

**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, 2018**

**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, 2018

Prepared by

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

Finance Department

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal.....	1
Organizational Chart.....	6
Roster of Officials	7
Consultants and Advisors	8
FINANCIAL SECTION	9
Independent Auditors' Report	10
Required Supplementary Information	13
Management's Discussion and Analysis (Unaudited)	14
Basic Financial Statements (Sections A. and B.)	23
A. District-Wide Financial Statements	24
A-1 Statement of Net Position.....	25
A-2 Statement of Activities	26
B. Fund Financial Statements	28
B-1 Balance Sheet – Governmental Funds.....	29
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	30
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
B-4 Statement of Net Position – Proprietary Funds	32
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.....	33
B-6 Statement of Cash Flows – Proprietary Funds	34
B-7 Statement of Fiduciary Net Position – Fiduciary Funds	35
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	36
Notes to the Basic Financial Statements	37

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

FINANCIAL SECTION (Cont'd)

Required Supplementary Information (Unaudited)	82
L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other than Pensions (Unaudited)	83
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees' Retirement System	83
L-2 Schedule of District Contributions – Public Employees' Retirement System	84
L-3 Schedule of State's Proportionate Share of the Net Pension Liability Attributable to the District – Teachers' Pension and Annuity Fund	85
L-4 Schedule of State Contributions – Teachers' Pension and Annuity Fund	86
L-5 Schedule of Changes in the State's Total OPEB Liability and Related Ratios	87
L-6 Schedule of Changes in the District's Total OPEB Liability and Related Ratios	88
Notes to Required Supplementary Information (Unaudited)	89
C. Budgetary Comparison Schedules (Unaudited)	91
C-1 Budgetary Comparison Schedule – General Fund	92
C-2 Budgetary Comparison Schedule – Special Revenue Fund	107
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information	108
Supplementary Schedules (Sections D. to I.)	
D. School Level Schedules (Not Applicable)	110
E. Special Revenue Fund	111
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis	112
E-2 Preschool Education Aid Schedule of Expenditures Special Revenue Fund – Budgetary Basis	116
F. Capital Projects Fund	117
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	118
F-1a Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Park Middle School – Stage Lights and Sound Project	119
F-1b Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Evergreen Elementary School – Window Replacement Project	120
F-1c Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Coles Elementary School – Window Replacement Project	121
F-1d Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Evergreen Elementary School – Addition Project	122
F-1e Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – McGinn Elementary School – Addition Project	123
F-1f Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis – Park Middle School – Parking Lot Project	124

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

FINANCIAL SECTION (Cont'd)

Supplementary Schedules (Sections D. to I.) (Cont'd)

G. Proprietary Funds	125
Enterprise Funds:	
G-1 Combining Statement of Net Position	126
G-2 Combining Statement of Revenue, Expenses and Changes in Fund Net Position	127
G-3 Combining Statement of Cash Flows	128
H. Fiduciary Funds.....	129
H-1 Combining Statement of Fiduciary Net Position	130
H-2 Statement of Changes in Fiduciary Net Position.....	131
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	132
H-4 Student Activity Agency Fund Statement of Activity.....	133
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements.....	134
I. Long-Term Debt	135
I-1 Schedule of Serial Bonds	136
I-2 Schedule of Obligations Under Capital Leases	137
I-3 Debt Service Fund Budgetary Comparison Schedule	138

STATISTICAL SECTION

J. Statistical Section (Unaudited).....	139
J-1 Net Position by Component	140
J-2 Changes in Net Position	141
J-3 Fund Balances - Governmental Funds	143
J-4 Changes in Fund Balances - Governmental Funds.....	144
J-5 General Fund Other Local Revenue by Source.....	146
J-6 Assessed Value and Estimated Actual Value of Taxable Property	147
J-7 Direct and Overlapping Property Tax Rates	148
J-8 Principal Property Taxpayers	149
J-9 Property Tax Levies and Collections	150
J-10 Ratios of Outstanding Debt by Type.....	151
J-11 Ratios of Net General Bonded Debt Outstanding	152
J-12 Ratios of Overlapping Governmental Activities Debt	153
J-13 Legal Debt Margin Information	154
J-14 Demographic and Economic Statistics.....	155
J-15 Principal Employers	156
J-16 Full-Time Equivalent District Employees by Function/Program.....	157
J-17 Operating Statistics	158
J-18 School Building Information.....	159
J-19 Schedule of Required Maintenance for School Facilities	161
J-20 Insurance Schedule.....	162

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

K.	SINGLE AUDIT SECTION	164
K-1	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	165
K-2	Independent Auditor's Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance	167
K-3	Schedule of Expenditures of Federal Awards	169
K-4	Schedule of Expenditures of State Awards	170
K-5	Notes to Schedules of Expenditures of Federal and State Awards.....	172
K-6	Schedule of Findings and Questioned Costs	174
K-7	Summary Schedule of Prior Audit Findings	176

INTRODUCTORY SECTION

The Scotch Plains-Fanwood Public Schools

Evergreen Avenue and Cedar Street
SCOTCH PLAINS, NEW JERSEY 07076

January 18, 2019

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, 2018. 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 2017-2018 school year with an average daily enrollment of 5,471 students, compared to 5,440 students as of June 30, 2017. 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

During the 2017-2018 school year, the District's end-of-life data center was migrated to a cloud service, and all of the servers were upgraded to Windows 2016. Additional wireless access points were added to the middle schools, increasing potential device density and moving the schools closer to an access point in each classroom. Wireless access was created for the high school stadium, and a wired network was created in the press box for live feeds of games, graduation, and other events. Fiber networks were installed in the elementary schools in preparation of upgrading their networks to 10 GB. In the middle schools and high school, ongoing replacement of aging student computers continued, keeping our technology inventory up to date.

Mathematics

During the 2017-2018 school year, the mathematics department professional development activities focused on the use of the flipped classroom model and lesson study. Elementary teachers of grades 2, 3, and 4 engaged in a comprehensive lesson study, focused on fraction concepts. Middle and high school teachers learned strategies to present material and/or pre-set lessons using Google Classroom.

Language Arts

In the Language Arts Department, the textbook and trade book resource inventory continued to be replenished during the 2017-2018 school year. These resources included some of the following titles: *To Kill a Mockingbird*, *The Wave*, and *Romeo and Juliet*. We also continued to purchase teacher texts to support continued professional development in reading and writing instruction. Titles such as *180 Days* and *Whole Class Novels for the Whole Class* helped us to continue to move towards this goal. The department also continues to expand our classroom libraries to better facilitate student choice in independent reading. 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*. In addition, we supported teachers with professional texts such as *The Reading Strategies Book* and *The Writing Strategies Book*. We also purchased multi-cultural texts by diverse authors about diverse subjects to help teachers fill out their classroom libraries. Since it is vital that students see literature as both a mirror to their own experience and a window to a world beyond themselves, these texts will play a vital role in helping our students become global citizens. 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 2017-2018 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 to expand students' perspectives and understanding of the social sciences. 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 2017-2018 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 Grade 2 and 3 classes transitioned to the new Next Generation Science Standards aligned FOSS modules. The curriculum was revised and teachers were provided with the necessary professional development 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 2017-2018 school year funding continued to support the purchase of classroom ancillary materials, professional development opportunities and general classroom supplies that are used to enhance performance assessments. Ancillary materials include classroom sets of leveled readers, subscriptions to native language magazines, and audio recordings to support the curriculum. Spending was allocated for teachers to attend World Language workshops outside of the District which allowed teachers to turnkey their learning to their colleagues throughout the year

Fine Arts

During the 2017-2018 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, curriculum re-writing, transportation, supplies, field trips, sheet music, increases to uniform and instrument inventories, marching band props, instrumental and equipment refurbishing.

Professional Development

In 2017-2018 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.

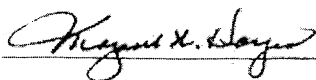
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2018.

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.

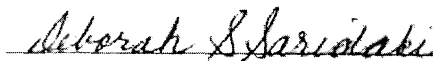
7) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state 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,

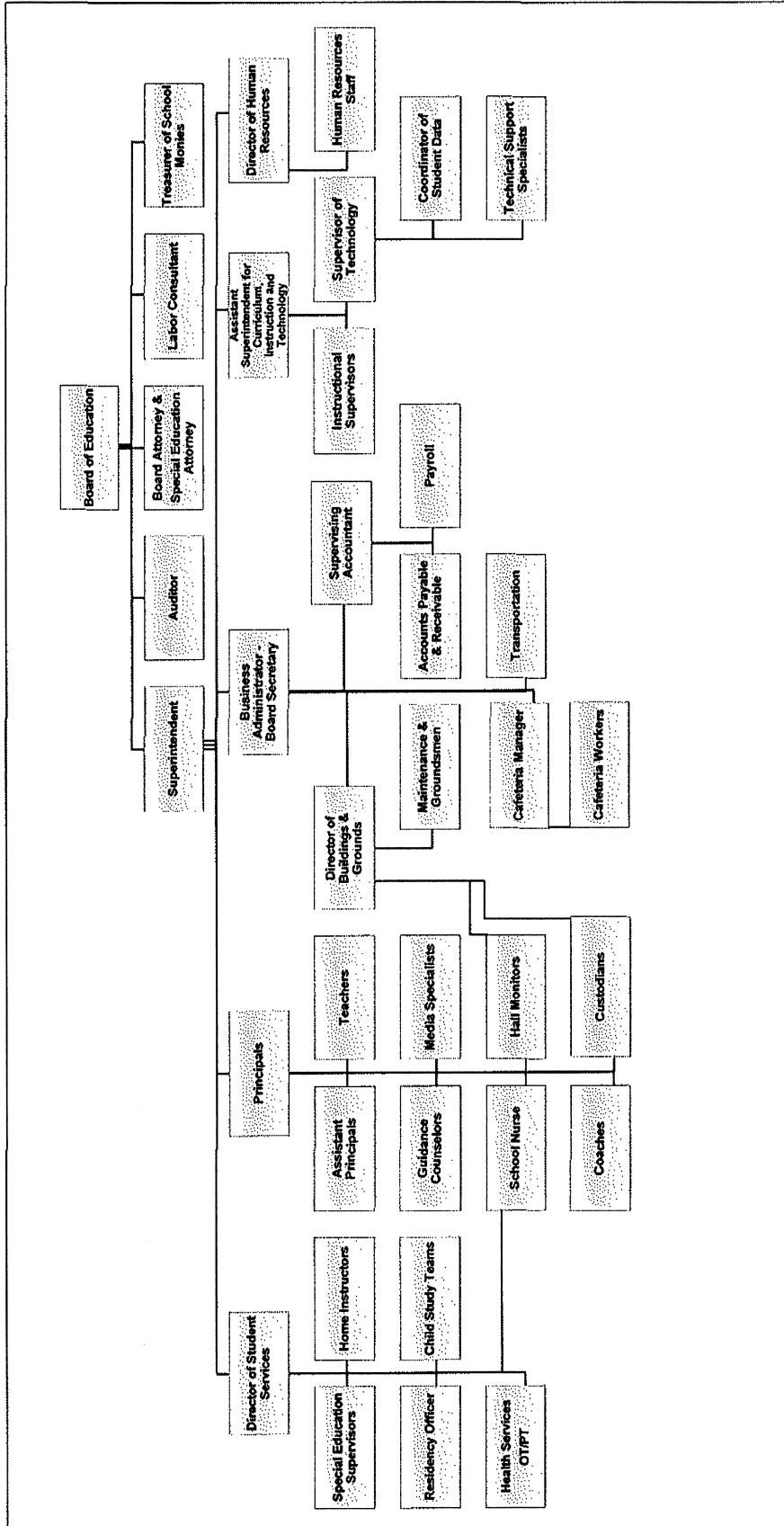


Dr. Margaret W. Hayes
Superintendent of Schools



Deborah S. Saridaki
School Business Administrator/Board Secretary

**Organizational Chart
 Scotch Plains-Fanwood Public Schools
 2017 - 2018**



**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Nancy Bauer, President	2019
Karen Kulikowski, Vice President	2021
Amy Boroff	2020
Debora Brody	2021
Dr. Cynthia Clancy	2020
Evan Murray	2020
Stephanie Suriani	2019
Tonya Williams	2021
Amy Winkler	2019

Other Officials

Title

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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

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

Attorneys

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

Nathanya Simon, Esq.
Scarinci & Hollenbeck LLC
1100 Valley Brook Avenue
PO Box 790
Lyndhurst, NJ 07071-0790

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

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

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 pension and postemployment benefit schedules in Exhibits L-1 through L-6 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.

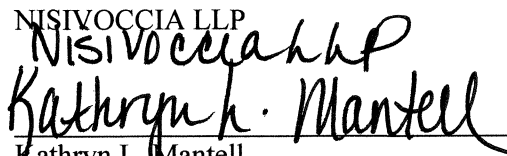
The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records 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 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 January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA LLP

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, 2018
(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, 2018. 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.

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.

Figure A-1

Organization of the School District’s Financial Report

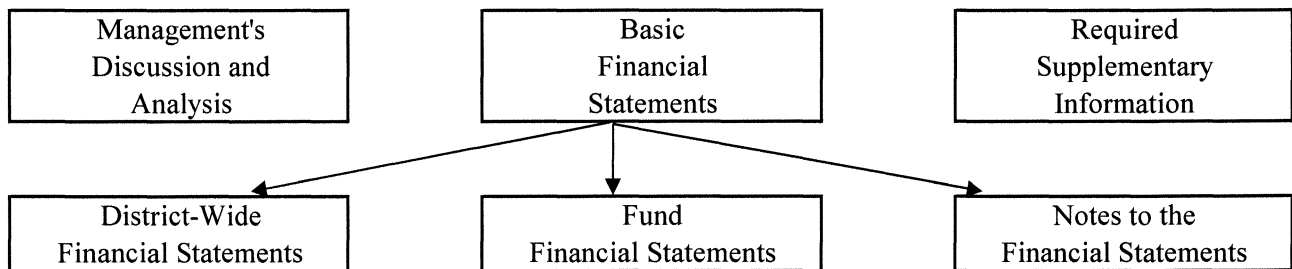


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	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 year end; 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, 2018
(UNAUDITED)**

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, 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, 2018
(UNAUDITED)**

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

Net Position. The District's *combined* net position was \$17,101,779 on June 30, 2018, \$2,625,348 or 18.14% more than the year before (See Figure A-3). Net investment in capital assets increased by \$3,082,091 due to bonded debt maturities of \$1,195,000, \$632,175 of capital leases retired, and \$3,718,997 of capital additions, offset by \$635,000 in new capital leases, \$76,652 of deferred amount on refunding amortized, depreciation of \$1,608,368 and \$31,815 related to governmental and business-type activities capital assets, respectively, and capital asset disposals, net of depreciation, of \$112,246. Restricted net position decreased by \$1,538,936 due to a net decrease in the capital reserve account of \$1,555,772, offset by an increase in the maintenance reserve account of \$16,836. Unrestricted net position increased by \$1,082,193 mainly due to the changes in net pension liability and deferred inflows and outflows of resources related to pensions, unexpended budget appropriations and an excess in federal, state and local revenues, offset by increases in compensated absences payable and the liability for the other postemployment benefits payable.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2017/18
	2017/18	2016/17 (Restated)	2017/18	2016/17	2017/18	2016/17 (Restated)	
Current and							
Other Assets	\$ 20,413,017	\$ 19,570,023	\$ 966,992	\$ 917,981	\$ 21,380,009	\$ 20,488,004	
Capital Assets, Net	46,679,133	44,731,426	495,352	476,491	47,174,485	45,207,917	
Total Assets	67,092,150	64,301,449	1,462,344	1,394,472	68,554,494	65,695,921	4.35%
Deferred Outflows of Resources	8,839,820	12,281,525			8,839,820	12,281,525	-28.02%
Other Liabilities	2,495,693	2,950,033	125,133	246,732	2,620,826	3,196,765	
Long-Term Liabilities	51,550,674	60,304,250			51,550,674	60,304,250	
Total Liabilities	54,046,367	63,254,283	125,133	246,732	54,171,500	63,501,015	-14.69%
Deferred Inflows of Resources	6,121,035				6,121,035		100.00%
Net Position:							
Net Investment in Capital Assets	40,674,193	37,610,963	495,352	476,491	41,169,545	38,087,454	
Restricted	9,401,649	10,940,585			9,401,649	10,940,585	
Unrestricted (Deficit)	(34,311,274)	(35,222,857)	841,859	671,249	(33,469,415)	(34,551,608)	
Total Net Position	\$ 15,764,568	\$ 13,328,691	\$ 1,337,211	\$ 1,147,740	\$ 17,101,779	\$ 14,476,431	18.14%

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Changes in Net Position. The District's combined net position increased by \$2,625,348 or 18.14%. Net position from governmental activities increased by \$2,435,877 and net position from business-type activities increased by \$189,471 (See Figure A-4).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2017/18
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	
Revenue:							
Program Revenue:							
Charges for Services	\$ 370,043	\$ 326,598	\$ 1,663,185	\$ 1,549,194	\$ 2,033,228	\$ 1,875,792	
Grants and Contributions:							
Operating	36,729,234	31,671,333	348,875	330,762	37,078,109	32,002,095	
Capital		136				136	
General Revenue:							
Property Taxes	88,093,407	85,750,008			88,093,407	85,750,008	
Unrestricted State/ Federal Aid	295,940	295,334			295,940	295,334	
Other	443,833	340,720	6,329	1,953	450,162	342,673	
Total Revenue	<u>125,932,457</u>	<u>118,384,129</u>	<u>2,018,389</u>	<u>1,881,909</u>	<u>127,950,846</u>	<u>120,266,038</u>	6.39%
Expenses:							
Instruction	71,736,142	66,443,099			71,736,142	66,443,099	
Pupil and Instruction Services	25,728,064	24,318,228			25,728,064	24,318,228	
Administration and Business	9,329,147	8,666,922			9,329,147	8,666,922	
Maintenance and Operations	11,528,538	12,488,899			11,528,538	12,488,899	
Transportation	3,503,244	3,648,484			3,503,244	3,648,484	
Other	1,671,445	1,507,756	1,749,627	1,694,554	3,421,072	3,202,310	
Total Expenses	<u>123,496,580</u>	<u>117,073,388</u>	<u>1,749,627</u>	<u>1,694,554</u>	<u>125,246,207</u>	<u>118,767,942</u>	5.45%
Disposal of Capital Assets, Net of Depreciation			(79,291)	(3,134)	(79,291)	(3,134)	
Increase in Net Position	<u>\$ 2,435,877</u>	<u>\$ 1,310,741</u>	<u>\$ 189,471</u>	<u>\$ 184,221</u>	<u>\$ 2,625,348</u>	<u>\$ 1,494,962</u>	75.61%

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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-5 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-5
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017/2018	2016/2017	2017/2018	2016/2017
Instruction	\$ 71,736,142	\$ 66,443,099	\$45,485,560	\$44,026,629
Pupil and Instruction Services	25,728,064	24,318,228	20,253,924	19,385,357
Administration and Business	9,329,147	8,666,922	6,826,487	6,510,011
Maintenance and Operations	11,528,538	12,488,899	9,232,263	10,505,211
Transportation	3,503,244	3,648,484	2,927,624	3,140,357
Other	1,671,445	1,507,756	1,671,445	1,507,756
	<u>\$ 123,496,580</u>	<u>\$ 117,073,388</u>	<u>\$ 86,397,303</u>	<u>\$ 85,075,321</u>

Business-Type Activities

The net position of the District's business-type activities increased by \$189,471 (an increase of \$187,281 in the Food Service Fund and \$2,190 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Financial Analysis of the District's Funds

While the District's financial position increased \$2,625,348 on a District-wide basis, it increased \$1,310,999 on a fund basis. The overall General Fund fund balance increased \$1,324,797 primarily due to savings that were achieved in anticipated expenditures for the fiscal year, and the Capital Projects Fund fund balance decreased \$13,798 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 \$1,966,568, or 4.35%, from the previous year. This increase is attributable to the District's investment of \$3,718,997 in capital assets (\$3,589,030 and \$129,967 associated with governmental and business-type activities, respectively), offset by \$1,608,368 and \$31,815 of depreciation related to governmental and business-type capital assets, respectively and capital asset disposals, net of depreciation, of \$112,246. (More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements).

**Figure A-6
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	
Sites (Land)	\$ 449,315	\$ 449,315			\$ 449,315	\$ 449,315	
Construction in Progress Buildings and Building Improvements	1,319,185	1,603,445			1,319,185	1,603,445	
Machinery and Equipment	42,674,405	40,410,927			42,674,405	40,410,927	
Total Capital Assets, Net of Depreciation	2,236,228	2,267,739	\$ 495,352	\$ 476,491	2,731,580	2,744,230	
	\$ 46,679,133	\$ 44,731,426	\$ 495,352	\$ 476,491	\$ 47,174,485	\$ 45,207,917	4.35%

**SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Long-term Liabilities

The District's long-term liabilities decreased by \$8,753,576, or 14.52%, from the previous year. At year-end, the District had \$5,435,000 in outstanding general obligation bonds, as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements).

**Figure A-7
Outstanding Long-Term Liabilities**

	Total School District		Percentage Change
	2017/18	2016/17 (Restated)	
General Obligation Bonds, Net (Financed with Property Taxes)	\$ 5,435,000	\$ 6,630,000	
Net Pension Liability	27,580,510	36,062,605	
Other Long-Term Liabilities	18,535,164	17,611,645	
	<u>\$ 51,550,674</u>	<u>\$ 60,304,250</u>	<u>-14.52%</u>

- Principal payments of \$1,195,000 on the District's general obligation bonds were made during the fiscal year.
- The District's net pension liability decreased by \$8,482,095.
- The District's other long-term liabilities as of June 30, 2018 are comprised of capital leases, compensated absences payable, unamortized bond issuance premiums and other postemployment benefits.
- The District entered a \$635,000 capital lease and made \$632,175 of lease payments during the fiscal year.
- Compensated absences payable increased overall by \$225,841.
- The District's other postemployment benefits liability increased by \$772,650.
- Unamortized bond issuance premiums decreased by \$77,797.

For the Future

The Scotch Plains-Fanwood School district is in sound financial condition. The District is proud of its community support and student involvement in the public schools. Concerns are the increased reliance on local property taxes, levels of State aid, a 2% tax levy cap and potential enrollment growth due to development required by the New Jersey Fair Housing Act.

The largest expenditure in the school budget is for employee salaries and benefits. The contract with teachers, secretaries and aides expired 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, 2018
(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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,548,754	\$ 945,790	\$ 10,494,544
Internal Balances	2,838	(2,838)	
Receivables from Other Governments	1,916,858	17,532	1,934,390
Other Receivables	101,095		101,095
Inventory		6,508	6,508
Prepaid Expenses	1,441,823		1,441,823
Restricted Assets:			
Cash and Cash Equivalents:			
Capital Reserve Account	5,046,477		5,046,477
Maintenance Reserve Account	2,355,172		2,355,172
Capital Assets, Net:			
Sites (Land) and Construction in Progress	1,768,500		1,768,500
Depreciable Buildings and Building Improvements and Machinery and Equipment	44,910,633	495,352	45,405,985
Total Assets	<u>67,092,150</u>	<u>1,462,344</u>	<u>68,554,494</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	383,260		383,260
Deferred Outflows of Resources Related to Pensions	8,456,560		8,456,560
Total Deferred Outflows of Resources	<u>8,839,820</u>		<u>8,839,820</u>
LIABILITIES			
Payable to State Government	118,503		118,503
Payable to Federal Government	4,456		4,456
Accounts Payable	2,157,399	64,531	2,221,930
Accrued Interest Payable	128,652		128,652
Deposits Payable	15,099		15,099
Unearned Revenue	71,584	60,602	132,186
Noncurrent Liabilities:			
Due Within One Year	1,739,303		1,739,303
Due Beyond One Year	49,811,371		49,811,371
Total Liabilities	<u>54,046,367</u>	<u>125,133</u>	<u>54,171,500</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pensions	6,121,035		6,121,035
Total Deferred Inflows of Resources	<u>6,121,035</u>		<u>6,121,035</u>
NET POSITION			
Net Investment in Capital Assets	40,674,193	495,352	41,169,545
Restricted for:			
Capital Projects	5,046,477		5,046,477
Maintenance	2,355,172		2,355,172
Excess Surplus	2,000,000		2,000,000
Unrestricted (Deficit)	(34,311,274)	841,859	(33,469,415)
Total Net Position	<u>\$ 15,764,568</u>	<u>\$ 1,337,211</u>	<u>\$ 17,101,779</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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
Instruction:							
Regular	\$ 52,747,279	\$ 340,855	\$ 15,259,971	\$ (37,146,453)	\$ (37,146,453)	\$ (37,146,453)	
Special Education	14,513,061		9,403,856	(5,109,205)	(5,109,205)	(5,109,205)	
Other Special Instruction	1,967,139		581,362	(1,385,777)	(1,385,777)	(1,385,777)	
School Sponsored/Other Instruction	2,508,663		664,538	(1,844,125)	(1,844,125)	(1,844,125)	
Support Services:							
Tuition	7,148,759			(7,148,759)	(7,148,759)	(7,148,759)	
Student & Instruction Related Services	18,579,305		5,474,140	(13,105,165)	(13,105,165)	(13,105,165)	
General Administrative Services	1,203,243		223,367	(979,876)	(979,876)	(979,876)	
School Administrative Services	5,673,581		1,673,195	(4,000,386)	(4,000,386)	(4,000,386)	
Central Services	1,803,640		483,971	(1,319,669)	(1,319,669)	(1,319,669)	
Administrative Information Technology	648,683		122,127	(526,556)	(526,556)	(526,556)	
Plant Operations and Maintenance	11,528,538		2,296,275	(9,232,263)	(9,232,263)	(9,232,263)	
Pupil Transportation	3,503,244	29,188	546,432	(2,927,624)	(2,927,624)	(2,927,624)	
Transfer of Funds to Charter Schools	15,619			(15,619)	(15,619)	(15,619)	
Interest on Long-Term Debt	240,213			(240,213)	(240,213)	(240,213)	
Unallocated Depreciation	1,415,613			(1,415,613)	(1,415,613)	(1,415,613)	
Total Governmental Activities	123,496,580	370,043	36,729,234	(86,397,303)	(86,397,303)	(86,397,303)	

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 1,695,605	\$ 1,607,623	\$ 348,875			\$ 260,893	\$ 260,893
Summer Community Education	54,022	55,562				1,540	1,540
Total Business-Type Activities	1,749,627	1,663,185	348,875			262,433	262,433
Total Primary Government	\$ 125,246,207	\$ 2,033,228	\$ 37,078,109	\$ -0-	\$ (86,397,303)	262,433	(86,134,870)

General Revenues and Other Items:

Taxes:							
Property Taxes, Levied for General Purposes, Net					86,626,357		86,626,357
Taxes Levied for Debt Service					1,467,050		1,467,050
Federal and State Aid not Restricted					295,940		295,940
Investment Earnings					173,547	6,329	179,876
Miscellaneous Income					270,286		270,286
Other Item:							
Disposal of Capital Assets, Net of Depreciation						(79,291)	(79,291)
Total General Revenues and Other Items					88,833,180	(72,962)	88,760,218
Change in Net Position					2,435,877	189,471	2,625,348
Net Position - Beginning (Restated)					13,328,691	1,147,740	14,476,431
Net Position - Ending					\$ 15,764,568	\$ 1,337,211	\$ 17,101,779

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 9,166,741	\$ 34,753	\$ 347,260	\$ 9,548,754
Interfunds Receivable	2,838			2,838
Receivables from Other Governments	1,776,332	140,526		1,916,858
Other Receivables		101,095		101,095
Prepaid Expenses	1,441,823			1,441,823
Restricted Cash and Cash Equivalents	7,401,649			7,401,649
Total Assets	<u>\$ 19,789,383</u>	<u>\$ 276,374</u>	<u>\$ 347,260</u>	<u>\$ 20,413,017</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payable to State Government		\$ 118,503		\$ 118,503
Payable to Federal Government		4,456		4,456
Accounts Payable	\$ 830,031	86,781	\$ 3,060	919,872
Deposits Payable	15,099			15,099
Unearned Revenue		71,584		71,584
Total Liabilities	<u>845,130</u>	<u>281,324</u>	<u>3,060</u>	<u>1,129,514</u>
Fund Balances:				
Restricted:				
Capital Reserve Account	5,046,477			5,046,477
Maintenance Reserve Account	2,355,172			2,355,172
Excess Surplus - Designated for Subsequent Year's Expenditures	1,000,000			1,000,000
Excess Surplus	1,000,000			1,000,000
Committed			344,200	344,200
Assigned:				
Encumbrances	6,673,448			6,673,448
Unassigned/(Deficit)	2,869,156	(4,950)		2,864,206
Total Fund Balances/(Deficit)	<u>18,944,253</u>	<u>(4,950)</u>	<u>344,200</u>	<u>19,283,503</u>
Total Liabilities and Fund Balances	<u>\$ 19,789,383</u>	<u>\$ 276,374</u>	<u>\$ 347,260</u>	<u>\$ 20,413,017</u>

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

Total Fund Balances (from Above)	\$ 19,283,503
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	46,679,133
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(27,580,510)
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:	
Deferred Outflows of Resources Related to Pensions, Excluding District Contribution Subsequent to the Measurement Date	7,219,033
Deferred Inflows of Resources Related to Pensions	(6,121,035)
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.	(23,581,179)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(128,652)
Bond Issuance Premiums are reported as revenue in the Funds. These premiums total \$1,089,161 and the accumulated amortization is \$700,176.	(388,985)
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 \$689,870.	<u>383,260</u>
Net Position of Governmental Activities	<u>\$ 15,764,568</u>

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 86,626,357			\$ 1,467,050	\$ 88,093,407
Transportation Fees from Individuals	29,188				29,188
Interest Earned on:					
Capital Reserve Funds	44,285				44,285
Maintenance Reserve Funds	16,836				16,836
Miscellaneous Revenues	382,712	\$ 562,571			945,283
Total - Local Sources	87,099,378	562,571		1,467,050	89,128,999
State Sources	15,684,254	637,052			16,321,306
Federal Sources	37,973	1,603,920			1,641,893
Total Revenues	102,821,605	2,803,543		1,467,050	107,092,198
EXPENDITURES					
Current:					
Regular Instruction	26,757,022	736,225			27,493,247
Special Education Instruction	6,845,950	1,120,502			7,966,452
Other Special Instruction	985,841				985,841
School Sponsored/Other Instruction	1,423,243				1,423,243
Support Services and Undistributed Costs:					
Tuition	7,148,759				7,148,759
Student & Instruction Related Services	10,205,139	1,000,177			11,205,316
General Administrative Services	809,412				809,412
School Administrative Services	2,894,948				2,894,948
Central Services	1,004,188				1,004,188
Administration Information Technology	443,510				443,510
Plant Operations and Maintenance	7,260,037				7,260,037
Pupil Transportation	3,061,385				3,061,385
Allocated Benefits	156,776				156,776
Unallocated Benefits	27,832,447				27,832,447
Transfer of Funds to Charter Schools	15,619				15,619
Capital Outlay	5,098,621		\$ 149,348		5,247,969
Debt Service:					
Principal				1,195,000	1,195,000
Interest and Other Charges				272,050	272,050
Total Expenditures	101,942,897	2,856,904	149,348	1,467,050	106,416,199
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	878,708	(53,361)	(149,348)		675,999
OTHER FINANCING SOURCES/(USES)					
Capital Leases (non-budgeted)	635,000				635,000
Transfers In	74,450	53,361	210,000		337,811
Transfers Out	(263,361)		(74,450)		(337,811)
Total Other Financing Sources/(Uses)	446,089	53,361	135,550		635,000
Net Change in Fund Balances	1,324,797		(13,798)		1,310,999
Fund Balance/(Deficit) - July 1 (Restated)	17,619,456	(4,950)	357,998		17,972,504
Fund Balance/(Deficit) - June 30	\$ 18,944,253	\$ (4,950)	\$ 344,200	\$ - 0 -	\$ 19,283,503

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, 2018

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 1,310,999

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, differ from capital outlays in the period.

Depreciation expense	\$ (1,608,368)
Capital outlays	3,589,030
	(32,955)

Disposal of capital assets, net of accumulated depreciation 1,947,707

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. (635,000)

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. 632,175

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. 1,195,000

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 (+). 39,862

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	8,482,095
Change in Deferred Outflows of Resources Related to Pensions	(3,418,580)
Change in Deferred Inflows of Resources Related to Pensions	(6,121,035)

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 (+). (998,491)

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)

\$ 2,435,877

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, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>		
	<u>Food Service</u>	<u>Non-Major Fund</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 816,184	\$ 129,606	\$ 945,790
Accounts Receivable:			
Other Governments:			
Federal	16,268		16,268
State	1,264		1,264
Inventories	6,508		6,508
Total Current Assets	840,224	129,606	969,830
Non-Current Assets:			
Capital Assets	692,111		692,111
Less: Accumulated Depreciation	(196,759)		(196,759)
Total Non-Current Assets	495,352	- 0 -	495,352
Total Assets	1,335,576	129,606	1,465,182
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	62,581	1,950	64,531
Interfund Payable - General Fund	2,838		2,838
Unearned Revenue:			
Prepaid Sales	60,602		60,602
Total Current Liabilities	126,021	1,950	127,971
Total Liabilities	126,021	1,950	127,971
NET POSITION:			
Investment in Capital Assets	495,352		495,352
Unrestricted	714,203	127,656	841,859
Total Net Position	\$ 1,209,555	\$ 127,656	\$ 1,337,211

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, 2018

	Business-Type Activities - Enterprise Funds		
	Major Fund		Totals
	Food Service	Non-Major Fund	
Operating Revenue:			
Charges for Services:			
Daily Sales:			
Reimbursable Programs	\$ 905,686		\$ 905,686
Non-Reimbursable Programs	695,013		695,013
Total Daily Sales	1,600,699		1,600,699
Special Events	6,924		6,924
Program Fees		\$ 55,562	55,562
Total Operating Revenue	1,607,623	55,562	1,663,185
Operating Expenses:			
Cost of Sales:			
Reimbursable Programs	540,650		540,650
Non-Reimbursable Programs	228,212		228,212
Total Cost of Sales	768,862		768,862
Salaries	523,950	52,315	576,265
Payroll Taxes	73,863		73,863
Employee Benefits	43,566		43,566
Purchased Property Services	22,454		22,454
Management Fee	90,118		90,118
Insurance	67,042		67,042
Supplies and Materials	73,935	1,707	75,642
Depreciation Expense	31,815		31,815
Total Operating Expenses	1,695,605	54,022	1,749,627
Operating Income/(Loss)	(87,982)	1,540	(86,442)
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	224,175		224,175
Special Milk Program	1,849		1,849
Food Distribution Program	105,518		105,518
State Sources:			
School Lunch Program	17,333		17,333
Local Sources - Interest Revenue	5,679	650	6,329
Total Non-Operating Revenue	354,554	650	355,204
Change in Net Position Before Other Item	266,572	2,190	268,762
Other Item - Disposal of Capital Assets, Net	(79,291)		(79,291)
Change in Net Position	187,281	2,190	189,471
Net Position - Beginning of Year	1,022,274	125,466	1,147,740
Net Position - End of Year	\$ 1,209,555	\$ 127,656	\$ 1,337,211

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, 2018

	Business-Type Activities - Enterprise Funds		
	Major Fund		Totals
	Food Service	Non-Major Fund	
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 1,613,742	\$ 57,512	\$ 1,671,254
Payments to Employees	(27,760)	(52,315)	(80,075)
Payments to Food Service Vendor	(1,581,440)		(1,581,440)
Payments to Suppliers	(79,826)	(2,130)	(81,956)
Net Cash Provided by/(Used for) Operating Activities	(75,284)	3,067	(72,217)
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(129,967)		(129,967)
Net Cash Used for Capital Financing Activities	(129,967)	- 0 -	(129,967)
Cash Flows from Noncapital Financing Activities:			
Federal Sources	223,595		223,595
State Sources	16,986		16,986
Net Cash Provided by Noncapital Financing Activities	240,581	- 0 -	240,581
Cash Flows from Investing Activities:			
Interest Revenue	5,679	650	6,329
Net Cash Provided by Investing Activities	5,679	650	6,329
Net Increase in Cash and Cash Equivalents	41,009	3,717	44,726
Cash and Cash Equivalents, July 1	775,175	125,889	901,064
Cash and Cash Equivalents, June 30	\$ 816,184	\$ 129,606	\$ 945,790
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (87,982)	\$ 1,540	\$ (86,442)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Depreciation	31,815		31,815
Federal Food Distribution Program	105,518		105,518
Changes in Assets and Liabilities:			
Increase in Inventory	2,163		2,163
Increase/(Decrease) in Accounts Payable	(129,385)	1,667	(127,718)
(Decrease) in Interfund Payable	(3,532)	(140)	(3,672)
Increase in Unearned Revenue	6,119		6,119
Net Cash Provided by/(Used for) Operating Activities	\$ (75,284)	\$ 3,067	\$ (72,217)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$105,518 for the fiscal year ended June 30, 2018.

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, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 700,225	\$ 924,078	\$ 47,406
Total Assets	<u>700,225</u>	<u>924,078</u>	<u>47,406</u>
LIABILITIES:			
Payroll Deductions and Withholdings	506,744		
Due to Student Groups	<u>193,481</u>		
Total Liabilities	<u>700,225</u>	<u>- 0 -</u>	<u>- 0 -</u>
NET POSITION:			
Held in Trust for:			
Unemployment Claims		924,078	
Flexible Spending Claims			<u>47,406</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 924,078</u>	<u>\$ 47,406</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, 2018

	Unemployment Compensation Trust	Flexible Spending Trust
ADDITIONS:		
Contributions:		
Plan Members	\$ 81,564	\$ 51,590
Employer	50,000	
Total Contributions	131,564	51,590
Investment Earnings:		
Interest	6,373	257
Net Investment Earnings	6,373	257
Total Additions	137,937	51,847
DEDUCTIONS:		
Quarterly Contribution Reports and Unemployment Benefit Claims	63,386	
Flexible Spending Claims		44,235
Total Deductions	63,386	44,235
Change in Net Position	74,551	7,612
Net Position - Beginning of the Year	849,527	39,794
Net Position - End of the Year	\$ 924,078	\$ 47,406

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, 2018

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, 2018
(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, 2018
(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, 2018
(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, 2018 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, 2018
(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.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 102,838,290	\$ 2,807,027
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		(3,613)
Prior Year Encumbrances		129
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes	273,373	4,950
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements	(290,058)	(4,950)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 102,821,605	\$ 2,803,543

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 101,942,897	\$ 2,860,388
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(3,613)
Prior Year Encumbrances		129
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 101,942,897</u>	<u>\$ 2,856,904</u>
		<u>Capital Projects Fund</u>
	<u>Revenue</u>	<u>Fund Balance</u>
Revenue and Other Financing Sources and Fund Balance per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)	\$ - 0 -	\$ 820,126
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants Recognized/(Not Recognized) on GAAP Basis	- 0 -	(475,926)
Revenue and Other Financing Sources and Fund Balance per Governmental Funds (GAAP)	<u>\$ - 0 -</u>	<u>\$ 344,200</u>

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, 2018
(Continued)

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

E. Cash and Cash Equivalents and Investments: (Cont'd)

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, 2018
(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, 2018.

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 acquisition value. 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, 2018
(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, 2018.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. 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, 2018
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$18,944,253 General Fund balance at June 30, 2018, \$6,673,448 is assigned for encumbrances; \$5,046,477 is restricted for the capital reserve account; \$2,355,172 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, 2019 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, 2020); and \$2,869,156 is unassigned which is \$290,058 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, 2019.

Special Revenue Fund: There is a deficit fund balance of \$4,950 at June 30, 2018 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, 2019.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2018 of \$344,200 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, 2018 as defined above.

The District's unassigned fund balance is less on a GAAP basis than the budgetary basis by \$290,058 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, 2018
(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 \$344,200 of committed resources in the Capital Projects Fund at June 30, 2018.

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 \$6,673,448 for encumbrances in the General Fund at June 30, 2018.

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, 2018 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's governmental activities has a \$34,311,274 deficit in unrestricted net position, primarily due to the accrual of compensated absences payable, other post-employment benefits payable, accrued interest payable, unamortized bond issuance premiums, deferred inflows of resources related to pensions and net pension liability, offset by deferred outflows of resources related to pensions 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, 2018 related to pensions and for the deferred amount on refunding of debt related to the District's 2010 refunding bonds.

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 deferred inflows of resources related to pensions at June 30, 2018.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018
(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, 2018
(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 of the school district or bonds or other obligations of the local unit or units within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) 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

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: (Cont'd)

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

- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
 - (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; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) the funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) the designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) the designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) on the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Reserve Accounts		
		Capital	Maintenance	
Checking Accounts	\$ 12,166,253	\$ 5,046,477	\$ 2,355,172	\$ 19,567,902

During the period ended June 30, 2018, 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, 2018 was \$19,567,902 and the bank balance was \$23,631,935.

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 6,602,249
Interest Earnings	44,285
Deposit by Board Resolution - June 28, 2018	3,511,704
Unexpended Capital Outlay Funds Returned	127,917
Unexpended Capital Projects Funds Returned	72,334
Withdrawals by Board Resolution	(5,312,012)
Ending Balance, June 30, 2018	\$ 5,046,477

The balance in the capital reserve account at June 30, 2018 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, 2018
(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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 2,338,336
Interest Earnings	<u>16,836</u>
Ending Balance, June 30, 2018	<u><u>\$ 2,355,172</u></u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$6,168,723 to the capital outlay accounts; \$856,711 for equipment which did not require County Superintendent approval and \$5,312,012 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, 2018
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 449,315			\$ 449,315
Construction in Progress	1,603,445	\$ 149,348	\$ (433,608)	1,319,185
Total Capital Assets Not Being Depreciated	<u>2,052,760</u>	<u>149,348</u>	<u>(433,608)</u>	<u>1,768,500</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	60,760,593	3,173,807	433,608	64,368,008
Machinery and Equipment	5,846,484	265,875	(442,113)	5,670,246
Total Capital Assets Being Depreciated	<u>66,607,077</u>	<u>3,439,682</u>	<u>(8,505)</u>	<u>70,038,254</u>
Governmental Activities Capital Assets	<u>68,659,837</u>	<u>3,589,030</u>	<u>(442,113)</u>	<u>71,806,754</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(20,349,666)	(1,343,937)		(21,693,603)
Machinery and Equipment	(3,578,745)	(264,431)	409,158	(3,434,018)
	<u>(23,928,411)</u>	<u>(1,608,368)</u>	<u>409,158</u>	<u>(25,127,621)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 44,731,426</u>	<u>\$ 1,980,662</u>	<u>\$ (32,955)</u>	<u>\$ 46,679,133</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 714,463	\$ 129,967	\$ (152,319)	\$ 692,111
Less Accumulated Depreciation	(237,972)	(31,815)	73,028	(196,759)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 476,491</u>	<u>\$ 98,152</u>	<u>\$ (79,291)</u>	<u>\$ 495,352</u>

Capital acquisitions totaled \$3,718,997 and include \$149,348 of construction projects in progress and \$3,439,682 and \$129,967 of current fiscal year capitalized expenditures in the Governmental and Business-Type Activities, respectively. The District transferred \$433,608 of completed capital projects to depreciable capital assets during the current fiscal year. As of June 30, 2018, the District had active construction projects balances totaling \$820,126, including \$805,130 of outstanding construction encumbrances.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 19,500
Student and Instruction Related Services	8,145
General Administrative Services	17,190
School Administrative Services	216
Administration Information Technology	3,708
Plant Operations and Maintenance	133,976
Pupil Transportation	10,020
Unallocated	1,415,613
	<u>\$ 1,608,368</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance 6/30/2017 <u>Restated</u>	Issued/ Accrued	Retired	Balance 6/30/2018
Serial Bonds Payable	\$ 6,630,000		\$ 1,195,000	\$ 5,435,000
Capital Leases Payable	950,375	\$ 635,000	632,175	953,200
Compensated Absences Payable	1,171,983	285,044	59,203	1,397,824
Unamortized Bond Issuance Premiums	466,782		77,797	388,985
Net Pension Liability	36,062,605		8,482,095	27,580,510
Other Post-Employment Benefits Payable	15,022,505	772,650		15,795,155
	<u>\$ 60,304,250</u>	<u>\$ 1,692,694</u>	<u>\$ 10,446,270</u>	<u>\$ 51,550,674</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, 2018 as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
School Refunding Bonds	02/11/10	07/15/22	4.0% - 5.0%	<u>\$ 5,435,000</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2023	740,000	18,500	758,500
	<u>\$ 5,435,000</u>	<u>\$ 610,825</u>	<u>\$ 6,045,825</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2018, 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, 2018
(Continued)

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

C. Capital Leases Payable:

As of June 30, 2018, the District has three capital leases payable for technology equipment that originally totaled \$1,957,000 of which \$1,003,800 has been liquidated as of June 30, 2018. All of the leases are for four years with the final payments occurring in fiscal years 2018-19, 2019-20 and 2020-21. 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, 2018 are detailed below.

<u>Year</u>	<u>Amount</u>
2019	\$ 492,779
2020	327,264
2021	160,641
	<u>980,684</u>
Less: Amount representing interest	<u>(27,484)</u>
Present value of net minimum lease payments	<u>\$ 953,200</u>

The current portion of capital leases payable at June 30, 2018 is \$476,506 and the long-term portion is \$476,694. 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, 2018 is \$77,797 and the long-term portion is \$311,188.

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 \$1,397,824 of compensated absences payable at June 30, 2018 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, 2018, no liability existed for compensated absences in the Proprietary Funds.

F. Other Postemployment Benefits Payable:

The liability for other postemployment benefits of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire \$15,795,155 of other postemployment benefits payable at June 30, 2018 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 \$27,580,510 net pension liability at June 30, 2018 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, 2018
(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.nj.gov/treasury/pensions/financial-reports.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 1/55th 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 1/60th 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, 2018
(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 \$1,129,712 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the District reported a liability of \$27,580,510 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.118%, which was a decrease of 0.003% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$2,167,438.

At June 30, 2018, 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, 2018
(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)

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 312,871	
	2015	5.72	1,317,899	
	2016	5.57	3,925,752	
	2017	5.48	<u>5,556,522</u>	\$ 5,536,151
Subtotal			<u>5,556,522</u>	<u>5,536,151</u>
Changes in Proportion	2014	6.44	216,339	
	2015	5.72	423,812	
	2016	5.57	185,129	
	2017	5.48	<u>825,280</u>	584,884
Subtotal			<u>825,280</u>	<u>584,884</u>
Difference Between Expected and Actual Experience	2015	5.72	365,645	
	2016	5.57	119,136	
	2017	5.48	<u>164,645</u>	
Subtotal			<u>649,426</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(330,494)	
	2015	5.00	281,931	
	2016	5.00	1,182,100	
	2017	5.00	<u>(945,732)</u>	
Subtotal			<u>187,805</u>	
District Contribution Subsequent to the Measurement Date	2017	1.00	<u>1,237,527</u>	
			<u>\$ 8,456,560</u>	<u>\$ 6,121,035</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 Ending June 30,	Total
2018	\$ 649,272
2019	979,767
2020	593,689
2021	(789,608)
2022	(575,518)
	\$ 857,602

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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, 2016 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, 2018
(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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2018
(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, 2017 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, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 34,215,494	\$ 27,580,510	\$ 22,052,746

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.nj.gov/treasury/pensions/financial-reports.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, 2018
(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:

Tier	Definition
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 1/55th 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 1/60th 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 2018, the State's pension contribution was less than the actuarial 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 2018, the State of New Jersey contributed \$4,851,626 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$15,420,785.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018, the State's proportionate share of the net pension liability associated with the District was \$222,602,653. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.3302%, which was an increase of 0.0019% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>222,602,653</u>
Total	<u>\$ 222,602,653</u>

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the District in the amount of \$15,420,785 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:			
2014	8.5 years	\$ 1,383,974,317	
2015	8.3 years	3,776,126,119	
2016	8.3 years	8,218,154,928	
2017	8.3 years		\$ 11,684,858,458
Difference Between Expected and Actual Experience:			
2014	8.5 years		13,181,413
2015	8.3 years	233,218,057	
2016	8.3 years		102,199,790
2017	8.3 years	207,898,332	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years	(435,309,142)	
2015	5 years	385,284,122	
2016	5 years	1,295,565,574	
2017	5 years	(904,033,050)	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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, 2018
(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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, 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, 2018
(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, 2017 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, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 264,458,934	\$ 222,602,653	\$ 188,121,266

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 \$25,679 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$36,296 for the fiscal year ended June 30, 2018.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is 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.

Changes in the State's Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	<u>(4,191,942,326)</u>
Balance at June 30, 2017	<u>\$ 53,639,841,858</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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, 2017			
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 214,217,911	\$ 180,459,049	\$ 153,681,199

June 30, 2016			
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 233,175,659	\$ 194,633,996	\$ 164,296,767

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

June 30, 2017			
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 148,410,123	\$ 180,459,049	\$ 223,019,646

June 30, 2016			
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 159,702,613	\$ 194,633,996	\$ 241,333,927

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$11,480,706 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

District Plan

General Information about the District's OPEB Plan

Plan Description and Benefits Provided

Employees who retire from the District may be eligible for postemployment medical benefits, including prescription drugs as part of the medical plan, and dental benefits based on their date of hire. Employees hired on or before September 30, 1994 may be eligible for subsidized benefits from the District. Employees hired after September 30, 1994 may elect benefits, but do not receive a subsidy from the District (employees pay all).

Effective with the August 1, 2017 plan year, medical and prescription drugs benefits are insured through Aetna Health and dental benefits are insured through Delta Dental of New Jersey. Base plan costs are based on insured premium rates provided by the District for the August 1, 2017 to July 31, 2018 plan year. All plan costs are based on 100% before retiree contributions and are assumed to include all administrative expenses and required Patient Protection and Affordable Care Act (PPACA) fees due at this time.

The District does not reimburse for Medicare Part B or Part D premiums to retirees or spouses.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

As of July 1, 2017, there is a total of 1,085 active employees and retirees, reflecting the sum of 758 active employees (607 currently electing coverage and 151 opting out) and 327 retirees. The actuarial valuation assumed that 100% of those opting out would elect coverage in retirement.

Total OPEB Liability

The District's OPEB liability of \$15,795,155 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50%
Salary Increases	3.00%

Health Care Trend Rates

	<u>Year</u>	<u>Pre 65</u>	<u>Post 65</u>
Year 1 Trend	July 1, 2018	9%	9%
Ultimate Trend	July 1, 2026 & Later	5%	5%
Grading per Year		1%	1%

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

District Plan (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

Retirees Share of Benefit Related Costs

<u>Year of Retirement</u>	<u>Retiree Contribution %</u>	<u>District Contribution %</u>
1st Year of Retirement	0%	100%
2nd Year of Retirement	10%	90%
3rd Year of Retirement	20%	80%
4th Year of Retirement	30%	70%
5th Year of Retirement	40%	60%
6 or More Years of Retirement	50%	50%

The selected discount rate was based on an average of three 20 year bond indices (Bond Buyer 20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index and Fidelity GA AA 20 Years) as of June 30, 2018.

Mortality rates were based on the RP 2014 Healthy Male and Female Mortality Tables which were based on the Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using Projection Scale AA for 3.5 years (from date of table to the valuation date), plus 10 additional years additional mortality improvement.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017 as Restated	\$ 15,022,505
Changes for Year:	
Service Cost	727,081
Interest	517,528
Benefit Payments	<u>(471,959)</u>
Net Changes	<u>772,650</u>
Balance at June 30, 2018	<u>\$ 15,795,155</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

District Plan (Cont'd)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage lower (2.50 percent) or percentage higher (4.50 percent) than the current discount rate:

	June 30, 2018		
	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 17,962,907	\$ 15,795,155	\$ 14,029,120

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage lower (8.00 percent decreasing to 4.00 percent) or percentage higher (10.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	June 30, 2018		
	1% Decrease (8.00% Decreasing to 4.00%)	Healthcare Cost Trend Rate (9.00% Decreasing to 5.00%)	1% Increase (10.00% Decreasing to 6.00%)
Total OPEB Liability	\$ 13,635,667	\$ 15,795,155	\$ 18,460,672

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Per the actuarial valuation report, there are no deferred inflows or outflows related to OPEB at June 30, 2018. Deferred inflows and outflows would result from experience gains/losses that have not been recognized in the current OPEB expense calculations, but will be potentially reflected in future years.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 Aetna.

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.

Selected, summarized financial information for the Group as of June 30, 2018 is as follows:

	New Jersey Schools Insurance Group (NJSIG)
Total Assets	\$ 348,953,830
Net Position	\$ 82,580,855
Total Revenue	\$ 133,258,299
Total Expenses	\$ 129,340,074
Members Dividends	\$ -0-
Change in Net Position for the Year Ended June 30, 2018	\$ 3,918,225

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, 2018
(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>
2017-2018	\$ 50,000	\$ 6,373	\$ 81,564	\$ 63,386	\$ 924,078
2016-2017	50,000	2,235	79,216	93,302	849,527
2015-2016	125,000	953	73,509	52,085	811,378

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, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,838	
Proprietary Funds:		
Food Service		\$ 2,838
	<u>\$ 2,838</u>	<u>\$ 2,838</u>

The interfund payable from the Proprietary Fund due to the General Fund is for disbursements made on-behalf of the Food Service Enterprise Fund.

During the fiscal year, the General Fund transferred \$210,000 from Capital Outlay to the Capital Projects Fund for the local share of capital projects and the Capital Projects Fund transferred \$74,450 (\$72,334 of Capital Reserve and \$2,116 of Capital Outlay) 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, 2018
(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, 2018:

	Governmental Funds			District Contribution Subsequent to the Measurement Date	Total Governmental Activities	Business- Type Activities
	General Fund	Special Revenue Fund	Capital Projects Fund			Proprietary Funds
Salaries	\$ 114,292	\$ 966			\$ 115,258	
Vendors	715,739	74,468	\$ 3,060		793,267	\$ 64,531
Due to:						
State of New Jersey		11,347		\$ 1,237,527	1,248,874	
	<u>\$ 830,031</u>	<u>\$ 86,781</u>	<u>\$ 3,060</u>	<u>\$ 1,237,527</u>	<u>\$ 2,157,399</u>	<u>\$ 64,531</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 \$523,516 from one payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid on these properties for 2017 without the abatements would have been \$833,623 of which \$531,231 would have been regional school taxes.

The Borough of Fanwood recognized revenue in the amount of \$241,957 from three payments in lieu of taxes ("PILOT") agreements. The taxes which would have been paid on these properties for 2017 without the abatements would have been \$396,227 of which \$239,734 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, 2018
(Continued)

NOTE 18. CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

Governmental Funds			
General	Special Revenue	Capital Projects	Total
\$ 6,673,448	\$ 3,613	\$ 805,130	\$ 7,482,191

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for encumbrances in the Special Revenue Fund, which is \$3,613 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 \$805,130 of fiscal year-end encumbrances in the Capital Projects Fund on a budgetary basis are included in the \$344,200 committed fund balance on a GAAP basis at June 30, 2018 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, 2018:

	Governmental Activities			Business- Type Activities
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
	Federal		\$ 133,910	\$ 133,910
State	\$ 1,776,332	6,616	1,782,948	1,264
	\$ 1,776,332	\$ 140,526	\$ 1,916,858	\$ 17,532

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 20. PRIOR PERIOD ADJUSTMENTS

The District made prior year adjustments in the District Wide Financial Statements to adjust net position due to unrecorded extraordinary special education costs aid revenue as of June 30, 2017 and due to the restatement of the total OPEB liability as the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. As a result, the District Wide Financial Statements as of June 30, 2017 have been restated as follows:

	Balance 6/30/2017 as Previously Reported	Retroactive Adjustments	Balance 6/30/2017 Restated
<u>Statement of Net Position - Governmental Activities:</u>			
Assets - Receivables from Other Governments	\$ 1,417,973	\$ 300,000	\$ 1,717,973
Total Assets	64,001,449	300,000	64,301,449
Liabilities:			
Noncurrent Liabilities:			
Due Beyond One Year	45,782,137	12,786,920	58,569,057
Total Liabilities	50,467,363	12,786,920	63,254,283
Net Position - Unrestricted (Deficit)	(22,735,937)	(12,486,920)	(35,222,857)
Total Net Position	25,815,611	(12,486,920)	13,328,691

As the details regarding the change in the liability for the District’s Plan for Postemployment Benefits Other than Pensions for the fiscal year ended June 30, 2017 were not available from the actuary, the District Wide Statement of Activities as of June 30, 2017 was not restated.

**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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.1156785158%	0.1203084491%	0.1217626510%	0.1184811157%
District's proportionate share of the Net Pension Liability	\$ 21,658,182	\$ 27,006,836	\$ 36,062,605	\$ 27,580,510
District's Covered Employee Payroll	\$ 8,036,851	\$ 8,135,292	\$ 7,989,478	\$ 8,241,104
District's proportionate share of the Net Pension Liability as a percentage of its Covered Employee Payroll	269.49%	331.97%	451.38%	334.67%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 953,637	\$ 1,034,330	\$ 1,081,722	\$ 1,129,712
Contributions in relation to the Contractually Required Contribution	<u>(953,637)</u>	<u>(1,034,330)</u>	<u>(1,081,722)</u>	<u>(1,129,712)</u>
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 7,865,842	\$ 8,036,851	\$ 8,135,292	\$ 7,989,478
Contributions as a percentage of Covered Employee Payroll	12.12%	12.87%	13.30%	14.14%

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 STATE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the Net Pension Liability attributable to the District	0.3385841334%	0.3310504684%	0.3283018007%	0.3301553659%
State's proportionate share of the Net Pension Liability attributable to the District	\$ 180,962,200	\$ 209,238,033	\$ 258,263,100	\$ 222,602,653
District's Covered Employee Payroll	\$ 32,710,494	\$ 33,340,326	\$ 33,966,880	\$ 35,597,583
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%	625.33%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.64%	28.71%	22.33%	25.41%

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 9,737,465	\$ 12,775,866	\$ 19,404,878	\$ 15,420,785
Contributions in relation to the Contractually Required Contribution	<u>(1,789,780)</u>	<u>(2,628,512)</u>	<u>(3,583,750)</u>	<u>(4,851,626)</u>
Contribution Deficiency/(Excess)	<u>\$ 7,947,685</u>	<u>\$ 10,147,354</u>	<u>\$ 15,821,128</u>	<u>\$ 10,569,159</u>
District's Covered Employee Payroll	\$ 33,340,326	\$ 33,966,880	\$ 35,597,583	\$ 37,281,568
Contributions as a percentage of Covered Employee Payroll	29.21%	37.61%	54.51%	41.36%

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 CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB
LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR
UNAUDITED

	Fiscal Year Ending June 30, 2018
Total OPEB Liability	
Service Cost	\$ 727,081
Interest	517,528
Benefit Payments	(471,959)
Net Change in Total OPEB Liability	772,650
Total OPEB Liability - Beginning as Restated	15,022,505
Total OPEB Liability - Ending	\$ 15,795,155
Covered Employee Payroll *	\$ 50,230,068
Total OPEB Liability as a Percentage of Covered Employee Payroll	31.45%

* - Total Annual Salary (Compensation) based on June 30, 2017 Audited Financial Statements (as per Actuarial Valuation)

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	5.00%	3.98%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	3.08%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	4.25%	3.22%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	2.50%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

D. DISTRICT POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Benefit Terms Changes

There were none.

Changes of Actuarial Assumptions

There was a change in the actuarial cost method from the Projected Unit Credit method to the Entry Age Normal method required under GASB 75.

The discount rate changed from 4.00% as of June 30, 2017 to 3.50% as of June 30, 2018.

The mortality table used in the current valuation at July 1, 2017 was the following:

Mortality rates were based on the RP-2014 Healthy Male and Female Mortality Tables which were based on the Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using Projection Scale AA for 3.5 years (from date of table to the valuation date), plus 10 additional years additional mortality improvement.

The mortality table used in the valuation at July 1, 2016 was the following:

Mortality rates were based on the RP-2014 Healthy Male and Female Mortality Tables which were based on the Combined Healthy Table for both pre and post retirement projected with mortality improvements using Projection Scale AA for 2.5 years (from date of table to the valuation date), plus 7 years generational improvement.

BUDGETARY COMPARISON SCHEDULES

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 86,626,357		\$ 86,626,357	\$ 86,626,357	
Transportation Fees from Individuals	23,750		23,750	29,188	\$ 5,438
Interest Earned on Capital Reserve Funds	2,000		2,000	44,285	42,285
Interest Earned on Maintenance Reserve Funds	500		500	16,836	16,336
Unrestricted Miscellaneous Revenues	141,000		141,000	382,712	241,712
Total - Local Sources	86,793,607		86,793,607	87,099,378	305,771
State Sources:					
Categorical Transportation Aid	237,609		237,609	237,609	
Special Education Categorical Aid	2,705,322		2,705,322	2,705,322	
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 Community Aid	52,925		52,925	52,925	
Extraordinary Special Education Costs Aid	300,000		300,000	1,592,870	1,292,870
Nonpublic School Transportation Costs				52,022	52,022
On-Behalf TPAF Contributions:					
Post-Retirement Medical				3,209,606	3,209,606
Pension				4,851,626	4,851,626
Non-Contributory Insurance				117,737	117,737
Long-Term Disability Insurance				8,982	8,982
Reimbursed TPAF Social Security (Non-Budgeted)				2,667,216	2,667,216
Total State Sources	3,500,880		3,500,880	15,700,939	12,200,059
Federal Sources:					
Medicaid Reimbursement (SEMI)	27,448		27,448	37,973	10,525
Total Federal Sources	27,448		27,448	37,973	10,525
TOTAL REVENUES	90,321,935		90,321,935	102,838,290	12,516,355

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 1,259,778	\$ 164,203	\$ 1,423,981	\$ 1,401,007	\$ 22,974
Grades 1-5 - Salaries of Teachers	9,292,386	170,289	9,462,675	9,349,030	113,645
Grades 6-8 - Salaries of Teachers	7,608,109	(444,547)	7,163,562	6,996,087	167,475
Grades 9-12 - Salaries of Teachers	7,454,061	32,593	7,486,654	7,404,042	82,612
Regular Programs - Home Instruction:					
Salaries of Teachers	80,000	(61,027)	18,973	18,973	
Purchased Professional - Educational Services	44,000	(18,185)	25,815	24,258	1,557
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction		16,202	16,202	16,200	2
Purchased Professional - Educational Services	281,075	(3,680)	277,395	257,542	19,853
Purchased Technical Services	177,650	(18,422)	159,228	145,831	13,397
Other Purchased Services (400-500 series)	72,770	(1,372)	71,398	26,688	44,710
General Supplies	1,079,498	212,639	1,292,137	855,210	436,927
Textbooks	363,802	44,179	407,981	205,961	202,020
Other Objects	67,877	966	68,843	56,193	12,650
Total Regular Programs - Instruction	27,781,006	93,838	27,874,844	26,757,022	1,117,822
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	663,094	29,985	693,079	690,097	2,982
Other Salaries for Instruction	49,592	71,727	121,319	121,319	
Purchased Professional - Educational Services	20,000	(6,025)	13,975	13,975	
Other Purchased Services (400-500 series)	1,000	(500)	500	499	1
General Supplies	10,000	(3,593)	6,407	6,407	
Total Multiple Disabilities	743,686	91,594	835,280	832,297	2,983

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction: (Cont'd)					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 4,542,802	\$ 32,248	\$ 4,575,050	\$ 4,575,050	
Other Salaries for Instruction	983,361	113,059	1,096,420	1,091,858	\$ 4,562
Purchased Technical Services	2,500	(784)	1,716	1,294	422
Other Purchased Services (400-500 series)		199	199	199	
General Supplies	12,500	2,187	14,687	14,620	67
Total Resource Room/Resource Center	5,541,163	146,909	5,688,072	5,683,021	5,051
Preschool Disabilities - Part-Time:					
Salaries of Teachers	54,108	1,550	55,658	55,658	
Other Salaries for Instruction	12,266	114	12,380	12,380	
General Supplies	2,500	(2,414)	86	86	
Total Preschool Disabilities - Part-Time	68,874	(750)	68,124	68,124	
Preschool Disabilities - Full-Time:					
Salaries of Teachers	125,410	937	126,347	126,347	
Other Salaries for Instruction		1,350	1,350	1,350	
Other Purchased Services (400-500 series)		90	90	90	
General Supplies	3,000	(877)	2,123	2,123	
Total Preschool Disabilities - Full-Time	128,410	1,500	129,910	129,910	
Home Instruction:					
Salaries of Teachers		82,141	82,141	82,141	
Other Purchased Services (400-500 series)		56,094	56,094	50,457	5,637
Total Home Instruction		138,235	138,235	132,598	5,637
Total Special Education Instruction	6,482,133	377,488	6,859,621	6,845,950	13,671

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 865,776	\$ 46,858	\$ 912,634	\$ 908,944	\$ 3,690
Other Purchased Services (400-500 series)	1,430		1,430	692	738
General Supplies	3,800		3,800	3,478	322
Total Basic Skills/Remedial - Instruction	871,006	46,858	917,864	913,114	4,750
Bilingual Education - Instruction:					
Salaries of Teachers	82,763	285	83,048	72,544	10,504
General Supplies	1,500	(142)	1,358	183	1,175
Total Bilingual Education - Instruction	84,263	143	84,406	72,727	11,679
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	310,576	(21,948)	288,628	287,548	1,080
Purchased Services (300-500 series)	19,825	3,625	23,450	23,325	125
Supplies and Materials	29,600	2,237	31,837	20,338	11,499
Other Objects	11,550	2,030	13,580	13,080	500
Total School-Sponsored Cocurricular Activities - Instruction	371,551	(14,056)	357,495	344,291	13,204
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	732,559	(14,384)	718,175	718,175	
Purchased Services (300-500 series)	150,431	(13,477)	136,954	136,812	142
Supplies and Materials	74,060	6,618	80,678	80,678	
Other Objects	23,265	4,139	27,404	27,099	305
Total School-Sponsored Cocurricular Athletics - Instruction	980,315	(17,104)	963,211	962,764	447
Before/After School Programs - Instruction:					
Salaries of Teachers	10,000	(9,129)	871		871
Total Before/After School Programs - Instruction	10,000	(9,129)	871		871

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Summer School - Instruction:	\$ 50,500	\$ 42,390	\$ 92,890	\$ 92,890	
Salaries	25,400	(2,102)	23,298	23,298	
Other Salaries for Instruction					
Total Summer School - Instruction	75,900	40,288	116,188	116,188	
Total Instruction	36,656,174	518,326	37,174,500	36,012,056	\$ 1,162,444
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	30,000		30,000		30,000
Tuition to Other LEAs Within the State - Special	2,364,530	227,041	2,591,571	2,423,952	167,619
Tuition to County Vocational Schools - Regular	1,226,000	20,000	1,246,000	1,243,800	2,200
Tuition to County Vocational Schools - Special	50,000		50,000	28,000	22,000
Tuition to CSSD and Regional Day Schools		4,583	4,583	4,583	
Tuition to Private Schools for the Disabled - Within the State	4,076,942	(464,678)	3,612,264	3,100,595	511,669
Tuition to Private Schools for the Disabled and Other LEA's - Outside the State	110,000	213,054	323,054	323,054	
Tuition - State Facilities	24,775		24,775	24,775	
Total Undistributed Expenditures - Instruction	7,882,247		7,882,247	7,148,759	733,488
Attendance and Social Work Services:					
Salaries	69,324	(2,705)	66,619	66,619	
Total Attendance and Social Work Services	69,324	(2,705)	66,619	66,619	
Health Services:					
Salaries	864,105	(26,566)	837,539	837,539	
Purchased Professional and Technical Services	10,000	1,164	11,164	11,164	
Other Purchased Services (400-500 series)	600	(405)	195	195	
Supplies and Materials	31,000	(10,542)	20,458	20,458	
Total Health Services	905,705	(36,349)	869,356	869,356	

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	\$ 624,164	\$ (66,492)	\$ 557,672	\$ 555,276	\$ 2,396
Purchased Professional - Educational Services	2,648,270	(249,032)	2,399,238	2,315,069	84,169
Other Purchased Services (400-500 series)	1,150	25	1,175	1,175	
Supplies and Materials	18,000	3,436	21,436	19,585	1,851
Total Other Support Services - Speech, OT, PT and Related Services	3,291,584	(312,063)	2,979,521	2,891,105	88,416
Other Support Services - Students - Extraordinary Services:					
Salaries	1,117,426	(112,425)	1,005,001	1,005,001	
Total Other Support Services - Students - Extraordinary Services	1,117,426	(112,425)	1,005,001	1,005,001	
Guidance:					
Salaries of Other Professional Staff	986,301	(1,473)	984,828	984,466	362
Salaries of Secretarial and Clerical Assistants	301,317	(4,793)	296,524	296,524	
Other Salaries	500	130	630	336	294
Other Purchased Professional and Technical Services	3,994	1,526	5,520	5,505	15
Other Purchased Services (400-500 series)		70	70	70	
Supplies and Materials	61,632	(16,522)	45,110	24,438	20,672
Other Objects	535	265	800	605	195
Total Guidance	1,354,279	(20,797)	1,333,482	1,311,944	21,538
Child Study Team:					
Salaries of Other Professional Staff	1,032,270	8,198	1,040,468	1,035,703	4,765
Salaries of Secretarial and Clerical Assistants	243,173	(4,521)	238,652	238,377	275
Purchased Professional - Educational Services	88,900	6,372	95,272	72,388	22,884
Other Purchased Professional and Technical Services	42,900	2,583	45,483	18,526	26,957
Miscellaneous Purchased Services	1,000	440	1,440	1,110	330
Supplies and Materials	15,500	18,187	33,687	17,115	16,572
Other Objects		150	150	150	
Total Child Study Team	1,423,743	31,409	1,455,152	1,383,369	71,783

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 734,704	\$ 439	\$ 735,143	\$ 713,350	\$ 21,793
Salaries of Other Professional Staff	159,614	(3,966)	155,648	124,333	31,315
Salaries of Secretarial and Clerical Assistants	92,674		92,674	92,674	
Purchased Professional - Educational Services	78,200		78,200	46,076	32,124
Supplies and Materials		565	565	563	2
Other Objects	5,000		5,000	2,240	2,760
Total Improvement of Instructional Services	1,070,192	(2,962)	1,067,230	979,236	87,994
Educational Media Services/School Library:					
Salaries	681,422	30,754	712,176	711,963	213
Purchased Professional and Technical Services	1,200	(1,200)			
Other Purchased Services (400-500 series)	1,600	(423)	1,177	1,177	
Supplies and Materials	80,363	(689)	79,674	77,723	1,951
Total Educational Media Services/School Library	764,585	28,442	793,027	790,863	2,164
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	813,628	(12,516)	801,112	798,259	2,853
Salaries of Secretarial and Clerical Assistants	80,209	(2)	80,207	80,207	
Unused Vacation Payment to Terminated/Retired Staff		11,963	11,963	11,963	
Purchased Professional - Educational Services	14,100	(3,448)	10,652	10,252	400
Supplies and Materials		2,200	2,200	2,200	
Other Objects	1,000	4,765	5,765	4,765	1,000
Total Instructional Staff Training Services	908,937	2,962	911,899	907,646	4,253

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 376,992	\$ 108	\$ 377,100	\$ 377,100	\$ 53,647
Legal Services	165,000		165,000	111,353	
Audit Fees	45,100		45,100	45,100	
Architectural/Engineering Services	59,375	(2,950)	56,425	5,397	51,028
Other Purchased Professional Services	11,430	3,442	14,872	14,850	22
Purchased Technical Services	20,000		20,000	13,138	6,862
Communications/Telephone	105,000	(1,490)	103,510	95,140	8,370
BOE Other Purchased Services	6,000	1,032	7,032	5,463	1,569
Miscellaneous Purchased Services (400-500 series)	100,710	419	101,129	95,103	6,026
General Supplies	6,500		6,500	1,138	5,362
Miscellaneous Expenditures	21,000	(561)	20,439	16,617	3,822
BOE Membership Dues and Fees	30,000		30,000	29,013	987
Total Support Services - General Administration	947,107		947,107	809,412	137,695
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,886,992	80	1,887,072	1,887,072	
Salaries of Other Professional Staff	169,950	(739)	169,211	169,125	86
Salaries of Secretarial and Clerical Assistants	767,358	2,241	769,599	768,584	1,015
Purchased Professional and Technical Services	500		500	495	5
Other Purchased Services (400-500 series)	70,000	(9,111)	60,889	59,897	992
Supplies and Materials		10,070	10,070	8,001	2,069
Other Objects	2,000	(226)	1,774	1,774	
Total Support Services - School Administration	2,896,800	2,315	2,899,115	2,894,948	4,167

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 859,060	\$ (41,993)	\$ 817,067	\$ 817,067	\$ 7,261
Purchased Professional Services	56,000	4,115	60,115	52,854	36,707
Purchased Technical Services	108,450	38,318	146,768	110,061	1,022
Miscellaneous Purchased Services (400-500 series)	4,500		4,500	3,478	9,699
Supplies and Materials	25,420	231	25,651	15,952	3,503
Miscellaneous Expenditures	8,950	(671)	8,279	4,776	
Total Central Services	1,062,380		1,062,380	1,004,188	58,192
Administration Information Technology:					
Salaries	256,163		256,163	206,182	49,981
Purchased Professional Services	202,600	(2,269)	200,331	173,485	26,846
Purchased Technical Services	77,000	(4,721)	72,279	48,274	24,005
Other Purchased Services (400-500 series)	5,000		5,000	2,979	2,021
Supplies and Materials	6,399	6,990	13,389	12,590	799
Total Administration Information Technology	547,162		547,162	443,510	103,652
Required Maintenance for School Facilities:					
Salaries	737,064	(85,987)	651,077	651,077	708,312
Cleaning, Repair and Maintenance Services	1,212,950	513,586	1,726,536	1,018,224	16,230
General Supplies	363,740	(96,086)	267,654	251,424	
Other Objects		4,880	4,880	4,880	
Total Required Maintenance for School Facilities	2,313,754	336,393	2,650,147	1,925,605	724,542

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 2,446,223	\$ (54,069)	\$ 2,392,154	\$ 2,392,154	
Salaries of Non-Instructional Aides	436,572	(55,088)	381,484	381,484	
Purchased Professional and Technical Services	202,357	(33,551)	168,806	155,340	\$ 13,466
Cleaning, Repair and Maintenance Services	186,136	167,855	353,991	175,937	178,054
Other Purchased Property Services	183,605	9,969	193,574	192,146	1,428
Insurance	312,194	(12,462)	299,732	299,732	
Travel - All Other		200	200	200	
General Supplies	240,000	196	240,196	239,494	702
Energy (Natural Gas)	257,825	(2,922)	254,903	254,903	
Energy (Electricity)	769,572	(89,670)	679,902	679,902	
Energy (Gasoline)	30,000	(10,329)	19,671	19,671	
Total Custodial Services	5,064,484	(79,871)	4,984,613	4,790,963	193,650
Care and Upkeep of Grounds:					
Salaries	326,645	(31,934)	294,711	294,711	
Cleaning, Repair and Maintenance Services	65,550	(29,570)	35,980	31,800	4,180
Travel - All Other		297	297	297	
General Supplies	85,705	(32,821)	52,884	52,884	
Other Objects		580	580	580	
Total Care and Upkeep of Grounds	477,900	(93,448)	384,452	380,272	4,180
Security:					
Salaries	164,550	(7,275)	157,275	157,275	
Cleaning, Repair and Maintenance Services		253	253		253
General Supplies	5,000	152,016	157,016	5,922	151,094
Total Security	169,550	144,994	314,544	163,197	151,347

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 314,273	\$ 10,553	\$ 324,826	\$ 324,200	626
Between Home and School - Special	8,000	(1,724)	6,276	5,783	493
Other Than Between Home and School - Regular	125,000	(10,829)	114,171	103,536	10,635
Management Fee - ESC & CTSA Transportation Program	69,500		69,500	53,716	15,784
Other Purchased Professional and Technical Services	8,000		8,000	6,053	1,947
Cleaning, Repair and Maintenance Services	3,000	(125)	2,875		2,875
Contracted Services:					
Between Home and School - Vendors	474,000	(8,837)	465,163	465,163	
Other Than Between Home and School - Vendors	71,000	1,095	72,095	27,330	44,765
Special Education Students - Vendors	400,000	(1,283)	398,717	362,147	36,570
Regular Students - ESCs & CTSA	40,000		40,000	29,192	10,808
Special Education Students - ESCs & CTSA	1,720,000	(1,800)	1,718,200	1,469,920	248,280
Aid in Lieu Payments:					
Nonpublic Schools	155,000	7,692	162,692	161,992	700
Charter Schools		1,000	1,000	1,000	
Choice Schools		1,000	1,000	1,000	
Miscellaneous Purchased Services	2,500	3,258	5,758	5,758	
General Supplies	1,000		1,000		1,000
Transportation Supplies	65,000		65,000	44,252	20,748
Other Objects	650		650	343	307
Total Student Transportation Services	3,456,923		3,456,923	3,061,385	395,538
Allocated Benefits:					
Regular Programs - Instruction:					
Tuition Reimbursement	137,500		137,500	131,486	6,014
Total Allocated Benefits - Regular Programs - Instruction	137,500		137,500	131,486	6,014

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Allocated Benefits:					
Improvement of Instruction Services:					
Tuition Reimbursement	\$ 13,000	\$ 3,762	\$ 16,762		\$ 16,762
Total Allocated Benefits - Improvement of Instruction Services	13,000	3,762	16,762		16,762
Support Services - School Administration:					
Tuition Reimbursement	25,000	4,052	29,052	\$ 25,290	3,762
Total Allocated Benefits - Support Services - School Administration	25,000	4,052	29,052	25,290	3,762
Total Allocated Benefits	175,500	7,814	183,314	156,776	26,538
Unallocated Benefits:					
Social Security Contributions	1,076,250	(11,217)	1,065,033	1,002,067	62,966
Other Retirement Contributions - PERS	1,184,000	(54,288)	1,129,712	1,129,712	
Other Retirement Contributions - DCRP	31,600		31,600	25,679	5,921
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	360,000		360,000	340,822	19,178
Health Benefits	15,513,561	(298,002)	15,215,559	13,993,256	1,222,303
Other Employee Benefits	452,100		452,100	388,504	63,596
Unused Sick Payment to Terminated/Retired Staff	200,000		200,000	47,240	152,760
Total Unallocated Benefits	18,867,511	(363,507)	18,504,004	16,977,280	1,526,724

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
On-Behalf TPAF Contributions (Non-Budgeted):					
Post-Retirement Medical				\$ 3,209,606	\$ (3,209,606)
Pension				4,851,626	(4,851,626)
Non-Contributory Insurance				117,737	(117,737)
Long-Term Disability Insurance				8,982	(8,982)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,667,216	(2,667,216)
Total On-Behalf and Reimbursed Contributions				10,855,167	(10,855,167)
Total Personal Services - Employee Benefits	\$ 19,043,011	\$ (355,693)	\$ 18,687,318	27,989,223	(9,301,905)
Total Undistributed Expenses	54,767,093	(469,798)	54,297,295	60,816,601	(6,519,306)
TOTAL GENERAL CURRENT EXPENSE	91,423,267	48,528	91,471,795	96,828,657	(5,356,862)
CAPITAL OUTLAY					
Equipment:					
School-Sponsored Cocurricular Athletics - Instruction		14,231	14,231	10,061	4,170
Undistributed Expenditures:					
Instruction	41,446	281,727	323,173	41,385	281,788
Required Maintenance for School Facilities	747,798	5,763	753,561	753,561	
Custodial Services	19,815	1,969	21,784	11,969	9,815
Care and Upkeep of Grounds	2,890	5,548	8,438	8,438	
Security	186,414	338,948	525,362		525,362
School Buses - Regular	181,387	208,525	389,912	181,387	208,525
Total Equipment	1,179,750	856,711	2,036,461	1,006,801	1,029,660

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 36,180	\$ 290,652	\$ 326,832	\$ 260,748	\$ 66,084
Construction Services	1,647,016	5,021,360	6,668,376	2,389,301	4,279,075
Lease Purchase Agreements - Principal	650,000		650,000	641,345	8,655
Other Objects (Debt Service Assessment)	165,426		165,426	165,426	
Total Facilities Acquisition and Construction Services	2,498,622	5,312,012	7,810,634	3,456,820	4,353,814
Assets Acquired Under Capital Leases (Non-Budgeted):					
Equipment:					
Undistributed Expenditures:				635,000	(635,000)
Instruction				635,000	(635,000)
Total Assets Acquired Under Capital Leases (Non-Budgeted)				1,270,000	(1,270,000)
TOTAL CAPITAL OUTLAY	3,678,372	6,168,723	9,847,095	5,098,621	4,748,474
Transfer of Funds to Charter Schools	15,619		15,619	15,619	
TOTAL EXPENDITURES	95,117,258	6,217,251	101,334,509	101,942,897	(608,388)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(4,795,323)	(6,217,251)	(11,012,574)	895,393	11,907,967
Other Financing Sources/(Uses):					
Capital Leases (Non-Budgeted)				635,000	635,000
Transfers In:					
Capital Projects Fund Unexpended Balances:					
Capital Outlay				2,116	2,116
Capital Reserve				72,334	72,334
Transfers Out:					
Board Contribution:					
Special Revenue Fund - PreK - Inclusion	(147,199)	93,838	(53,361)	(53,361)	
Capital Projects Fund - Capital Outlay		(210,000)	(210,000)	(210,000)	
Total Other Financing Sources/(Uses)	(147,199)	(116,162)	(263,361)	446,089	709,450

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess/(Deficiency) of Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing Uses	\$ (4,942,522)	\$ (6,333,413)	\$ (11,275,935)	\$ 1,341,482	\$ 12,617,417
Fund Balance, July 1 (Restated)	<u>17,892,829</u>		<u>17,892,829</u>	<u>17,892,829</u>	
Fund Balance, June 30	<u>\$ 12,950,307</u>	<u>\$ (6,333,413)</u>	<u>\$ 6,616,894</u>	<u>\$ 19,234,311</u>	<u>\$ 12,617,417</u>
Recapitulation:					
Restricted:					
Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 1,000,000	
Excess Surplus				1,000,000	
Capital Reserve				5,046,477	
Maintenance Reserve				2,355,172	
Assigned:					
Encumbrances				6,673,448	
Unassigned				<u>3,159,214</u>	
				<u>19,234,311</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				<u>(290,058)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 18,944,253</u>	

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 675,350	\$ 80,205	\$ 755,555	\$ 637,052	\$ (118,503)
Federal Sources	1,242,960	425,807	1,668,767	1,603,791	(64,976)
Local Sources	352,506	262,263	614,769	566,184	(48,585)
Total Revenues	<u>2,270,816</u>	<u>768,275</u>	<u>3,039,091</u>	<u>2,807,027</u>	<u>(232,064)</u>
Other Financing Sources:					
Transfer In - Board Contribution - General Fund	147,199	(93,838)	53,361	53,361	
Total Revenues and Other Financing Sources	<u>2,418,015</u>	<u>674,437</u>	<u>3,092,452</u>	<u>2,860,388</u>	<u>(232,064)</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	539,155	66,413	605,568	605,086	482
Purchased Services	20,266	25,428	45,694	40,568	5,126
Other Purchased Services	764,480	243,408	1,007,888	1,007,545	343
General Supplies	57,812	140,684	198,496	143,388	55,108
Textbooks	62,000	(4,152)	57,848	57,517	331
Other Objects	1,720	4,516	6,236	6,236	
Total Instruction	<u>1,445,433</u>	<u>476,297</u>	<u>1,921,730</u>	<u>1,860,340</u>	<u>61,390</u>
Support Services					
Personal Services - Salaries	7,464	38,691	46,155	23,448	22,707
Personal Services - Employee Benefits	5,738	22,576	28,314	19,894	8,420
Purchased Professional/Educational Services	568,850	100,136	668,986	550,814	118,172
Purchased Professional and Technical Services	353,280	22,868	376,148	369,430	6,718
Other Purchased Services	28,250	(2,677)	25,573	23,068	2,505
Supplies and Materials	3,000	15,146	18,146	5,994	12,152
Other Objects	6,000	1,400	7,400	7,400	
Total Support Services	<u>972,582</u>	<u>198,140</u>	<u>1,170,722</u>	<u>1,000,048</u>	<u>170,674</u>
Total Expenditures	<u>2,418,015</u>	<u>674,437</u>	<u>3,092,452</u>	<u>2,860,388</u>	<u>232,064</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 102,838,290	\$ 2,807,027
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		(3,613)
Prior Year Encumbrances		129
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	273,373	4,950
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(290,058)</u>	<u>(4,950)</u>
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	 <u><u>\$ 102,821,605</u></u>	 <u><u>\$ 2,803,543</u></u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 101,942,897	\$ 2,860,388
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		(3,613)
Prior Year Encumbrances		<u>129</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u><u>\$ 101,942,897</u></u>	 <u><u>\$ 2,856,904</u></u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018 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, 2018

	Temporary Emergency Impact Aid	Elementary and Secondary Education Act			
		Title I	Title IIA	Title III Immigrant	Title IV
REVENUE:					
State Sources					
Federal Sources	\$ 63,794	\$ 112,594	\$ 71,275	\$ 5,341	\$ 7,689
Local Sources					
Total Revenue	63,794	112,594	71,275	5,341	7,689
Other Financing Sources:					
Transfer In - Board Contribution - General Fund					
Total Revenue and Other Financing Sources	\$ 63,794	\$ 112,594	\$ 71,275	\$ 5,341	\$ 7,689
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	\$ 36,022	\$ 91,433			
Purchased Services				\$ 519	\$ 6,000
Other Purchased Services		10,555		4,822	1,689
General Supplies					
Textbooks					
Other Objects					
Total Instruction	36,022	101,988		5,341	7,689
Support Services:					
Personal Services - Salaries	626	3,355	\$ 16,947		
Personal Services - Employee Benefits	11,347	7,251	1,296		
Purchased Professional/Educational Services	15,799				
Purchased Professional and Technical Services			31,816		
Other Purchased Services			7,822		
Supplies and Materials			5,994		
Other Objects			7,400		
Total Support Services	27,772	10,606	71,275		
Total Expenditures	\$ 63,794	\$ 112,594	\$ 71,275	\$ 5,341	\$ 7,689

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	I.D.E.A. - Part B, Basic		NJ Nonpublic		
	Regular	Preschool	Textbooks	Nursing	Technology Initiative
REVENUE:					
State Sources					
Federal Sources	\$ 1,287,614	\$ 55,484	\$ 57,517	\$ 91,946	\$ 36,664
Local Sources					
Total Revenue	1,287,614	55,484	57,517	91,946	36,664
Other Financing Sources:					
Transfer In - Board Contribution - General Fund					
Total Revenue and Other Financing Sources	\$ 1,287,614	\$ 55,484	\$ 57,517	\$ 91,946	\$ 36,664
EXPENDITURES:					
Instruction:					
Personal Services - Salaries					
Purchased Services	\$ 950,000	\$ 55,484			
Other Purchased Services					
General Supplies			\$ 57,517		
Textbooks					
Other Objects					
Total Instruction	950,000	55,484	57,517		
Support Services:					
Personal Services - Salaries					
Personal Services - Employee Benefits				\$ 91,946	\$ 36,664
Purchased Professional/Educational Services	337,614				
Other Purchased Professional and Technical Services					
Supplies and Materials					
Other Objects					
Total Support Services	337,614			91,946	36,664
Total Expenditures	\$ 1,287,614	\$ 55,484	\$ 57,517	\$ 91,946	\$ 36,664

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	NJ Nonpublic Security	Preschool Education Aid	Nonpublic Auxiliary Services (Chapter 192)		
			Compensatory Education	Transportation	Home Instruction
REVENUE:					
State Sources	\$ 18,963	\$ 49,500	\$ 59,355	\$ 19,150	\$ 6,616
Federal Sources		340,855			
Local Sources					
Total Revenue	18,963	390,355	59,355	19,150	6,616
Other Financing Sources:					
Transfer In - Board Contribution - General Fund		53,361			
Total Revenue and Other Financing Sources	\$ 18,963	\$ 443,716	\$ 59,355	\$ 19,150	\$ 6,616
EXPENDITURES:					
Instruction:					
Personal Services - Salaries		\$ 414,288			
Purchased Services					
Other Purchased Services		21,783			
General Supplies					
Textbooks					
Other Objects					
Total Instruction		436,071			
Support Services:					
Personal Services - Salaries		2,520			
Personal Services - Employee Benefits					
Purchased Professional/Educational Services	\$ 18,963	4,980	\$ 59,355	\$ 19,150	\$ 6,616
Purchased Professional and Technical Services		145			
Supplies and Materials					
Other Objects					
Total Support Services	18,963	7,645	59,355	19,150	6,616
Total Expenditures	\$ 18,963	\$ 443,716	\$ 59,355	\$ 19,150	\$ 6,616

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic Handicapped Services (Chapter 193)			Local Programs	Totals
	Supplementary Instruction	Examination & Classification	Corrective Speech	Programs	June 30, 2018
REVENUE:					
State Sources	\$ 131,083	\$ 147,777	\$ 18,481		\$ 637,052
Federal Sources					1,603,791
Local Sources				\$ 225,329	566,184
Total Revenue	131,083	147,777	18,481	225,329	2,807,027
Other Financing Sources:					
Transfer In - Board Contribution - General Fund					53,361
Total Revenue and Other Financing Sources	\$ 131,083	\$ 147,777	\$ 18,481	\$ 225,329	\$ 2,860,388
EXPENDITURES:					
Instruction:					
Personal Services - Salaries				\$ 63,343	\$ 605,086
Purchased Services				34,049	40,568
Other Purchased Services				2,061	1,007,545
General Supplies				104,539	143,388
Textbooks					57,517
Other Objects				6,236	6,236
Total Instruction				210,228	1,860,340
Support Services:					
Personal Services - Salaries					23,448
Personal Services - Employee Benefits					19,894
Purchased Professional/Educational Services	\$ 131,083	\$ 147,777	\$ 18,481		550,814
Purchased Professional and Technical Services					369,430
Other Purchased Services				15,101	23,068
Supplies and Materials					5,994
Other Objects					7,400
Total Support Services	131,083	147,777	18,481	15,101	1,000,048
Total Expenditures	\$ 131,083	\$ 147,777	\$ 18,481	\$ 225,329	\$ 2,860,388

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

District-Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 414,288	\$ 414,288	
General Supplies	21,783	21,783	
Total Instruction	<u>436,071</u>	<u>436,071</u>	
Support Services:			
Personal Services - Salaries	2,520	2,520	
Purchased Professional/Educational Services	4,980	4,980	
Other Purchased Services	145	145	
Total Support Services	<u>7,645</u>	<u>7,645</u>	
Total Expenditures	<u>\$ 443,716</u>	<u>\$ 443,716</u>	<u>\$ - 0 -</u>

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2017-2018 Preschool Education Aid Allocation	\$ 49,500
Add: Actual Preschool Education Carryover (June 30, 2017)	-0-
Add: Budgeted Transfer from the General Fund 2017-18	53,361
Add: Budgeted Tuition 2017-18	340,855
Total Preschool Education Aid Funds Available for 2017-2018 Budget	<u>443,716</u>
Less: 2017-2018 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(443,716)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2018	<u>- 0 -</u>
Add: June 30, 2018 Unexpended Preschool Education Aid	- 0 -
Less: 2017-2018 Commissioner-approved Transfer to the General Fund	- 0 -
2017-2018 Carryover - Preschool Education Aid	<u>\$ - 0 -</u>
2017-2018 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2018-2019	<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, 2018

Revenue and Other Financing Sources:	
Transfer from Capital Outlay	\$ 210,000
Total Revenue and Other Financing Sources	<u>210,000</u>
Expenditures and Other Financing Uses:	
Construction Services	149,348
Transfer to General Fund:	
Unexpended Balances - Capital Outlay	2,116
Unexpended Balances - Capital Reserve	<u>72,334</u>
Total Expenditures and Other Financing Uses	<u>223,798</u>
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	(13,798)
Fund Balance - Beginning	<u>833,924</u>
Fund Balance - Ending	<u><u>\$ 820,126</u></u>
<u>Recapitulation of Fund Balance at June 30, 2018:</u>	
Committed - Year-End Encumbrances	\$ 805,130
Committed	<u>14,996</u>
Fund Balance per Governmental Funds (Budgetary Basis)	820,126
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on the GAAP Basis	<u>(475,926)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 344,200</u></u>

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, 2018

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
Transfer from Capital Outlay	\$ 373,298	\$ 210,000	\$ 583,298	\$ 583,298
Total Revenue and Other Financing Sources	373,298	210,000	583,298	583,298
Expenditures:				
Purchased Professional and Technical Services				20,700
Construction Services		8,161	8,161	562,598
Total Expenditures		8,161	8,161	583,298
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 373,298	\$ 201,839	\$ 575,137	\$ - 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 -
Additional Authorization	210,000
Revised Authorized Cost	\$ 583,298
Change Order Percentage	0.00%
Percentage Completion	1.40%
Original Target Completion Date	11/30/17
Revised Target Completion Date	12/31/18

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, 2018

	Prior Periods	Current Year	Totals	Revised Project 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		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	934,441		934,441	1,091,490
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 157,049		\$ 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	12/31/18

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, 2018

	Prior Periods	Current Year	Totals	Revised Project 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		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	640,070		640,070	728,010
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 87,940		\$ 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	12/31/18			

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, 2018

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 2,548,000	\$ (45,094)	\$ 2,502,906	\$ 2,502,906
Total Revenue and Other Financing Sources	2,548,000	(45,094)	2,502,906	2,502,906
Expenditures:				
Purchased Professional and Technical Services	268,551		268,551	268,551
Construction Services	2,162,529	71,826	2,234,355	2,234,355
Total Expenditures	2,431,080	71,826	2,502,906	2,502,906
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 116,920	\$ (116,920)	\$ - 0 -	\$ - 0 -

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,548,000
Change Orders	- 0 -
Unexpended Funds Returned to Capital Reserve	(45,094)
Revised Authorized Cost	\$ 2,502,906
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	10/01/16
Revised Target Completion Date	01/25/18

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, 2018

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 2,030,625	\$ (27,240)	\$ 2,003,385	\$ 2,003,385
Total Revenue and Other Financing Sources	2,030,625	(27,240)	2,003,385	2,003,385
Expenditures:				
Purchased Professional and Technical Services	84,193		84,193	84,193
Construction Services	1,850,965	68,227	1,919,192	1,919,192
Total Expenditures	1,935,158	68,227	2,003,385	2,003,385
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 95,467	\$ (95,467)	\$ - 0 -	\$ - 0 -

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,030,625
Change Orders	- 0 -
Unexpended Funds Returned to Capital Reserve	(27,240)
Revised Authorized Cost	\$ 2,003,385
Change Order Percentage	0.00%
Percentage Completion	100.00%
Original Target Completion Date	10/01/16
Revised Target Completion Date	01/25/18

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, 2018

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
Transfer from Capital Outlay	\$ 733,020	\$ (2,116)	\$ 730,904	\$ 730,904
Total Revenue and Other Financing Sources	733,020	(2,116)	730,904	730,904
Expenditures:				
Purchased Professional and Technical Services	102,457		102,457	102,457
Construction Services	627,313	1,134	628,447	628,447
Total Expenditures	729,770	1,134	730,904	730,904
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ 3,250	\$ (3,250)	\$ - 0 -	\$ - 0 -
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 639,300			
Change Orders	- 0 -			
Additional Authorization	93,720			
Unexpended Funds Returned to Capital Reserve	(2,116)			
Revised Authorized Cost	\$ 730,904			
Change Order Percentage	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	02/10/17			
Revised Target Completion Date	10/31/17			

PROPRIETARY FUNDS

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		<u>Totals</u>
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Food Service</u>	<u>Summer Community Education Program</u>	
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 816,184	\$ 129,606	\$ 945,790
Accounts Receivable:			
Other Governments:			
Federal	16,268		16,268
State	1,264		1,264
Inventories	6,508		6,508
Total Current Assets	840,224	129,606	969,830
Non-Current Assets:			
Capital Assets	692,111		692,111
Less: Accumulated Depreciation	(196,759)		(196,759)
Total Non-Current Assets	495,352		495,352
Total Assets	1,335,576	129,606	1,465,182
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable - Vendors	62,581	1,950	64,531
Interfund Payable - General Fund	2,838		2,838
Unearned Revenue - Prepaid Sales	60,602		60,602
Total Current Liabilities	126,021	1,950	127,971
Total Liabilities	126,021	1,950	127,971
<u>NET POSITION:</u>			
Investment in Capital Assets	495,352		495,352
Unrestricted	714,203	127,656	841,859
Total Net Position	\$ 1,209,555	\$ 127,656	\$ 1,337,211

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, 2018

	<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	\$ 905,686		\$ 905,686
Non-Reimbursable Programs	695,013		695,013
Total Daily Sales	1,600,699		1,600,699
Special Events	6,924		6,924
Program Fees		\$ 55,562	55,562
Total Operating Revenue	1,607,623	55,562	1,663,185
Operating Expenses:			
Cost of Sales:			
Reimbursable Programs	540,650		540,650
Non-Reimbursable Programs	228,212		228,212
Total Cost of Sales	768,862		768,862
Salaries	523,950	52,315	576,265
Payroll Taxes	73,863		73,863
Employee Benefits	43,566		43,566
Purchased Property Services	22,454		22,454
Management Fee	90,118		90,118
Insurance	67,042		67,042
Supplies and Materials	73,935	1,707	75,642
Depreciation Expense	31,815		31,815
Total Operating Expenses	1,695,605	54,022	1,749,627
Operating Income/(Loss)	(87,982)	1,540	(86,442)
Non-Operating Revenue:			
Federal Sources:			
National School Lunch Program	224,175		224,175
Special Milk Program	1,849		1,849
Food Distribution Program	105,518		105,518
State Sources:			
School Lunch Program	17,333		17,333
Local Sources - Interest Revenue	5,679	650	6,329
Total Non-Operating Revenue	354,554	650	355,204
Change in Net Position Before Other Item	266,572	2,190	268,762
Other Item - Disposal of Capital Assets, Net	(79,291)		(79,291)
Change in Net Position	187,281	2,190	189,471
Net Position - Beginning of Year	1,022,274	125,466	1,147,740
Net Position - End of Year	\$ 1,209,555	\$ 127,656	\$ 1,337,211

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	
	Food Service	Summer Community Education Program	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 1,613,742	\$ 57,512	\$ 1,671,254
Payments to Employees	(27,760)	(52,315)	(80,075)
Payments to Food Service Vendor	(1,581,440)		(1,581,440)
Payments to Suppliers	(79,826)	(2,130)	(81,956)
Net Cash Provided by/(Used for) Operating Activities	(75,284)	3,067	(72,217)
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(129,967)		(129,967)
Net Cash Used for Capital Financing Activities	(129,967)		(129,967)
Cash Flows from Noncapital Financing Activities:			
Federal Sources	223,595		223,595
State Sources	16,986		16,986
Net Cash Provided by Noncapital Financing Activities	240,581		240,581
Cash Flows from Investing Activities:			
Interest Revenue	5,679	650	6,329
Net Cash Provided by Investing Activities	5,679	650	6,329
Net Increase in Cash and Cash Equivalents	41,009	3,717	44,726
Cash and Cash Equivalents, July 1	775,175	125,889	901,064
Cash and Cash Equivalents, June 30	\$ 816,184	\$ 129,606	\$ 945,790
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (87,982)	\$ 1,540	\$ (86,442)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Depreciation	31,815		31,815
Federal Food Distribution Program	105,518		105,518
Changes in Assets and Liabilities:			
Decrease in Inventory	2,163		2,163
Increase/(Decrease) in Accounts Payable	(129,385)	1,667	(127,718)
(Decrease) in Interfund Payable	(3,532)	(140)	(3,672)
Increase in Unearned Revenue	6,119		6,119
Net Cash Provided by/(Used for) Operating Activities	\$ (75,284)	\$ 3,067	\$ (72,217)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$105,518 for the fiscal year ended June 30, 2018.

FIDUCIARY FUNDS

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>		
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 193,481	\$ 506,744	\$ 700,225	\$ 924,078	\$ 47,406
Total Assets	<u>193,481</u>	<u>506,744</u>	<u>700,225</u>	<u>924,078</u>	<u>47,406</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings Due to Student Groups	<u>193,481</u>	<u>506,744</u>	<u>506,744</u> <u>193,481</u>		
Total Liabilities	<u>193,481</u>	<u>506,744</u>	<u>700,225</u>		
<u>NET POSITION:</u>					
Held in Trust for:					
Unemployment Claims				924,078	
Flexible Spending Claims					<u>47,406</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 924,078</u>	<u>\$ 47,406</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Plan Members	\$ 81,564	\$ 51,590
Employer	<u>50,000</u>	<u></u>
Total Contributions	<u>131,564</u>	<u>51,590</u>
Investment Earnings:		
Interest	<u>6,373</u>	<u>257</u>
Net Investment Earnings	<u>6,373</u>	<u>257</u>
Total Additions	<u>137,937</u>	<u>51,847</u>
DEDUCTIONS:		
Quarterly Contribution Reports and Unemployment Benefit Claims	63,386	
Flexible Spending Claims	<u></u>	<u>44,235</u>
Total Deductions	<u>63,386</u>	<u>44,235</u>
Change in Net Position	74,551	7,612
Net Position - Beginning of the Year	<u>849,527</u>	<u>39,794</u>
Net Position - End of the Year	<u>\$ 924,078</u>	<u>\$ 47,406</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 197,723	\$ 827,940	\$ 832,182	\$ 193,481
Total Assets	<u>\$ 197,723</u>	<u>\$ 827,940</u>	<u>\$ 832,182</u>	<u>\$ 193,481</u>
<u>LIABILITIES:</u>				
Liabilities:				
Interfund Payable:				
General Fund	\$ 12,918		\$ 12,918	
Due to Student Groups	184,805	\$ 827,940	819,264	\$ 193,481
Total Liabilities	<u>\$ 197,723</u>	<u>\$ 827,940</u>	<u>\$ 832,182</u>	<u>\$ 193,481</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Senior High School:				
Scotch Plains-Fanwood	\$ 133,869	\$ 451,255	\$ 457,801	\$ 127,323
Student Athletic Account	2,380	112,160	113,935	605
Middle Schools:				
Park	7,136	76,129	72,513	10,752
Terrill	5,091	78,103	70,415	12,779
Elementary Schools	2,836	21,973	22,063	2,746
Music Fund	33,493	88,320	82,537	39,276
Total All Schools	<u>\$ 184,805</u>	<u>\$ 827,940</u>	<u>\$ 819,264</u>	<u>\$ 193,481</u>

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 472,893	\$ 56,268,207	\$ 56,234,356	\$ 506,744
Total Assets	<u>\$ 472,893</u>	<u>\$ 56,268,207</u>	<u>\$ 56,234,356</u>	<u>\$ 506,744</u>
<u>LIABILITIES:</u>				
Interfund Payable:				
General Fund		\$ 5,896	\$ 5,896	
Payroll Deductions and Withholdings	\$ 472,893	56,262,311	56,228,460	\$ 506,744
Total Liabilities	<u>\$ 472,893</u>	<u>\$ 56,268,207</u>	<u>\$ 56,234,356</u>	<u>\$ 506,744</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, 2017	Retired/Matured	Balance June 30, 2018
			Date	Amount	June 30, 2018				
School Refunding Bonds	02/11/10	\$ 12,180,000	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%			
				740,000		5.000%	\$ 6,630,000	\$ 1,195,000	\$ 5,435,000
						\$ 6,630,000	\$ 1,195,000	\$ 5,435,000	

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

Item	Interest Rate	Original Issue	Balance July 1, 2017	Issued	Retired/ Matured	Balance June 30, 2018
Computer Equipment	1.140%	570,000	\$ 143,307		\$ 143,307	
Technology Equipment	1.469%	647,000	323,875		160,757	\$ 163,118
Technology Equipment	1.716%	675,000	483,193		158,332	324,861
Technology Equipment	1.785%	635,000		\$ 635,000	169,779	465,221
			\$ 950,375	\$ 635,000	\$ 632,175	\$ 953,200

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,467,050		\$ 1,467,050	\$ 1,467,050	
Total Revenues	<u>1,467,050</u>		<u>1,467,050</u>	<u>1,467,050</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	272,050		272,050	272,050	
Redemption of Principal	1,195,000		1,195,000	1,195,000	
Total Regular Debt Service	<u>1,467,050</u>		<u>1,467,050</u>	<u>1,467,050</u>	
Total Expenditures	<u>1,467,050</u>		<u>1,467,050</u>	<u>1,467,050</u>	
Excess of Revenues Over Expenditures	- 0 -		- 0 -	- 0 -	
Fund Balance, July 1	<u>- 0 -</u>		<u>- 0 -</u>	<u>- 0 -</u>	
Fund Balance, June 30	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

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
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	June 30,				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in Capital Assets	\$ 13,568,963	\$ 15,176,305	\$ 15,517,308	\$ 15,587,946	\$ 17,122,257
Restricted/(Deficit)	(20,310)	1,729,678	5,853,356	9,477,280	10,688,069
Unrestricted/(Deficit)	149,198	(284,303)	879,152	1,234,782	474,462
Total Governmental Activities Net Position	<u>\$ 13,697,851</u>	<u>\$ 16,621,680</u>	<u>\$ 22,249,816</u>	<u>\$ 26,300,008</u>	<u>\$ 28,284,788</u>
Business-type Activities:					
Investment in Capital Assets	\$ 78,583	\$ 81,810	\$ 119,819	\$ 155,084	\$ 132,144
Unrestricted	413,196	544,629	582,945	515,259	564,173
Total Business-Type Activities Net Position	<u>\$ 491,779</u>	<u>\$ 626,439</u>	<u>\$ 702,764</u>	<u>\$ 670,343</u>	<u>\$ 696,317</u>
District-wide:					
Net Investment in Capital Assets	\$ 13,647,546	\$ 15,258,115	\$ 15,637,127	\$ 15,743,030	\$ 17,254,401
Restricted/(Deficit)	(20,310)	1,729,678	5,853,356	9,477,280	10,688,069
Unrestricted	562,394	260,326	1,462,097	1,750,041	1,038,635
Total District Net Position	<u>\$ 14,189,630</u>	<u>\$ 17,248,119</u>	<u>\$ 22,952,580</u>	<u>\$ 26,970,351</u>	<u>\$ 28,981,105</u>

	June 30,				
	2014	2015	2016	2017 (Restated)	2018
Governmental Activities:					
Net Investment in Capital Assets	\$ 19,820,524	\$ 24,000,346	\$ 30,497,258	\$ 37,610,963	\$ 40,674,193
Restricted	10,432,126	13,091,638	12,917,942	10,940,585	9,401,649
Unrestricted (Deficit)	(19,093,088)	(18,154,637)	(18,910,330)	(35,222,857)	(34,311,274)
Total Governmental Activities Net Position	<u>\$ 11,159,562</u>	<u>\$ 18,937,347</u>	<u>\$ 24,504,870</u>	<u>\$ 13,328,691</u>	<u>\$ 15,764,568</u>
Business-type Activities:					
Investment in Capital Assets	\$ 198,375	\$ 340,838	\$ 418,966	\$ 476,491	\$ 495,352
Unrestricted	574,136	489,676	544,553	671,249	841,859
Total Business-Type Activities Net Position	<u>\$ 772,511</u>	<u>\$ 830,514</u>	<u>\$ 963,519</u>	<u>\$ 1,147,740</u>	<u>\$ 1,337,211</u>
District-wide:					
Net Investment in Capital Assets	\$ 20,018,899	\$ 24,341,184	\$ 30,916,224	\$ 38,087,454	\$ 41,169,545
Restricted	10,432,126	13,091,638	12,917,942	10,940,585	9,401,649
Unrestricted/(Deficit)	(18,518,952)	(17,664,961)	(18,365,777)	(34,551,608)	(33,469,415)
Total District Net Position	<u>\$ 11,932,073</u>	<u>\$ 19,767,861</u>	<u>\$ 25,468,389</u>	<u>\$ 14,476,431</u>	<u>\$ 17,101,779</u>

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fiscal Year Ending June 30,										
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 52,747,279
Special Education	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	14,513,061
Other Special Instruction	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	1,967,139
Other Instruction	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	2,508,663
Support Services:										
Tuition	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	7,148,759
Student & Instruction Related Services	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	18,579,305
General Administrative Services	979,670	1,028,764	933,389	1,016,294	977,288	956,102	995,246	997,976	1,086,903	1,203,243
School Administrative Services	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	5,673,581
Central Services	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	1,803,640
Administrative Information Technology	521,197	503,050	468,516	395,203	534,482	452,867	530,507	562,430	582,113	648,683
Plant Operations and Maintenance	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	11,528,538
Pupil Transportation	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	3,503,244
Charter Schools	9,653	46,894	28,347	12,452	12,452	29,914	13,382	15,619	15,619	15,619
Interest on Long-term Debt	883,477	676,764	634,086	568,395	508,890	434,941	385,708	350,352	319,387	240,213
Unallocated Depreciation	972,500	971,967	1,144,601	1,135,544	1,200,658	995,807	1,022,329	1,099,731	1,172,750	1,415,613
Total Governmental Activities Expenses	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	123,496,580
Business-Type Activities:										
Food Service	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	1,695,605
Summer Community Education Program	83,622	85,797	61,365	52,188	63,149	52,971	48,441	49,793	52,930	54,022
Total Business-Type Activities Expenses	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	1,749,627
Total District-Wide Expenses	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	125,246,207
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)		229,550	225,670	299,174	343,687	106,293	3,493	241,240	326,598	370,043
Other Instruction (Student Activity Fees)		135,600	111,820			274,795	238,535			
Operating Grants and Contributions	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	36,729,234
Capital Grants and Contributions	12,264	224,561	312,842			819,288	584,459		136	
Total Governmental Activities Program Revenues	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	37,099,277

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

Fiscal Year Ending June 30.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 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	\$ 1,607,623
Summer Community Education Program	65,704	72,726	61,958	70,216	66,470	59,215	42,858	59,352	51,717	55,562
Operating Grants and Contributions	224,017	263,493	265,235	287,189	276,272	274,297	288,009	303,524	330,762	348,875
Total Business-Type Activities Revenues	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	2,012,060
Total District-wide Program Revenues	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	39,111,337
Net (Expense)/Revenue:										
Governmental Activities	(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)	(86,397,303)
Business-Type Activities	58,201	133,469	75,371	(33,150)	42,520	75,617	57,449	137,701	185,402	262,433
Total District-wide Net (Expense)/Revenue	(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)	(86,134,870)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	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	86,626,357
Taxes Levied for Debt Service	2,343,994	2,343,994	2,343,855	1,806,964	1,601,640	1,678,758	1,639,850	1,581,675	1,467,050	1,467,050
Unrestricted Grants and Contributions	422,447	422,540	69,752	25,731	117,930	126,928	234,511	211,565	295,334	295,940
Investment Earnings	90,716	33,365	24,112	2,036	17,010	21,155	23,388	37,390	63,501	173,547
Miscellaneous Income	519,692	224,994	1,132,322	148,776	299,192	142,137	331,386	369,354	277,219	270,286
Total Governmental Activities General Revenues and Other Changes in Net Position	71,130,509	74,147,645	77,677,703	75,579,881	76,852,662	78,282,206	81,768,627	84,130,342	86,325,987	88,833,180
Business-type Activities:										
Investment Earnings	2,564	1,191	954	729	557	577	554	840	1,953	6,329
Disposal of Capital Assets, Net							(5,536)	(3,134)	(79,291)	(72,962)
Total Business-type Activities General Revenues and Other Changes in Net Position	2,564	1,191	954	729	557	577	554	(4,696)	(1,181)	(72,962)
Total District-wide General Revenues and Other Changes in Net Position	71,133,073	74,148,836	77,678,657	75,580,610	76,853,219	78,282,783	81,769,181	84,125,646	86,324,806	88,760,218
Change in Net Position:										
Governmental Activities	(47,993)	2,923,829	5,628,136	3,775,577	2,658,179	4,412,246	7,777,785	5,567,523	1,250,666	2,435,877
Business-Type Activities	60,765	134,660	76,325	(32,421)	43,077	76,194	58,003	133,005	184,221	189,471
Total District-Wide Change in Net Position	\$ 12,772	\$ 3,058,489	\$ 5,704,461	\$ 3,743,156	\$ 2,701,256	\$ 4,488,440	\$ 7,835,788	\$ 5,700,528	\$ 1,434,887	\$ 2,625,348

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

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

	June 30,				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 444,874	\$ 2,021,523			
Unreserved	1,724,333	1,985,653			
Restricted			\$ 5,705,064	\$ 9,308,096	\$ 10,667,177
Assigned			718,663	1,196,001	1,191,280
Unassigned			1,825,023	1,720,925	1,880,535
Total General Fund	<u>\$ 2,169,207</u>	<u>\$ 4,007,176</u>	<u>\$ 8,248,750</u>	<u>\$ 12,225,022</u>	<u>\$ 13,738,992</u>
All Other Governmental Funds:					
Reserved	\$ 508,540				
Unreserved, Reported in:					
Special Revenue Fund/(Deficit)	(973,863)	\$ (4,946)			
Capital Projects Fund/(Deficit)	139	(397,147)			
Debt Service Fund		110,248			
Restricted			\$ 148,292	\$ 169,184	\$ 20,892
Committed			39,563		
Unassigned/(Deficit)			(4,950)	(4,950)	(4,950)
Total All Other Governmental Funds	<u>\$ (465,184)</u>	<u>\$ (291,845)</u>	<u>\$ 182,905</u>	<u>\$ 164,234</u>	<u>\$ 15,942</u>
Total Governmental Funds	<u>\$ 1,704,023</u>	<u>\$ 3,715,331</u>	<u>\$ 8,431,655</u>	<u>\$ 12,389,256</u>	<u>\$ 13,754,934</u>

	June 30,				
	2014	2015	2016	2017 (Restated)	2018
General Fund:					
Restricted	\$ 10,432,126	\$ 13,091,638	\$ 12,917,942	\$ 10,940,585	\$ 9,401,649
Assigned	1,448,626	3,102,763	1,551,629	3,945,022	6,673,448
Unassigned	2,034,199	2,109,119	2,571,615	2,733,849	2,869,156
Total General Fund	<u>\$ 13,914,951</u>	<u>\$ 18,303,520</u>	<u>\$ 17,041,186</u>	<u>\$ 17,619,456</u>	<u>\$ 18,944,253</u>
All Other Governmental Funds:					
Committed	\$ 1,756,682	\$ 1,909,925	\$ 3,287,831	\$ 357,998	\$ 344,200
Unassigned/(Deficit)	(4,950)	(4,950)	(4,950)	(4,950)	(4,950)
Total All Other Governmental Funds	<u>\$ 1,751,732</u>	<u>\$ 1,904,975</u>	<u>\$ 3,282,881</u>	<u>\$ 353,048</u>	<u>\$ 339,250</u>
Total Governmental Funds	<u>\$ 15,666,683</u>	<u>\$ 20,208,495</u>	<u>\$ 20,324,067</u>	<u>\$ 17,972,504</u>	<u>\$ 19,283,503</u>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Tax Levy	\$ 70,097,654	\$ 73,466,746	\$ 76,451,517	\$ 75,403,338	\$ 76,418,530	\$ 77,991,986	\$ 81,179,342	\$ 83,512,033	\$ 85,689,933	\$ 88,093,407
Tuition Charges		229,550	225,670	299,174	343,687	106,293	3,493			
Interest Earnings	90,716						23,388	37,390	63,501	173,547
Miscellaneous	519,692	393,959	299,769	129,920	316,202	163,292	345,511	396,135	306,906	299,474
Local Sources	126,819	127,151	101,925	135,195	126,137	438,815	357,105	393,816	472,171	562,571
State Sources	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	16,321,306
Federal Sources	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	1,641,893
Total Revenues	82,342,609	86,572,990	86,424,413	86,818,216	89,988,016	90,925,587	96,045,156	99,702,477	102,502,926	107,092,198
Expenditures:										
Instruction:										
Regular Instruction	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	27,493,247
Special Education Instruction	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	7,966,452
Other Special Instruction	780,118	853,019	771,855	709,762	713,997	835,441	849,986	911,160	936,319	985,841
School Sponsored/Other Instruction	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	1,423,243
Support Services:										
Tuition	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	7,148,759
Student & Instruction Related Services	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	11,205,316
General Administrative Services	775,710	811,213	768,157	802,193	731,459	763,133	774,347	768,763	762,455	809,412
School Administrative Services	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	2,894,948
Central Services	1,026,734	1,027,952	996,535	829,361	883,667	963,399	926,432	955,902	984,219	1,004,188
Administrative Information Technology	380,180	373,367	405,678	310,974	409,114	364,808	408,248	392,072	386,475	443,510
Plant Operations and Maintenance	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	7,260,037
Pupil Transportation	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	3,061,385
Allocated Benefits						1,004,782	1,096,682	1,173,506	1,241,365	156,776
Unallocated Benefits	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	27,832,447
Charter Schools	9,653	46,894	28,347		12,452		29,914	13,382	15,619	15,619
Capital Outlay	2,300,230	2,258,122	2,590,562	1,837,971	3,308,215	3,892,310	4,852,717	8,964,239	5,612,378	5,247,969
Debt Service:										
Principal	2,044,850	2,079,150	1,912,550	1,255,850	1,250,850	1,250,000	1,240,000	1,225,000	1,195,000	1,195,000
Interest and Other Charges	849,005	654,735	583,251	551,114	499,082	449,650	399,850	356,675	272,050	272,050
Total Expenditures	83,958,736	85,974,982	83,843,274	83,521,507	89,422,338	89,563,838	92,073,344	100,233,905	102,488,893	106,416,199

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,616,127)	\$ 598,008	\$ 2,581,139	\$ 3,296,709	\$ 565,678	\$ 1,361,749	\$ 3,971,812	\$ (531,428)	\$ 14,033	\$ 675,999
Other Financing Sources (Uses):										
Capital Leases (non-budgeted)	996,935	540,000	540,000	640,000	800,000	550,000	570,000	647,000	675,000	635,000
Prior Year Accounts Payable Canceled			968,485							
Unexpended Balance of School Refunding Bonds Issuance Costs			20,892							
Transfers In	1,373,520	1,405,018	816,690			2,960,714	2,024,194	5,701,219	108,936	337,811
Transfers Out	(873,520)	(531,718)	(189,990)			(2,960,714)	(2,024,194)	(5,701,219)	(519,563)	(337,811)
Total Other Financing Sources (Uses)	1,496,935	1,413,300	2,135,185	660,892	800,000	550,000	570,000	647,000	264,373	635,000
Net Change in Fund Balances	\$ (119,192)	\$ 2,011,308	\$ 4,716,324	\$ 3,957,601	\$ 1,365,678	\$ 1,911,749	\$ 4,541,812	\$ 115,572	\$ 278,406	\$ 1,310,999
Debt Service as a Percentage of Noncapital Expenditures	3.5%	3.3%	3.1%	2.2%	2.0%	2.0%	1.9%	1.7%	1.5%	1.4%

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

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Preschool Tuition and Application Fees	Student Activity Fees	Transportation Fees from Individuals	Other	Total
2009	\$ 90,716					\$ 519,692	\$ 610,408
2010	33,365		\$ 229,550	\$ 135,600		224,994	623,509
2011	24,112		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	331,386	372,392
2016	37,390				26,781	369,354	433,525
2017	63,501				29,687	277,219	370,407
2018	173,547				29,188	270,286	473,021

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 December 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
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
2017	1,695,000	211,117,400	-	-	14,206,300	2,031,500	-	229,050,200	89,117	229,139,317	9,510,700	8.617	1,178,574,391

TOWNSHIP OF SCOTCH PLAINS

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
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
2017	10,573,000	895,407,600	807,100	13,700	52,569,300	6,305,400	25,155,500	990,831,600	804,616	991,636,216	220,210,310	6.818	4,085,152,717

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 December 31,	Scotch Plains-Fanwood Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b		Borough of Fanwood	Union County	
		Total Direct				
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
2017	8.4735	0.1435	8.617	2.858	2.767	14.242

TOWNSHIP OF SCOTCH PLAINS

Year Ended December 31,	Scotch Plains-Fanwood Regional School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b		Township of Scotch Plains	Union County	
		Total Direct				
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
2017	6.7013	0.1167	6.818	1.663	2.217	10.698

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	2017			2008		
	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 Partners Profit Fanwood Group LLC	1,255,800	2	0.55%			
250 South Avenue, Urban Renewal	943,500	3	0.41%			
Fanwood Plaza Partners I	860,000	4	0.38%	\$ 827,000	2	0.37%
Fanwood Plaza Partners I	827,000	5	0.36%			
Fanwood Crossing III, Urban Renewal	669,200	6	0.29%			
222 South Avenue LLC	666,300	7	0.29%			
Enchantment Properties LLC	523,600	8	0.23%			
Celtic Capital	500,000	9	0.22%			
CRP Fanwood LLC	475,000	10	0.21%			
105 South Ave LLC - A&P				2,464,900	1	1.09%
Individual Taxpayer #1				600,000	3	0.27%
Individual Taxpayer #2				558,200	4	0.25%
Seaboard Associates				479,500	5	0.21%
Messercola Bros. Realty Co. LLC				477,500	6	0.21%
Exxon Corporation				403,500	7	0.18%
MJC @ South Ave., LLC				393,800	8	0.17%
South Ave Fanwood, LLC				273,500	9	0.12%
				273,500	10	0.12%
Total	\$ 9,185,300		4.02%	\$ 6,751,400		2.99%

TOWNSHIP OF SCOTCH PLAINS

Taxpayer	2017			2008		
	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%	\$ 8,500,000	1	0.86%
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	4	0.29%
Snuffy Pantagis	2,696,000	4	0.27%	4,650,000	3	0.47%
Automatic Associates	1,900,000	5	0.19%	1,900,000	6	0.19%
Dornbush	1,750,000	6	0.18%	1,750,000	7	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%	1,243,200	8	0.13%
Scotch Plains Gardens	1,200,000	10	0.12%	1,200,000	9	0.12%
Shackamaxon Country Club				2,168,000	5	0.22%
Greenbrook Plaza				1,146,400	10	0.12%
Total	\$ 30,676,700		3.09%	\$ 32,957,600		3.33%

Source: Municipal Tax Assessors.

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

BOROUGH OF FANWOOD

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2018	19,743,815	19,743,815	100.00%	-0-

TOWNSHIP OF SCOTCH PLAINS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2018	68,349,592	68,349,592	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 Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2009	\$ 16,431,900	\$ -0-	\$ 964,214	\$ 1,500,000	\$ -0-	\$ 18,896,114	1.19%	\$ 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	0.95%	482.82	
2012	12,805,850	-0-	889,460	-0-	-0-	13,695,310	0.83%	439.47	
2013	11,555,000	-0-	1,048,686	-0-	-0-	12,603,686	0.73%	401.71	
2014	10,305,000	-0-	968,545	-0-	-0-	11,273,545	0.64%	356.45	
2015	9,065,000	-0-	903,171	-0-	-0-	9,968,171	0.54%	314.06	
2016	7,840,000	-0-	912,224	-0-	-0-	8,752,224	0.45%	273.84	
2017	6,630,000	-0-	950,375	-0-	-0-	7,580,375	0.38%	235.39	
2018	5,435,000	-0-	953,200	-0-	-0-	6,388,200	0.32%	196.94	

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

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

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 Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Net Valuation Taxable ^a	Per Capita ^b
	General Obligation Bonds	Deductions			
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%	453.84
2012	12,805,850	-0-	12,805,850	1.048%	410.93
2013	11,555,000	-0-	11,555,000	0.948%	368.29
2014	10,305,000	-0-	10,305,000	0.846%	325.83
2015	9,065,000	-0-	9,065,000	0.745%	285.60
2016	7,840,000	-0-	7,840,000	0.644%	245.30
2017	6,630,000	-0-	6,630,000	0.543%	205.88
2018	5,435,000	-0-	5,435,000	0.445%	167.55

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, 2017
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Fanwood	\$ 16,909,442	100.00%	\$ 16,909,442
Township of Scotch Plains	20,820,894	100.00%	20,820,894
Union County General Obligation Debt	590,143,496	7.75%	<u>45,745,994</u>
Subtotal, Overlapping Debt			83,476,330
Scotch Plains-Fanwood Regional School District Direct Debt			<u>5,435,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 88,911,330</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				
	2009	2010	2011	2012	2013
Debt Limit	\$ 215,485,944	\$ 217,924,045	\$ 213,492,146	\$ 208,608,930	\$ 202,949,839
Total Net Debt Applicable to Limit	18,896,114	16,931,864	14,959,676	13,695,310	12,603,686
Legal Debt Margin	<u>\$ 196,589,830</u>	<u>\$ 200,992,181</u>	<u>\$ 198,532,470</u>	<u>\$ 194,913,620</u>	<u>\$ 190,346,153</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.77%	7.77%	7.01%	6.57%	6.21%

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 200,407,407	\$ 199,304,824	\$ 201,786,674	\$ 205,930,135	\$ 211,806,294
Total Net Debt Applicable to Limit	11,273,545	9,968,171	8,752,224	7,580,375	6,388,200
Legal Debt Margin	<u>\$ 189,133,862</u>	<u>\$ 189,336,653</u>	<u>\$ 193,034,450</u>	<u>\$ 198,349,760</u>	<u>\$ 205,418,094</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.63%	5.00%	4.34%	3.68%	3.02%

Legal Debt Margin Calculation for Fiscal Year 2018

Year Ended December 31,	Borough of Fanwood	Township of Scotch Plains	Equalized Valuation Basis
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
2017	1,225,522,739	4,267,147,287	5,492,670,026
	<u>\$ 3,546,801,964</u>	<u>\$ 12,338,670,068</u>	<u>\$ 15,885,472,032</u>
	Average Equalized Valuation of Taxable Property		<u>\$ 5,295,157,344</u>
	Debt Limit (4% of Average Equalization Value) ^a		\$ 211,806,294
	Net Bonded School Debt		<u>6,388,200</u>
	Legal Debt Margin		<u>\$ 205,418,094</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 ^a	Union County Per Capita Personal Income ^b	Personal Income ^c	Borough Unemployment Rate ^d
2008	7,072	\$ 53,273	\$ 376,746,656	3.4%
2009	7,124	50,134	357,154,616	6.0%
2010	7,330	51,024	374,005,920	6.1%
2011	7,372	53,086	391,349,992	6.1%
2012	7,417	54,804	406,481,268	6.1%
2013	7,483	55,526	415,501,058	6.5%
2014	7,516	57,985	435,815,260	4.3%
2015	7,666	60,406	463,072,396	3.6%
2016	7,777	61,808	480,680,816	3.6%
2017	7,808	61,808 *	482,596,864	3.4%

TOWNSHIP OF SCOTCH PLAINS

Year	Population ^a	Union County Per Capita Personal Income ^b	Personal Income ^c	Township Unemployment Rate ^d
2008	22,817	\$ 53,273	\$ 1,215,530,041	3.2%
2009	23,054	50,134	1,155,789,236	5.6%
2010	23,654	51,024	1,206,921,696	5.7%
2011	23,791	53,086	1,262,969,026	5.7%
2012	23,958	54,804	1,312,994,232	5.7%
2013	24,144	55,526	1,340,619,744	5.3%
2014	24,224	57,985	1,404,628,640	4.8%
2015	24,295	60,406	1,467,563,770	4.1%
2016	24,426	61,808	1,509,722,208	3.6%
2017	24,630	61,808 *	1,522,331,040	3.2%

* - Latest Union County per capita personal income data available (2016) 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>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Regular	370	374	370	363	369	376	376	369	375	382
Special Education	61	55	60	64	64	66	67	71	75	76
Support Services:										
Student & Instruction Related Services	161	161	160	154	161	162	164	188	203	213
General Administrative Services	3	3	3	3	3	3	3	3	3	3
School Administrative Services	32	32	32	32	32	32	32	31	31	31
Plant Operations and Maintenance	67	66	65	65	65	66	66	66	66	66
Pupil Transportation	7	7	7	7	7	7	7	7	7	7
Business and Other Support Services	15	16	15	14	16	15	16	16	15	15
Food Service	4	4	2	2	2	2	2	2	2	2
Total	720	718	714	704	719	729	733	753	777	795

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

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff ^d	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^e	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School					
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%	
2018	5,595	99,689,833	17,818	4.15%	441	16:1	13.8:1	15.4:1	5,471	5,242	0.57%	95.81%	

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

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Elementary Schools</u>										
Howard B. Brunner (1961)										
Square Feet	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580	50,580
Capacity (students)	383	383	383	383	383	383	383	383	383	383
Enrollment	463	407	411	410	426	417	399	422	394	379
J. Ackerman Coles (1963)										
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	519	552	539	517	500	496	456	474	516	540
Evergreen (1951)										
Square Feet	36,958	36,958	36,958	36,958	36,958	36,958	36,958	36,958	44,258	44,258
Capacity (students)	339	339	339	339	339	339	339	339	464	464
Enrollment	405	415	414	418	402	386	405	388	407	395
William J. McGinn (1973)										
Square Feet	47,182	47,182	47,182	47,182	47,182	47,182	47,182	47,182	51,132	51,132
Capacity (students)	389	389	389	389	389	389	389	389	451	451
Enrollment	474	494	481	485	485	481	482	494	496	513
School One (1972)										
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	389	392	375	379	376	380	396	392	397	387
<u>Middle Schools</u>										
Park (1922)										
Square Feet	114,483	114,483	114,483	117,633	117,633	117,633	117,633	117,633	117,633	117,633
Capacity (students)	795	795	795	895	895	895	895	895	895	895
Enrollment	823	875	924	927	932	937	932	913	915	905
Terrill (1964)										
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	847	858	847	865	841	825	827	835	830	831

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

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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	1,467	1,426	1,483	1,505	1,537	1,560	1,573	1,569	1,534	1,557
<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, 2018

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-XXX:

School Facilities*	Project # (s)	Fiscal Year Ended June 30,									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Howard B. Brunner Elementary	N/A	\$ 75,664	\$ 77,393	\$ 90,271	\$ 68,977	\$ 79,216	\$ 179,825	\$ 162,404	\$ 88,222	\$ 96,744	\$ 180,597
J. Ackerman Coles Elementary	N/A	80,458	77,806	90,753	69,345	79,120	103,788	159,913	119,766	250,048	270,083
Evergreen Elementary	N/A	65,109	56,550	65,959	59,113	58,742	108,119	62,731	70,660	232,877	97,639
William J. McGinn Elementary	N/A	74,032	72,192	84,206	64,343	74,028	152,349	156,632	133,765	211,164	101,092
School One Elementary	N/A	69,119	67,826	79,113	60,451	69,976	91,344	296,505	140,961	123,750	68,769
Park Middle	N/A	170,027	175,171	204,320	175,088	193,468	342,075	417,937	250,521	290,992	393,620
Terrill Middle	N/A	139,984	149,909	174,854	137,747	163,245	227,646	535,643	694,554	389,969	364,371
Scotch Plains-Fanwood High	N/A	344,951	406,817	474,513	454,850	963,583	699,144	498,380	525,359	733,975	449,434
Total School Facilities		\$ 1,019,344	\$ 1,083,664	\$ 1,263,989	\$ 1,089,914	\$ 1,681,378	\$ 1,904,290	\$ 2,290,145	\$ 2,023,808	\$ 2,329,519	\$ 1,925,605

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, 2018
UNAUDITED

	Coverage	Deductible
Utica Insurance Company		
MULTI PERIL PACKAGE POLICY		
Property		
Property - Blanket Building and Contents - Replacement Cost Values	\$ 155,547,501	\$ 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	5,000,000	1,000
Energy Systems		
Spoilage	Included in property limit	
Commercial Liability		
Bodily Injury and Property Damage	Per occurrence 1,000,000	
	Aggregate 3,000,000	
Damage to Premises Rented	100,000	
Medical Expense Limit (excluding students)	10,000	
Employee Benefit Liability	Per occurrence and aggregate 1,000,000/3,000,000	1,000
Crime Coverage		
Employee Dishonesty with Faithful Performance	100,000	
Theft, Disappearance and Destruction - Money and Securities - Inside and Out	25,000	
Forgery and Alteration	100,000	
Business Automotive Coverage		
Bodily Injury and Property Damage (each)	1,000,000	
Personal Injury Protection	Statutory	
Uninsured and Underinsured	1,000,000	
Comprehensive Deductible		500
Collision Deductible		1,000

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Utica Insurance Company EXCESS UMBRELLA	Limit of liability \$ 10,000,000	
Fireman's Fund CAP	Limit of liability (group aggregate) 50,000,000	
Selective Insurance Company (3/11/18-19) FLOOD		
Elementary School #1 -		
Building	500,000	\$ 10,000
Contents	500,000	10,000
Beazley Insurance Company ENVIRONMENTAL IMPAIRMENT LIABILITY	Limit of liability (each loss) 1,000,000	Varies
Bollinger Insurance Company STUDENT ACCIDENT	Maximum Benefit 5,000,000	
Utica Insurance Company EDUCATION LEGAL LIABILITY	1,000,000/2,000,000	
Selective Insurance Company PUBLIC OFFICIAL BONDS		
Treasurer	400,000	
Business Administrator/Board Secretary	400,000	
New Jersey Schools Insurance Group Worker's Compensation	Statutory	
Lloyds Insurance Company Cyber Liability	1,000,000	10,000
International (1/11/18-19) 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

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.

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA LLP
Nisivoccia LLP
Kathryn L. Mantell
Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant



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

Report on Compliance For Each Major Federal and State Program;
Report on Internal Control Over Compliance

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, 2018. 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, 2018.

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.

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA LLP
Nisivoccia LLP
Kathryn L. Mantell
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, 2018

Federal Grantor/Pass-Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2018	
			From	To					Unearned Revenue/ (Accounts Receivable)	Due to Grantor
U.S. Department of Education - Passed-through										
State Department of Education:										
Special Revenue Fund:										
Special Education Cluster:										
	84.027	IDEA-4670-18	7/1/17	6/30/18	\$ 1,287,614		\$ 1,281,251	\$ (1,287,614)	\$ (6,363)	
	84.173	IDEA-4670-18	7/1/17	6/30/18	55,484		54,559	(55,484)	(925)	
							1,335,810	(1,343,098)	(7,288)	
Elementary and Secondary Education Act:										
	84.010	ESEA-4670-18	7/1/17	6/30/18	138,676		92,706	(112,594)	(19,888)	
	84.010	ESEA-4670-17	7/1/16	6/30/17	116,071		19,184			
	84.367A	ESEA-4670-18	7/1/17	6/30/18	107,858	\$	40,649	(71,275)	(30,755)	
	84.367A	ESEA-4670-17	7/1/16	6/30/17	86,325	129	36,719			
	84.365A	ESEA-4670-18	7/1/17	6/30/18	5,341		5,301	(5,341)	(40)	
	84.186A	ESEA-4670-18	7/1/17	6/30/18	10,000			(7,689)	(7,689)	
	84.938C	S938C18005	7/1/17	6/30/18	68,250			(63,794)	(68,250)	\$ 4,456
		Total U. S. Department of Education					1,530,369	(1,603,791)	(133,910)	4,456
		Total Special Revenue Fund					1,530,369	(1,603,791)	(133,910)	4,456
U.S. Department of Health and Human Services -										
Passed-through State Department of Human Services:										
Medicaid Cluster:										
General Fund:										
	93.778	N/A	7/1/17	6/30/18	37,973		37,973	(37,973)		
		Total U.S. Department of Health and Human Services/Medicaid Cluster					37,973	(37,973)		
U.S. Department of Agriculture - Passed-through										
State Department of Agriculture:										
Child Nutrition Cluster:										
	10.556	N/A	7/1/17	6/30/18	1,849		1,731	(1,849)	(118)	
	10.556	N/A	7/1/16	6/30/17	1,582		92			
	10.555	N/A	7/1/17	6/30/18	224,175		208,025	(224,175)	(16,150)	
	10.555	N/A	7/1/16	6/30/17	212,325		13,747			
	10.555	N/A	7/1/17	6/30/18	105,518		105,518	(105,518)		
		Subtotal Child Nutrition Cluster					329,113	(331,542)	(16,268)	
		Total U.S. Department of Agriculture					329,113	(331,542)	(16,268)	
		TOTAL FEDERAL AWARDS					\$ 1,897,455	\$ (1,973,306)	\$ (150,178)	\$ 4,456
							\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

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, 2018

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, 2018. 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, 2018
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(16,685) for the general fund and \$(3,484) for the special revenue fund (of which \$(3,613) 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	\$ 37,973	\$ 15,684,254	\$15,722,227
Special Revenue Fund	1,603,920	637,052	2,240,972
Food Service Enterprise Fund	<u>331,542</u>	<u>17,333</u>	<u>348,875</u>
Total Financial Assistance	<u>\$ 1,973,435</u>	<u>\$ 16,338,639</u>	<u>\$18,312,074</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, 2018. 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 \$475,926 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2018, \$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, 2018

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/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. - Part B, Basic:				
Regular	84.027	7/1/17-6/30/18	\$ 1,287,614	\$ 1,287,614
Preschool	84.173	7/1/17-6/30/18	55,484	55,484
<u>State:</u>				
Special Education				
Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	2,705,322	2,705,322
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	98,844	98,844
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	53,090	53,090
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	53,090	53,090
Professional Learning				
Community Aid	18-495-034-5120-101	7/1/17-6/30/18	52,925	52,925

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$750,000.

SCOTCH PLAINS-FANWOOD REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Summary of Auditors' Results: (Cont'd)

- 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.

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, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.