215,159,800            | 6.529   | 3,964,641,341                                   |
| 2016                       | 9,837,400    | 892,804,700    | 1,047,100    | 14,500              | 54,803,200    | 6,431,500    | 25,155,500    | 990,093,900             | 825,246                               | 990,919,146              | 215,261,500            | 6.675   | 4,012,891,203                                   |

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.

Source: Municipal Tax Assessors.

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

**BOROUGH OF FANWOOD**

| Year Ended<br>December 31, | Scotch Plains-Fanwood Regional School District<br>Direct Rate |                            |              | Overlapping Rates        |                 | Total Direct<br>and<br>Overlapping<br>Tax Rate |
|----------------------------|---|----------------------------|--------------|--------------------------|-----------------|--|
|                            | Basic Rate <sup>a</sup>                                       | General<br>Obligation Debt | Total Direct | Borough<br>of<br>Fanwood | Union<br>County |  |
|                            |   | Service <sup>b</sup>       |              |                          |                 |  |
| 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   |
| 2013                       | 7.4198  | 0.1632                     | 7.583        | 2.683                    | 2.406           | 12.672   |
| 2014                       | 7.6748  | 0.1582                     | 7.833        | 2.751                    | 2.513           | 13.097   |
| 2015                       | 7.7406  | 0.1494                     | 7.890        | 2.785                    | 2.567           | 13.242   |
| 2016                       | 8.1748  | 0.1482                     | 8.323        | 2.783                    | 2.707           | 13.813   |

**TOWNSHIP OF SCOTCH PLAINS**

| Year Ended<br>December 31, | Scotch Plains-Fanwood Regional School District<br>Direct Rate |                            |              | Overlapping Rates               |                 | Total Direct<br>and<br>Overlapping<br>Tax Rate |
|----------------------------|---|----------------------------|--------------|---------------------------------|-----------------|--|
|                            | Basic Rate <sup>a</sup>                                       | General<br>Obligation Debt | Total Direct | Township<br>of Scotch<br>Plains | Union<br>County |  |
|                            |   | Service <sup>b</sup>       |              |                                 |                 |  |
| 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  |
| 2013                       | 5.9550  | 0.1310                     | 6.086        | 1.629                           | 1.940           | 9.655  |
| 2014                       | 6.1540  | 0.1360                     | 6.290        | 1.638                           | 2.053           | 9.981  |
| 2015                       | 6.3971  | 0.1319                     | 6.529        | 1.642                           | 2.150           | 10.321   |
| 2016                       | 6.5534  | 0.1216                     | 6.675        | 1.633                           | 2.185           | 10.493   |

**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.



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

BOROUGH OF FANWOOD

| Taxpayer                            | 2016                   |      |  | 2007                   |      |  |
|-------------------------------------|------------------------|------|--|------------------------|------|--|
|                                     | 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%                                  |                        |      |  |
| Fanwood Crossing II, Urban Renewal  | 1,255,800              | 2    | 0.55%                                  |                        |      |  |
| Partners Profit Fanwood Group LLC   | 943,500                | 3    | 0.41%                                  |                        |      |  |
| 250 South Avenue, Urban Renewal     | 860,000                | 4    | 0.38%                                  |                        |      |  |
| Fanwood Plaza Partners I            | 827,000                | 5    | 0.36%                                  | \$ 827,000             | 2    | 0.37%                                  |
| Fanwood Plaza Partners I            | 669,200                | 6    | 0.29%                                  |                        |      |  |
| Fanwood Crossing III, Urban Renewal | 666,300                | 7    | 0.29%                                  |                        |      |  |
| 222 South Avenue LLC                | 523,600                | 8    | 0.23%                                  |                        |      |  |
| Enchantment Properties LLC          | 500,000                | 9    | 0.22%                                  |                        |      |  |
| Celtic Capital                      | 475,000                | 10   | 0.21%                                  |                        |      |  |
| CRP Fanwood LLC                     |                        |      |  | 2,464,900              | 1    | 1.09%                                  |
| 105 South Ave LLC - A&P             |                        |      |  | 600,000                | 3    | 0.27%                                  |
| Individual Taxpayer #1              |                        |      |  | 558,200                | 4    | 0.25%                                  |
| Individual Taxpayer #2              |                        |      |  | 479,500                | 5    | 0.21%                                  |
| Seaboard Associates                 |                        |      |  | 477,500                | 6    | 0.21%                                  |
| Messercola Bros. Realty Co. LLC     |                        |      |  | 403,500                | 7    | 0.18%                                  |
| Exxon Corporation                   |                        |      |  | 393,800                | 8    | 0.17%                                  |
| MJC @ South Ave., LLC               |                        |      |  | 273,500                | 9    | 0.12%                                  |
| South Ave Fanwood, LLC              |                        |      |  | 273,500                | 10   | 0.12%                                  |
| <b>Total</b>                        | <b>\$ 9,185,300</b>    |      | <b>4.02%</b>                           | <b>\$ 6,751,400</b>    |      | <b>2.99%</b>                           |

TOWNSHIP OF SCOTCH PLAINS

| Taxpayer                  | 2016                   |      |  | 2007                   |      |  |
|---------------------------|------------------------|------|--|------------------------|------|--|
|                           | 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    | 1.20%                                  |
| Ashbrook Manor            | 7,500,000              | 2    | 0.76%                                  | 7,500,000              | 2    | 0.75%                                  |
| Riverside Village         | 2,900,000              | 3    | 0.29%                                  | 2,900,000              | 5    | 0.29%                                  |
| Snuffy Pantagis           | 2,696,400              | 4    | 0.27%                                  | 4,650,000              | 4    | 0.47%                                  |
| Automatic Associates      | 1,900,000              | 5    | 0.19%                                  | 1,100,000              | 10   | 0.11%                                  |
| Dornbush                  | 1,750,000              | 6    | 0.18%                                  | 1,750,000              | 6    | 0.18%                                  |
| NJ Golf Partners LLC      | 1,687,500              | 7    | 0.17%                                  |                        |      |  |
| Ashbrook Realty LLC       | 1,400,000              | 8    | 0.14%                                  |                        |      |  |
| VS Realty                 | 1,243,200              | 9    | 0.13%                                  |                        |      |  |
| Scotch Plains Gardens     | 1,200,000              | 10   | 0.12%                                  | 1,200,000              | 9    | 0.12%                                  |
| Shackamaxon Country Club  |                        |      |  | 5,462,200              | 3    | 0.55%                                  |
| Public Storage, Inc.      |                        |      |  | 1,430,000              | 7    | 0.14%                                  |
| Ashbrook Manor Associates |                        |      |  | 1,406,400              | 8    | 0.14%                                  |
| <b>Total</b>              | <b>\$ 30,677,100</b>   |      | <b>3.10%</b>                           | <b>\$ 39,371,800</b>   |      | <b>3.95%</b>                           |

Source: Municipal Tax Assessors.

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

BOROUGH OF FANWOOD

| Fiscal Year Ended<br>June 30, | Taxes Levied for<br>the Fiscal Year | Collected within the Fiscal Year<br>of the Levy <sup>a</sup> |                       | Collections in<br>Subsequent<br>Years |
|-------------------------------|-------------------------------------|--|-----------------------|---------------------------------------|
|                               |                                     | Amount   | Percentage<br>of Levy |                                       |
| 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-                                   |
| 2014                          | 17,312,563                          | 17,312,563   | 100.00%               | -0-                                   |
| 2015                          | 17,887,677                          | 17,887,677   | 100.00%               | -0-                                   |
| 2016                          | 18,027,754                          | 18,027,754   | 100.00%               | -0-                                   |
| 2017                          | 19,081,374                          | 19,081,374   | 100.00%               | -0-                                   |

TOWNSHIP OF SCOTCH PLAINS

| Fiscal Year Ended<br>June 30, | Taxes Levied for<br>the Fiscal Year | Collected Within the Fiscal Year<br>of the Levy <sup>a</sup> |                       | Collections in<br>Subsequent<br>Years |
|-------------------------------|-------------------------------------|--|-----------------------|---------------------------------------|
|                               |                                     | Amount   | Percentage<br>of Levy |                                       |
| 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-                                   |
| 2014                          | 60,679,423                          | 60,679,423   | 100.00%               | -0-                                   |
| 2015                          | 63,291,665                          | 63,291,665   | 100.00%               | -0-                                   |
| 2016                          | 65,484,279                          | 65,484,279   | 100.00%               | -0-                                   |
| 2017                          | 66,668,634                          | 66,668,634   | 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 TEN FISCAL YEARS  
UNAUDITED

| Fiscal Year<br>Ended June<br>30, | Governmental Activities        |                                     |                   |   | Business-Type<br>Activities |               | Total District | Percentage of<br>Personal<br>Income <sup>a</sup> | Per Capita <sup>a</sup> |
|----------------------------------|--------------------------------|-------------------------------------|-------------------|---|-----------------------------|---------------|----------------|--|-------------------------|
|                                  | General<br>Obligation<br>Bonds | Certificates<br>of<br>Participation | Capital<br>Leases | Bond<br>Anticipation<br>Notes<br>(BANs) | Capital Leases              |               |                |  |                         |
| 2008                             | \$ 17,976,750                  | \$ -0-                              | \$ 513,359        | \$ 2,000,000                            | \$ -0-                      | \$ 20,490,109 | 1.34%          | \$ 686.92  |                         |
| 2009                             | 16,431,900                     | -0-                                 | 964,214           | 1,500,000                               | -0-                         | 18,896,114    | 1.20%          | 632.21   |                         |
| 2010                             | 15,347,550                     | -0-                                 | 957,614           | 626,700                                 | -0-                         | 16,931,864    | 1.12%          | 561.07   |                         |
| 2011                             | 14,061,700                     | -0-                                 | 897,976           | -0-                                     | -0-                         | 14,959,676    | 0.94%          | 484.13   |                         |
| 2012                             | 12,805,850                     | -0-                                 | 889,460           | -0-                                     | -0-                         | 13,695,310    | 0.82%          | 441.14   |                         |
| 2013                             | 11,555,000                     | -0-                                 | 1,048,686         | -0-                                     | -0-                         | 12,603,686    | 0.74%          | 403.58   |                         |
| 2014                             | 10,305,000                     | -0-                                 | 968,545           | -0-                                     | -0-                         | 11,273,545    | 0.65%          | 358.16   |                         |
| 2015                             | 9,065,000                      | -0-                                 | 903,171           | -0-                                     | -0-                         | 9,968,171     | 0.55%          | 315.49   |                         |
| 2016                             | 7,840,000                      | -0-                                 | 912,224           | -0-                                     | -0-                         | 8,752,224     | 0.46%          | 275.23   |                         |
| 2017                             | 6,630,000                      | -0-                                 | 950,375           | -0-                                     | -0-                         | 7,580,375     | 0.40%          | 237.73   |                         |

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

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

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

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

| Fiscal<br>Year<br>Ended<br>June 30, | General Bonded Debt Outstanding |            |   | Percentage of<br>Net Valuation<br>Taxable <sup>a</sup> | Per Capita <sup>b</sup> |
|-------------------------------------|---------------------------------|------------|---|--|-------------------------|
|                                     | General<br>Obligation<br>Bonds  | Deductions | Net General<br>Bonded Debt<br>Outstanding |  |                         |
| 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%   | 455.07                  |
| 2012                                | 12,805,850                      | -0-        | 12,805,850                                | 1.048%   | 412.49                  |
| 2013                                | 11,555,000                      | -0-        | 11,555,000                                | 0.948%   | 370.00                  |
| 2014                                | 10,305,000                      | -0-        | 10,305,000                                | 0.846%   | 327.39                  |
| 2015                                | 9,065,000                       | -0-        | 9,065,000                                 | 0.745%   | 286.90                  |
| 2016                                | 7,840,000                       | -0-        | 7,840,000                                 | 0.644%   | 246.54                  |
| 2017                                | 6,630,000                       | -0-        | 6,630,000                                 | 0.543%   | 207.93                  |

**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.

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2016  
UNAUDITED

| Governmental Unit  | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable <sup>a</sup></u> | <u>Estimated Share<br/>of Overlapping<br/>Debt</u> |
|--|-----------------------------|---|--|
| Debt Repaid with Property Taxes:                           |                             |   |  |
| Borough of Fanwood   | \$ 16,263,848               | 100.00%   | \$ 16,263,848                                      |
| Township of Scotch Plains                                  | 20,775,894                  | 100.00%   | 20,775,894   |
| Union County General Obligation Debt                       | 582,124,790                 | 7.81%   | <u>45,453,262</u>                                  |
| Subtotal, Overlapping Debt                                 |                             |   | 82,493,004   |
| Scotch Plains-Fanwood Regional School District Direct Debt |                             |   | <u>6,630,000</u>                                   |
| Total Direct and Overlapping Debt                          |                             |   | <u><u>\$ 89,123,004</u></u>                        |

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

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

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

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

|   | Fiscal Year           |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2008                  | 2009                  | 2010                  | 2011                  | 2012                  |
| Debt Limit  | \$ 203,299,156        | \$ 215,485,944        | \$ 217,924,045        | \$ 213,492,146        | \$ 208,608,930        |
| Total Net Debt Applicable to Limit                                      | 20,490,109            | 18,896,114            | 16,931,864            | 14,959,676            | 13,695,310            |
| Legal Debt Margin   | <u>\$ 182,809,047</u> | <u>\$ 196,589,830</u> | <u>\$ 200,992,181</u> | <u>\$ 198,532,470</u> | <u>\$ 194,913,620</u> |
| Total Net Debt Applicable to the Limit<br>as a Percentage of Debt Limit | 10.08%                | 8.77%                 | 7.77%                 | 7.01%                 | 6.57%                 |

|   | Fiscal Year           |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  |
| Debt Limit  | \$ 202,949,839        | \$ 200,407,407        | \$ 199,304,824        | \$ 201,786,674        | \$ 205,930,135        |
| Total Net Debt Applicable to Limit                                      | 12,603,686            | 11,273,545            | 9,968,171             | 8,752,224             | 7,580,375             |
| Legal Debt Margin   | <u>\$ 190,346,153</u> | <u>\$ 189,133,862</u> | <u>\$ 189,336,653</u> | <u>\$ 193,034,450</u> | <u>\$ 198,349,760</u> |
| Total Net Debt Applicable to the Limit<br>as a Percentage of Debt Limit | 6.21%                 | 5.63%                 | 5.00%                 | 4.34%                 | 3.68%                 |

Legal Debt Margin Calculation for Fiscal Year 2017

| <u>Year Ended</u><br><u>December 31,</u>                   | <u>Borough of</u><br><u>Fanwood</u> | <u>Township of</u><br><u>Scotch Plains</u> | <u>Equalized</u><br><u>Valuation Basis</u> |
|--|-------------------------------------|--|--|
| 2014   | \$ 1,090,682,274                    | \$ 3,961,275,862                           | \$ 5,051,958,136                           |
| 2015   | 1,143,679,019                       | 3,995,384,864                              | 5,139,063,883                              |
| 2016   | 1,177,600,206                       | 4,076,137,917                              | 5,253,738,123                              |
|  | <u>\$ 3,411,961,499</u>             | <u>\$ 12,032,798,643</u>                   | <u>\$ 15,444,760,142</u>                   |
| Average Equalized Valuation of Taxable Property            |                                     |  | <u>\$ 5,148,253,381</u>                    |
| Debt Limit (4% of Average Equalization Value) <sup>a</sup> |                                     |  | \$ 205,930,135                             |
| Net Bonded School Debt                                     |                                     |  | <u>7,580,375</u>                           |
| Legal Debt Margin  |                                     |  | <u>\$ 198,349,760</u>                      |

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

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

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

BOROUGH OF FANWOOD

| Year | Population <sup>a</sup> | Union County<br>Per Capita<br>Personal<br>Income <sup>b</sup> | Personal Income <sup>c</sup> | Borough<br>Unemployment<br>Rate <sup>d</sup> |
|------|-------------------------|---|------------------------------|--|
| 2007 | 7,078                   | \$ 51,393   | \$ 363,759,654               | 2.6%   |
| 2008 | 7,072                   | 52,871  | 373,903,712                  | 3.4%   |
| 2009 | 7,124                   | 50,238  | 357,895,512                  | 6.0%   |
| 2010 | 7,333                   | 51,388  | 376,828,204                  | 6.1%   |
| 2011 | 7,368                   | 53,506  | 394,232,208                  | 6.1%   |
| 2012 | 7,406                   | 54,649  | 404,730,494                  | 6.1%   |
| 2013 | 7,471                   | 54,889  | 410,075,719                  | 6.5%   |
| 2014 | 7,506                   | 57,306  | 430,138,836                  | 4.3%   |
| 2015 | 7,651                   | 60,089  | 459,740,939                  | 3.6%   |
| 2016 | 7,700                   | 60,089 *  | 462,685,300 *                | 3.6%   |

TOWNSHIP OF SCOTCH PLAINS

| Year | Population <sup>a</sup> | Union County<br>Per Capita<br>Personal<br>Income <sup>b</sup> | Personal Income <sup>c</sup> | Township<br>Unemployment<br>Rate <sup>d</sup> |
|------|-------------------------|---|------------------------------|---|
| 2007 | 22,751                  | \$ 51,393   | \$ 1,169,242,143             | 2.5%  |
| 2008 | 22,817                  | 52,871  | 1,206,357,607                | 3.2%  |
| 2009 | 23,054                  | 50,238  | 1,158,186,852                | 5.6%  |
| 2010 | 23,567                  | 51,388  | 1,211,060,996                | 5.7%  |
| 2011 | 23,677                  | 53,506  | 1,266,861,562                | 5.7%  |
| 2012 | 23,824                  | 54,649  | 1,301,957,776                | 5.7%  |
| 2013 | 24,005                  | 54,889  | 1,317,610,445                | 5.3%  |
| 2014 | 24,090                  | 57,306  | 1,380,501,540                | 4.8%  |
| 2015 | 24,149                  | 60,089  | 1,451,089,261                | 4.1%  |
| 2016 | 24,186                  | 60,089 *  | 1,453,312,554 *              | 3.6%  |

\* - Latest Union County per capita personal income data available (2015) was used for calculation purposes.

Source:

- a** - Population information provided by the US Department of Census - Population Division.
- b** - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- c** - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- d** - Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

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



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

| <u>Function/Program</u>                | 2008       | 2009       | 2010       | 2011       | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Instruction:                           |            |            |            |            |            |            |            |            |            |            |
| Regular                                | 377        | 370        | 374        | 370        | 363        | 369        | 376        | 376        | 369        | 374        |
| Special Education                      | 59         | 61         | 55         | 60         | 64         | 64         | 66         | 67         | 71         | 76         |
| Support Services:                      |            |            |            |            |            |            |            |            |            |            |
| Student & Instruction Related Services | 164        | 161        | 161        | 160        | 154        | 161        | 162        | 164        | 188        | 201        |
| General Administrative Services        | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 3          |
| School Administrative Services         | 32         | 32         | 32         | 32         | 32         | 32         | 32         | 32         | 31         | 31         |
| Plant Operations and Maintenance       | 70         | 67         | 66         | 65         | 65         | 65         | 66         | 66         | 66         | 66         |
| Pupil Transportation                   | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          |
| Business and Other Support Services    | 17         | 15         | 16         | 15         | 14         | 16         | 15         | 16         | 16         | 16         |
| Food Service                           | 4          | 4          | 4          | 2          | 2          | 2          | 2          | 2          | 2          | 1          |
| <b>Total</b>                           | <b>733</b> | <b>720</b> | <b>718</b> | <b>714</b> | <b>704</b> | <b>719</b> | <b>729</b> | <b>733</b> | <b>753</b> | <b>775</b> |

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

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

Pupil/Teacher Ratio

| Fiscal Year | Enrollment <sup>a</sup> | Operating Expenditures <sup>b</sup> | Cost Per Pupil <sup>c</sup> | Percentage Change | Teaching Staff <sup>d</sup> | Pupil/Teacher Ratio |               |             | Average Daily Enrollment (ADE) <sup>e</sup> | Average Daily Attendance (ADA) <sup>e</sup> | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|-------------------------|-------------------------------------|-----------------------------|-------------------|-----------------------------|---------------------|---------------|-------------|---|---|--------------------------------------|-------------------------------|
|             |                         |                                     |                             |                   |                             | Elementary School   | Middle School | High School |   |   |                                      |                               |
| 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%             | 458                         | 20:1                | 16:1          | 16:1        | 5,478                                       | 5,278                                       | -0.65%                               | 96.35%                        |
| 2013        | 5,599                   | 84,364,191                          | 15,068                      | 5.32%             | 457                         | 20:1                | 15:1          | 16:1        | 5,475                                       | 5,258                                       | -0.05%                               | 96.04%                        |
| 2014        | 5,575                   | 83,971,878                          | 15,062                      | -0.04%            | 464                         | 20:1                | 14.9:1        | 16:1        | 5,463                                       | 5,230                                       | -0.22%                               | 95.73%                        |
| 2015        | 5,548                   | 85,580,777                          | 15,426                      | 2.41%             | 462                         | 19.6:1              | 14.5:1        | 16.7:1      | 5,427                                       | 5,210                                       | -0.66%                               | 96.00%                        |
| 2016        | 5,566                   | 89,687,991                          | 16,114                      | 4.46%             | 468                         | 18.1:1              | 14.8:1        | 16.7:1      | 5,435                                       | 5,222                                       | 0.15%                                | 96.08%                        |
| 2017        | 5,577                   | 95,409,465                          | 17,108                      | 6.17%             | 450                         | 15:1                | 14.2:1        | 15.7:1      | 5,440                                       | 5,198                                       | 0.09%                                | 95.55%                        |

**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).

Source: Scotch Plains-Fanwood Regional School District records.

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

| <u>District Building</u>        | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Elementary Schools</u>       |             |             |             |             |             |             |             |             |             |             |
| <u>Howard B. Brunner (1961)</u> |             |             |             |             |             |             |             |             |             |             |
| Square Feet                     | 50,580      | 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         | 383         |
| Enrollment                      | 460         | 463         | 407         | 411         | 410         | 426         | 417         | 399         | 422         | 394         |
| <u>J. Ackerman Coles (1963)</u> |             |             |             |             |             |             |             |             |             |             |
| Square Feet                     | 50,850      | 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         | 440         |
| Enrollment                      | 528         | 519         | 552         | 539         | 517         | 500         | 496         | 456         | 474         | 516         |
| <u>Evergreen (1951)</u>         |             |             |             |             |             |             |             |             |             |             |
| Square Feet                     | 36,958      | 36,958      | 36,958      | 36,958      | 36,958      | 36,958      | 36,958      | 36,958      | 36,958      | 44,258      |
| Capacity (students)             | 339         | 339         | 339         | 339         | 339         | 339         | 339         | 339         | 339         | 464         |
| Enrollment                      | 395         | 405         | 415         | 414         | 418         | 402         | 386         | 405         | 388         | 407         |
| <u>William J. McGinn (1973)</u> |             |             |             |             |             |             |             |             |             |             |
| Square Feet                     | 47,182      | 47,182      | 47,182      | 47,182      | 47,182      | 47,182      | 47,182      | 47,182      | 47,182      | 51,132      |
| Capacity (students)             | 389         | 389         | 389         | 389         | 389         | 389         | 389         | 389         | 389         | 451         |
| Enrollment                      | 475         | 474         | 494         | 481         | 485         | 485         | 481         | 482         | 494         | 496         |
| <u>School One (1972)</u>        |             |             |             |             |             |             |             |             |             |             |
| Square Feet                     | 44,328      | 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         | 337         |
| Enrollment                      | 388         | 389         | 392         | 375         | 379         | 376         | 380         | 396         | 392         | 397         |
| <u>Middle Schools</u>           |             |             |             |             |             |             |             |             |             |             |
| <u>Park (1922)</u>              |             |             |             |             |             |             |             |             |             |             |
| Square Feet                     | 114,483     | 114,483     | 114,483     | 114,483     | 117,633     | 117,633     | 117,633     | 117,633     | 117,633     | 117,633     |
| Capacity (students)             | 795         | 795         | 795         | 795         | 895         | 895         | 895         | 895         | 895         | 895         |
| Enrollment                      | 794         | 823         | 875         | 924         | 927         | 932         | 937         | 932         | 913         | 915         |
| <u>Terrill (1964)</u>           |             |             |             |             |             |             |             |             |             |             |
| Square Feet                     | 97,973      | 97,973      | 97,973      | 97,973      | 97,973      | 97,973      | 97,973      | 97,973      | 97,973      | 97,973      |
| Capacity (students)             | 737         | 737         | 737         | 737         | 737         | 737         | 737         | 737         | 737         | 737         |
| Enrollment                      | 841         | 847         | 858         | 847         | 865         | 841         | 825         | 827         | 835         | 830         |

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

| <u>District Building</u> | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <u>High School</u>       |         |         |         |         |         |         |         |         |         |         |
| Scotch Plains-Fanwood    |         |         |         |         |         |         |         |         |         |         |
| Square Feet              | 265,876 | 265,876 | 265,876 | 265,876 | 265,876 | 265,876 | 265,876 | 265,876 | 265,876 | 265,876 |
| Capacity (students)      | 1,479   | 1,479   | 1,479   | 1,479   | 1,479   | 1,479   | 1,479   | 1,479   | 1,479   | 1,479   |
| Enrollment               | 1,461   | 1,467   | 1,426   | 1,483   | 1,505   | 1,537   | 1,560   | 1,573   | 1,569   | 1,534   |
| <u>Other</u>             |         |         |         |         |         |         |         |         |         |         |
| Administration Wing      |         |         |         |         |         |         |         |         |         |         |
| Square Feet              | 6,380   | 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   | 5,200   |
| Outbuilding              |         |         |         |         |         |         |         |         |         |         |
| Square Feet              | 1,581   | 1,581   | 1,581   | 1,581   | 1,581   | 1,581   | 1,581   | 1,581   | 1,581   | 1,581   |

Number of Schools at June 30, 2017

- 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.

Source: Scotch Plains-Fanwood Regional School District records.

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-XXXX:

| School Facilities*             | Project # (s) | Fiscal Year Ended June 30, |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|--------------------------------|---------------|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                |               | 2008                       | 2009                | 2010                | 2011                | 2012                | 2013                | 2014                | 2015                | 2016                | 2017                |
| Howard B. Brunner Elementary   | N/A           | \$ 69,235                  | \$ 75,664           | \$ 77,393           | \$ 90,271           | \$ 68,977           | \$ 79,216           | \$ 179,825          | \$ 162,404          | \$ 88,222           | \$ 96,744           |
| J. Ackerman Coles Elementary   | N/A           | 73,622                     | 80,458              | 77,806              | 90,753              | 69,345              | 79,120              | 103,788             | 159,913             | 119,766             | 250,048             |
| Evergreen Elementary           | N/A           | 59,577                     | 65,109              | 56,550              | 65,959              | 59,113              | 58,742              | 108,119             | 62,731              | 70,660              | 232,877             |
| William J. McGinn Elementary   | N/A           | 67,742                     | 74,032              | 72,192              | 84,206              | 64,343              | 74,028              | 152,349             | 156,632             | 133,765             | 211,164             |
| School One Elementary          | N/A           | 63,247                     | 69,119              | 67,826              | 79,113              | 60,451              | 69,976              | 91,344              | 296,505             | 140,961             | 123,750             |
| Park Middle                    | N/A           | 155,581                    | 170,027             | 175,171             | 204,320             | 175,088             | 193,468             | 342,075             | 417,937             | 250,521             | 290,992             |
| Terrill Middle                 | N/A           | 128,091                    | 139,984             | 149,909             | 174,854             | 137,747             | 163,245             | 227,646             | 535,643             | 694,554             | 389,969             |
| Scotch Plains-Fanwood High     | N/A           | 315,645                    | 344,951             | 406,817             | 474,513             | 454,850             | 963,583             | 699,144             | 498,380             | 525,359             | 733,975             |
| <b>Total School Facilities</b> |               | <b>\$ 932,740</b>          | <b>\$ 1,019,344</b> | <b>\$ 1,083,664</b> | <b>\$ 1,263,989</b> | <b>\$ 1,089,914</b> | <b>\$ 1,681,378</b> | <b>\$ 1,904,290</b> | <b>\$ 2,290,145</b> | <b>\$ 2,023,808</b> | <b>\$ 2,329,519</b> |

N/A - Not Applicable.

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

Source: Scotch Plains-Fanwood Regional School District records.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
UNAUDITED

|   | <u>Coverage</u>                                  | <u>Deductible</u> |
|---|--|-------------------|
| Utica Insurance Company                       |  |                   |
| MULTI PERIL PACKAGE POLICY                    |  |                   |
| <b>Property</b>                               |  |                   |
| Property - Blanket Building and Contents -    |  |                   |
| Replacement Cost Values                       | \$ 143,303,254                                   | \$ 1,000          |
| Extra Expense                                 | 1,000,000  | 1,000             |
| Flood   | 5,025,000  | 1,000             |
| Musical Instruments                           | Included in property limit                       | 1,000             |
| Miscellaneous Equipment                       | 500,000  | 1,000             |
| Computer Equipment                            | Included in property limit                       | 1,000             |
| Demolition/Increase Cost of Construction      | Included in property limit                       | 1,000             |
| <b>Energy Systems</b>                         |  |                   |
| Spoilage                                      | Included in property limit                       |                   |
| <b>Commercial Liability</b>                   |  |                   |
| Bodily Injury and Property Damage             | Per occurrence 1,000,000                         |                   |
|   | Aggregate 3,000,000                              |                   |
| <b>Damage to Premises Rented</b>              | 100,000  |                   |
| Medical Expense Limit (excluding students)    | 10,000   |                   |
| Employee Benefit Liability                    | Per occurrence and aggregate 1,000,000/3,000,000 | 1,000             |
| <b>Crime Coverage</b>                         |  |                   |
| Employee Dishonesty with Faithful Performance | 100,000  |                   |
| Theft, Disappearance and Destruction -        |  |                   |
| Money and Securities - Inside and Out         | 25,000   |                   |
| Forgery and Alteration                        | 100,000  |                   |
| <b>Business Automotive Coverage</b>           |  |                   |
| Bodily Injury and Property Damage (each)      | 1,000,000  |                   |
| Personal Injury Protection                    | Statutory  |                   |
| Uninsured and Underinsured                    | 1,000,000  |                   |
| Comprehensive Deductible                      |  | 500               |
| Collision Deductible                          |  | 1,000             |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
UNAUDITED

|  | <u>Coverage</u>                                 | <u>Deductible</u> |
|--|---|-------------------|
| Utica Insurance Company<br>EXCESS UMBRELLA                                 | Limit of liability \$ 10,000,000                |                   |
| Fireman's Fund<br>CAP  | Limit of liability (group aggregate) 50,000,000 |                   |
| Selective Insurance Company<br>FLOOD<br>Elementary School #1 -<br>Building | 500,000   |                   |
| Contents   | 500,000   |                   |
| Beazley Insurance Company<br>ENVIRONMENTAL IMPAIRMENT LIABILITY            | Limit of liability (each loss) 1,000,000        | \$ 10,000         |
| Bollinger Insurance Company<br>STUDENT ACCIDENT                            | Limit of liability 5,000,000                    |                   |
| Utica Insurance Company<br>EDUCATION LEGAL LIABILITY                       | 1,000,000/2,000,000                             |                   |
| Selective Insurance Company<br>PUBLIC OFFICIAL BONDS<br>Treasurer          | 400,000   |                   |
| Business Administrator/Board Secretary                                     | 400,000   |                   |
| New Jersey Schools Insurance Group<br>Worker's Compensation                | Statutory                                       |                   |
| Lloyds Insurance Company<br>Cyber Liability                                | 1,000,000                                       | 10,000            |
| International (1/11/17-18)<br>ACE  | 1,000,000                                       |                   |

Source: Scotch Plains-Fanwood Regional School District records.

**SINGLE AUDIT SECTION**





Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax  
Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

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, 2017, 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 20, 2017.

**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.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Nisivoccia, LLP

Mount Arlington, New Jersey  
October 20, 2017

NISIVOCCIA LLP

Kathryn L. Mantell

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Kathryn L. Mantell  
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Report on Compliance For Each Major Federal and State Program;  
Report on Internal Control Over Compliance

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 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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 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.

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

***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, 2017.

**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 the Uniform Guidance and NJOMB 15-08, 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 of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.



NISIVOCCIA LLP

Mount Arlington, New Jersey  
October 20, 2017



Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| Federal Grantor/Pass-Through Grantor/<br>Program Title/Cluster Title  | Federal<br>CFDA<br>Number | Grant or State<br>Project Number | Grant Period |          | Program or<br>Award<br>Amount | Balance at June 30, 2016                         |                   |                  | Balance at June 30, 2017  |  |                   |   |
|---|---------------------------|----------------------------------|--------------|----------|-------------------------------|--|-------------------|------------------|---------------------------|--|-------------------|---|
|   |                           |                                  | From         | To       |                               | Unearned<br>Revenue/<br>(Accounts<br>Receivable) | Due to<br>Grantor | Cash<br>Received | Budgetary<br>Expenditures | Unearned<br>Revenue/<br>(Accounts<br>Receivable) | Due to<br>Grantor | Amount<br>Provided<br>to Sub-<br>recipients |
| U.S. Department of Education - Passed-through<br>State Department of Education:   |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| Special Revenue Fund:   |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| Special Education Cluster:  |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| I.D.E.A. - Part B, Basic Regular  | 84.027                    | IDEA-4670-17                     | 7/1/16       | 6/30/17  | \$ 1,289,360                  |  |                   | \$ 1,289,360     |                           |  |                   |   |
| I.D.E.A. - Part B, Preschool  | 84.173                    | IDEA-4670-17                     | 7/1/16       | 6/30/17  | 55,597                        |  |                   | 55,597           |                           |  |                   |   |
| Subtotal Special Education Cluster  |                           |                                  |              |          | 1,344,957                     |  |                   | 1,344,957        |                           |  |                   |   |
| No Child Left Behind:   |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| Title I   | 84.010                    | NCLB-4670-17                     | 7/1/16       | 6/30/17  | 134,840                       |  |                   | 95,595           |                           |  |                   |   |
| Title I   | 84.010                    | NCLB-4670-16                     | 7/1/15       | 6/30/16  | 110,013                       |  |                   | 21,284           |                           |  |                   |   |
| Title II A  | 84.367A                   | NCLB-4670-17                     | 7/1/16       | 6/30/17  | 122,179                       |  |                   | 49,606           |                           |  |                   |   |
| Title II A  | 84.367A                   | NCLB-4670-16                     | 7/1/15       | 6/30/16  | 134,092                       |  |                   | 18,633           |                           |  |                   |   |
| Title III   | 84.365A                   | NCLB-4670-17                     | 7/1/16       | 6/30/17  | 14,222                        |  |                   | 13,980           |                           |  |                   |   |
| Title III   | 84.365A                   | NCLB-4670-16                     | 7/1/15       | 6/30/16  | 6,826                         |  |                   | 2,909            |                           |  |                   |   |
| Total U. S. Department of Education   |                           |                                  |              |          |                               |  |                   | 1,546,964        |                           |  |                   | (56,274)                                    |
| Total Special Revenue Fund  |                           |                                  |              |          |                               |  |                   | 1,546,964        |                           |  |                   | (56,274)                                    |
| U.S. Department of Health and Human Services -<br>Passed-through State Department of Human Services:<br>Medicaid Cluster: |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| General Fund:   |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| Medical Assistance Program (SEMI)   | 93.778                    | N/A                              | 7/1/16       | 6/30/17  | 41,946                        |  |                   | 41,946           |                           |  |                   | (41,946)                                    |
| Medical Assistance Program (SEMI/ARRA)  | 93.778                    | N/A                              | 4/1/09       | 12/31/09 | 1,550                         |  |                   | 1,550            |                           |  |                   | (1,550)                                     |
| Total U.S. Department of Health and Human Services/Medicaid Cluster   |                           |                                  |              |          |                               |  |                   | 43,496           |                           |  |                   | (43,496)                                    |
| U.S. Department of Agriculture - Passed-through<br>State Department of Agriculture:                                       |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| Child Nutrition Cluster:  |                           |                                  |              |          |                               |  |                   |                  |                           |  |                   |   |
| Special Milk Program  | 10.556                    | N/A                              | 7/1/16       | 6/30/17  | 1,582                         |  |                   | 1,490            |                           |  |                   | (92)  |
| Special Milk Program  | 10.556                    | N/A                              | 7/1/15       | 6/30/16  | 5,860                         |  |                   | 431              |                           |  |                   | (431)                                       |
| National School Lunch Program   | 10.555                    | N/A                              | 7/1/16       | 6/30/17  | 212,325                       |  |                   | 198,578          |                           |  |                   | (13,747)                                    |
| National School Lunch Program   | 10.555                    | N/A                              | 7/1/15       | 6/30/16  | 201,321                       |  |                   | 15,045           |                           |  |                   | (15,045)                                    |
| Federal Food Distribution Program   | 10.555                    | N/A                              | 7/1/16       | 6/30/17  | 103,118                       |  |                   | 103,118          |                           |  |                   | (103,118)                                   |
| Subtotal Child Nutrition Cluster  |                           |                                  |              |          |                               |  |                   | 318,662          |                           |  |                   | (13,839)                                    |
| Total U.S. Department of Agriculture  |                           |                                  |              |          |                               |  |                   | 318,662          |                           |  |                   | (13,839)                                    |
| TOTAL FEDERAL AWARDS  |                           |                                  |              |          |                               |  |                   | \$ 58,302        |                           |  |                   | \$ -0-                                      |

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

N/A - Not Available/Applicable

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| State Grantor/Program Title               | Grant or State Project Number | Grant Period |         | Program or Award Amount | Balance at June 30, 2016                         |                | Cash Received | Budgetary Expenditures | Prior Year Budgetary Receivable Canceled | Repayment of Prior Years' Balances | Balance at June 30, 2017   |                      | MEMO Cumulative Total Expenditures |  |
|---|-------------------------------|--------------|---------|-------------------------|--|----------------|---------------|------------------------|--|------------------------------------|----------------------------|----------------------|------------------------------------|--|
|   |                               | From         | To      |                         | Budgetary Unearned Revenue/(Accounts Receivable) | Due to Grantor |               |                        |  |                                    | GAAP (Accounts Receivable) | Budgetary Receivable |                                    |  |
| State Department of Education:            |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| General Fund:                             |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Transportation Aid                        | 17-495-034-5120-014           | 7/1/16       | 6/30/17 | \$ 237,609              | \$   | \$ 216,061     | \$ (237,609)  |                        |  |                                    | \$ (21,548)                | \$ 237,609           |                                    |  |
| Transportation Aid                        | 16-495-034-5120-014           | 7/1/15       | 6/30/16 | 204,541                 | (18,351)   | 18,351         |               |                        |  |                                    |                            |                      |                                    |  |
| Special Education Categorical Aid         | 17-495-034-5120-089           | 7/1/16       | 6/30/17 | 2,518,908               | (228,808)  | 2,290,476      | (2,518,908)   |                        |  |                                    | (228,432)                  | 2,518,908            |                                    |  |
| Special Education Categorical Aid         | 16-495-034-5120-089           | 7/1/15       | 6/30/16 | 2,550,339               |  | 228,808        |               |                        |  |                                    |                            |                      |                                    |  |
| Security Aid                              | 17-495-034-5120-084           | 7/1/16       | 6/30/17 | 86,844                  | (7,756)  | 89,880         | (98,844)      |                        |  |                                    | (8,964)                    | 98,844               |                                    |  |
| Security Aid                              | 16-495-034-5120-084           | 7/1/15       | 6/30/16 | 98,448                  |  | 7,756          |               |                        |  |                                    |                            |                      |                                    |  |
| Per Pupil Growth Aid                      | 17-495-034-5120-097           | 7/1/16       | 6/30/17 | 53,090                  | (4,763)  | 48,275         | (53,090)      |                        |  |                                    | (4,815)                    | 53,090               |                                    |  |
| Per Pupil Growth Aid                      | 16-495-034-5120-097           | 7/1/15       | 6/30/16 | 53,090                  |  | 4,763          |               |                        |  |                                    |                            |                      |                                    |  |
| PARCC Readiness Aid                       | 17-495-034-5120-098           | 7/1/16       | 6/30/17 | 53,090                  | (4,763)  | 48,275         | (53,090)      |                        |  |                                    | (4,799)                    | 53,090               |                                    |  |
| PARCC Readiness Aid                       | 16-495-034-5120-098           | 7/1/15       | 6/30/16 | 53,090                  |  | 4,763          |               |                        |  |                                    |                            |                      |                                    |  |
| Professional Learning Community Aid       | 17-495-034-5120-101           | 7/1/16       | 6/30/17 | 52,925                  |  | 48,126         | (52,925)      |                        |  |                                    | (4,799)                    | 52,925               |                                    |  |
| Extraordinary Special Education Costs Aid | 17-495-034-5120-044           | 7/1/16       | 6/30/17 | 1,205,421               | (1,332,156)                                      | 1,332,156      | (1,205,421)   |                        |  |                                    | (1,205,421)                | 1,205,421            |                                    |  |
| Extraordinary Special Education Costs Aid | 16-495-034-5120-044           | 7/1/15       | 6/30/16 | 1,332,156               |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Nonpublic School Transportation Costs     | 17-495-034-5120-014           | 7/1/16       | 6/30/17 | 28,710                  | (37,062)   | 37,062         | (28,710)      |                        |  |                                    | (28,710)                   | 28,710               |                                    |  |
| Nonpublic School Transportation Costs     | 16-495-034-5120-014           | 7/1/15       | 6/30/16 | 37,062                  |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| On-Behalf TPAF Contributions:             |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Post-Retirement Medical                   | 17-495-034-5094-001           | 7/1/16       | 6/30/17 | 3,094,272               |  | 3,094,272      | (3,094,272)   |                        |  |                                    |                            | 3,094,272            |                                    |  |
| Pension                                   | 17-495-034-5094-002           | 7/1/16       | 6/30/17 | 3,583,750               |  | 3,583,750      | (3,583,750)   |                        |  |                                    |                            | 3,583,750            |                                    |  |
| Non-Contributory Insurance                | 17-495-034-5094-004           | 7/1/16       | 6/30/17 | 129,848                 |  | 129,848        | (129,848)     |                        |  |                                    |                            | 129,848              |                                    |  |
| Long-Term Disability Insurance            | 17-495-034-5094-004           | 7/1/16       | 6/30/17 | 10,936                  |  | 10,936         | (10,936)      |                        |  |                                    |                            | 10,936               |                                    |  |
| Reimbursed TPAF Contributions:            |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Social Security Aid                       | 17-495-034-5094-003           | 7/1/16       | 6/30/17 | 2,613,924               | (119,096)  | 2,488,282      | (2,613,924)   |                        |  |                                    | (125,642)                  | 2,613,924            |                                    |  |
| Social Security Aid                       | 16-495-034-5094-003           | 7/1/15       | 6/30/16 | 2,430,150               |  | 119,096        |               |                        |  |                                    |                            |                      |                                    |  |
| Total General Fund State Aid              |                               |              |         |                         | (1,752,755)                                      | 13,800,936     | (13,681,327)  |                        |  |                                    | (1,633,146)                | 13,681,327           |                                    |  |
| Special Revenue Fund:                     |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| NJ Nonpublic Aid:                         |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Technology Initiative                     | 17-100-034-5120-373           | 7/1/16       | 6/30/17 | 27,950                  |  | 27,950         | (27,677)      |                        |  |                                    | \$ 273                     | 27,677               |                                    |  |
| Technology Initiative                     | 16-100-034-5120-373           | 7/1/15       | 6/30/16 | 27,534                  |  | 53,750         | (52,435)      |                        |  |                                    | 1,315                      | 52,435               |                                    |  |
| Security Aid                              | 17-100-034-5120-509           | 7/1/16       | 6/30/17 | 26,475                  | 613  | 61,963         | (61,706)      |                        |  |                                    | 257                        | 61,706               |                                    |  |
| Security Aid                              | 16-100-034-5120-509           | 7/1/15       | 6/30/16 | 61,963                  |  | 466            |               |                        |  |                                    | 6,963                      | 89,787               |                                    |  |
| Textbook Aid (Chapter 194)                | 17-100-034-5120-064           | 7/1/16       | 6/30/17 | 60,470                  | 6,744  | 96,750         | (89,787)      |                        |  |                                    |                            | 96,750               |                                    |  |
| Textbook Aid (Chapter 194)                | 16-100-034-5120-064           | 7/1/15       | 6/30/16 | 96,750                  |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Nursing Services (Chapter 226)            | 17-100-034-5120-070           | 7/1/16       | 6/30/17 | 95,310                  |  | 72,381         | (71,306)      |                        |  |                                    | 1,075                      | 71,306               |                                    |  |
| Nursing Services (Chapter 226)            | 16-100-034-5120-070           | 7/1/15       | 6/30/16 | 95,310                  |  | 914            |               |                        |  |                                    | 914                        |                      |                                    |  |
| Auxiliary Services (Chapter 192):         |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Compensatory Education                    | 17-100-034-5120-067           | 7/1/16       | 6/30/17 | 78,511                  |  | 1,726          | (19,365)      |                        |  |                                    |                            | 19,365               |                                    |  |
| Compensatory Education                    | 16-100-034-5120-067           | 7/1/15       | 6/30/16 | 914                     |  | 8,077          | (2,055)       |                        |  |                                    | (2,055)                    | 2,055                |                                    |  |
| English as a Second Language              | 17-100-034-5120-067           | 7/1/16       | 6/30/17 | 19,365                  |  | 19,365         | (19,365)      |                        |  |                                    |                            |                      |                                    |  |
| English as a Second Language              | 16-100-034-5120-067           | 7/1/15       | 6/30/16 | 2,055                   |  | 8,077          | (2,055)       |                        |  |                                    |                            |                      |                                    |  |
| Transportation                            | 17-100-034-5120-067           | 7/1/16       | 6/30/17 | 8,077                   |  | 134,576        | (130,888)     |                        |  |                                    | 3,688                      | 130,888              |                                    |  |
| Transportation                            | 16-100-034-5120-067           | 7/1/15       | 6/30/16 | 8,077                   |  | 180,439        | (172,688)     |                        |  |                                    | 7,751                      | 172,688              |                                    |  |
| Home Instruction                          | 17-100-034-5120-066           | 7/1/16       | 6/30/17 | 134,576                 |  | 53,832         | (16,698)      |                        |  |                                    | 6,273                      | 16,698               |                                    |  |
| Home Instruction                          | 16-100-034-5120-066           | 7/1/15       | 6/30/16 | 134,576                 |  | 22,971         |               |                        |  |                                    |                            |                      |                                    |  |
| Handicapped Services (Chapter 193):       |                               |              |         |                         |  |                |               |                        |  |                                    |                            |                      |                                    |  |
| Supplementary Instruction                 | 17-100-034-5120-066           | 7/1/16       | 6/30/17 | 129,207                 |  | 2,153          | (49,500)      |                        |  |                                    | (4,950)                    | 49,500               |                                    |  |
| Supplementary Instruction                 | 16-100-034-5120-066           | 7/1/15       | 6/30/16 | 129,207                 |  | 4,950          |               |                        |  |                                    |                            |                      |                                    |  |
| Examination and Classification            | 17-100-034-5120-066           | 7/1/16       | 6/30/17 | 172,803                 |  | 8,311          | (17,000)      |                        |  |                                    |                            | 17,000               |                                    |  |
| Examination and Classification            | 16-100-034-5120-066           | 7/1/15       | 6/30/16 | 172,803                 |  | 8,311          |               |                        |  |                                    |                            |                      |                                    |  |
| Corrective Speech                         | 17-100-034-5120-066           | 7/1/16       | 6/30/17 | 25,082                  |  | 4,848          | (2,153)       |                        |  |                                    |                            | 2,153                |                                    |  |
| Corrective Speech                         | 16-100-034-5120-066           | 7/1/15       | 6/30/16 | 25,082                  |  | 4,848          |               |                        |  |                                    |                            |                      |                                    |  |
| NJ Achievement Coaches Program            | 17-495-034-5120-086           | 7/1/16       | 6/30/17 | 49,500                  |  | 49,500         | (49,500)      |                        |  |                                    |                            | 49,500               |                                    |  |
| Preschool Education Aid                   | 16-495-034-5120-086           | 7/1/15       | 6/30/16 | 49,500                  |  | 4,950          |               |                        |  |                                    |                            |                      |                                    |  |
| Total Special Revenue Fund                |                               |              |         |                         | (15,180)   | 80,346         | (730,789)     | (694,105)              |  |                                    | (80,346)                   | 28,509               | 694,105                            |  |

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| State Grantor/Program Title                                     | Project Number      | Grant Period |         | Program or Award Amount | Balance at June 30, 2016 |                            | Cash Received | Budgetary Expenditures | Prior Year Budgetary Receivable Canceled | Repayment of Prior Years' Balances | Balance at June 30, 2017 |                      | MEMO      |                               |               |
|---|---------------------|--------------|---------|-------------------------|--------------------------|----------------------------|---------------|------------------------|--|------------------------------------|--------------------------|----------------------|-----------|-------------------------------|---------------|
|   |                     | From         | To      |                         | Due to Grantor           | Budgetary Unearned Revenue |               |                        |  |                                    | Due to Grantor           | Budgetary Receivable |           | Cumulative Total Expenditures |               |
| <b>State Department of Education:</b>                           |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
| <b>Enterprise Fund:</b>   |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
| State School Lunch Program                                      | 17-100-010-3350-023 | 7/1/16       | 6/30/17 | \$ 13,737               | \$                       | 12,820                     | \$ (13,737)   |                        |  |                                    | \$ (917)                 | \$                   | (917)     | \$ 13,737                     |               |
| State School Lunch Program                                      | 16-100-010-3350-023 | 7/1/15       | 6/30/16 | 12,803                  | \$ (979)                 | 979                        |               |                        |  |                                    |                          |                      |           |                               |               |
| <b>Total Enterprise Fund</b>                                    |                     |              |         |                         | (979)                    | 13,799                     | (13,737)      |                        |  |                                    | (917)                    |                      | (917)     | 13,737                        |               |
| <b>Schools Development Authority:</b>                           |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
| <b>Capital Projects Fund:</b>                                   |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
| Educational Facilities Construction & Financing Act:            |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
| Security Alarm System:  |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
| Park Middle School  | 4670-060-14-1007    | 7/1/14       | 6/30/17 | 38,100                  | (38,100)                 | 16,191                     |               | \$ 21,909              |  |                                    |                          |                      |           | 16,191                        |               |
| Terrill Middle School   | 4670-065-14-1008    | 7/1/14       | 6/30/17 | 36,336                  | (36,336)                 | 20,772                     |               | 15,564                 |  |                                    |                          |                      |           | 20,772                        |               |
| School One Elementary School                                    | 4670-070-14-1015    | 7/1/14       | 6/30/17 | 12,058                  | (12,058)                 | 11,884                     | (97)          | 174                    |  |                                    |                          |                      |           | 11,884                        |               |
| Brunner Elementary School                                       | 4670-080-14-1016    | 7/1/14       | 6/30/17 | 12,084                  | (12,084)                 | 11,795                     | (39)          | 289                    |  |                                    |                          |                      |           | 11,795                        |               |
| Coles Elementary School   | 4670-085-14-1017    | 7/1/14       | 6/30/17 | 12,084                  | (12,084)                 | 12,084                     |               |                        |  |                                    |                          |                      |           | 12,084                        |               |
| Window Replacement:   |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
| Coles Elementary School   | 4670-085-14-1018    | 7/1/14       | 6/30/17 | 215,552                 | (215,552)                |                            |               |                        |  |                                    |                          |                      | (215,552) |                               |               |
| Evergreen Elementary School                                     | 4670-090-14-1019    | 7/1/14       | 6/30/17 | 260,374                 | (260,374)                |                            |               |                        |  |                                    |                          |                      | (260,374) |                               |               |
| <b>Total Capital Projects Fund</b>                              |                     |              |         |                         | (586,588)                | 72,726                     | (136)         | 37,936                 |  |                                    |                          |                      | (475,926) | 72,726                        |               |
| <b>TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION</b> |                     |              |         |                         |                          |                            |               |                        |  |                                    |                          |                      |           |                               |               |
|   |                     |              |         |                         | \$ (2,355,502)           | \$ 80,346                  | \$ 14,618,250 | \$ (14,389,505)        | \$ 37,936                                | \$ (80,346)                        | \$ (1,362,745)           | \$ -                 | \$ 28,509 | \$ (2,116,994)                | \$ 14,461,895 |

Less - State Awards Not Subject to Single Audit Major Program Determination:

| On-Behalf TPAF Pension System Contributions:                                  | Grant Period | Program or Award Amount | Budgetary Expenditures |
|---|--------------|-------------------------|------------------------|
| 17-495-034-5094-001   | 7/1/16       | 3,094,272               | 3,094,272              |
| 17-495-034-5094-002   | 7/1/16       | 3,583,750               | 3,583,750              |
| 17-495-034-5094-004   | 7/1/16       | 129,848                 | 129,848                |
| 17-495-034-5094-004   | 7/1/16       | 10,936                  | 10,936                 |
| <b>Subtotal On-Behalf TPAF Pension System Contributions</b>                   |              | <b>6,818,806</b>        | <b>6,818,806</b>       |
| <b>TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION</b> |              | <b>\$ (7,570,499)</b>   |                        |

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, 2017

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, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *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, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the 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. Grant revenue in the capital projects fund is recognized on the budgetary basis in the fiscal year of award but is not recognized on the GAAP basis until expended and submitted for reimbursement.



SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(8,932) for the general fund and \$10,514 for the special revenue fund (of which \$10,643 is attributable to local grants and are not included on the schedules of expenditures of state and federal awards). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue and capital projects funds.

Awards and financial assistance revenue are reported on the Board's financial statements on a GAAP basis as presented below:

|                              | <u>Federal</u>      | <u>State</u>         | <u>Total</u>        |
|------------------------------|---------------------|----------------------|---------------------|
| General Fund                 | \$ 43,496           | \$ 13,672,395        | \$13,715,891        |
| Special Revenue Fund         | 1,560,283           | 694,105              | 2,254,388           |
| Capital Projects Fund        |                     | 136                  | 136                 |
| Food Service Enterprise Fund | <u>317,025</u>      | <u>13,737</u>        | <u>330,762</u>      |
| Total Financial Assistance   | <u>\$ 1,920,804</u> | <u>\$ 14,380,373</u> | <u>\$16,301,177</u> |

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. 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, 2017. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

NOTE 7. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANTS

The District had grants awarded in the amount of \$586,588 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. During the fiscal year, the District expended and submitted \$136 for reimbursement, received \$72,726 and canceled the \$37,936 of grants receivable for completed projects. As of June 30, 2017, \$475,926 is receivable for uncompleted projects on the budgetary basis and \$-0- is receivable on the GAAP basis as the remaining grants have not been expended nor submitted for reimbursement. In the Capital Projects Fund, the District realizes the full amount of the grant revenue on a budgetary basis in the year awarded and realizes the grant revenue on a GAAP basis as it is expended and submitted for reimbursement. Expenditures reported under the NJSDA on the Schedule of Expenditures of State Awards represent reimbursement requests submitted to the NJSDA.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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*.
- 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's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's federal and state programs tested as major programs for the current fiscal year were the following:

|                            | <u>C.F.D.A. Number/<br/>State Grant Number</u> | <u>Grant Period</u> | <u>Award<br/>Amount</u> | <u>Budgetary<br/>Expenditures</u> |
|----------------------------|--|---------------------|-------------------------|-----------------------------------|
| <u>Federal:</u>            |  |                     |                         |                                   |
| Special Education Cluster: |  |                     |                         |                                   |
| I.D.E.A. - Part B, Basic:  |  |                     |                         |                                   |
| Regular                    | 84.027   | 7/1/16-6/30/17      | \$ 1,289,360            | \$ 1,289,360                      |
| Preschool                  | 84.173   | 7/1/16-6/30/17      | 55,597                  | 55,597                            |
| <u>State:</u>              |  |                     |                         |                                   |
| Extraordinary Special      |  |                     |                         |                                   |
| Education Costs Aid        | 17-495-034-5120-044                            | 7/1/16-6/30/17      | 1,205,421               | 1,205,421                         |
| Reimbursed TPAF            |  |                     |                         |                                   |
| Social Security Aid        | 17-495-034-5094-003                            | 7/1/16-6/30/17      | 2,613,924               | 2,613,924                         |

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$750,000.
- The single audit threshold identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 was \$750,000.
- The District was determined to be a "low-risk" auditee for both state and federal programs.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

The District had no prior year audit findings.