

**SCHOOL DISTRICT  
OF THE  
TOWNSHIP OF SPARTA**

**SPARTA TOWNSHIP SCHOOL DISTRICT  
Sparta, New Jersey**

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2010**

**Comprehensive Annual  
Financial Report**

**of the**

**SPARTA TOWNSHIP SCHOOL DISTRICT**

**Sparta, New Jersey**

**For the Fiscal Year Ended June 30, 2010**

**Prepared by**

**SPARTA TOWNSHIP SCHOOL DISTRICT  
Board of Education**

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INTRODUCTORY SECTION

**SPARTA TOWNSHIP SCHOOL DISTRICT**  
**ADMINISTRATIVE HEADQUARTERS**  
**18 MOHAWK AVENUE**  
**SPARTA, NEW JERSEY 07871**  
**TELEPHONE: (973)-729-3655**

October 16, 2010

The Honorable President and Members of  
the Board of Education  
Sparta Township School District  
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Sparta Township School District (the "District") for the fiscal year ended June 30, 2010, is hereby submitted. 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, a roster of officials and a list of consultants and advisors. 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 economical and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and State OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control structure and compliance with applicable laws, and regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:**

The Sparta Township School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Sparta Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12 for the students residing in Sparta Township. These include regular, vocational as well as special education for handicapped youngsters. The following details the changes in the average daily student enrollment of the District over the last ten years:

The Honorable President and Members of  
the Board of Education  
Sparta Township School District  
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1) REPORTING ENTITY AND ITS SERVICES:

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-10	3,918	-1.71%
2008-09	3,986	-2.69%
2007-08	4,096	0.91%
2006-07	4,059	0.77%
2005-06	4,028	0.35%
2004-05	4,014	0.35%
2003-04	4,000	0.60%
2002-03	3,976	5.21%
2001-02	3,779	3.96%
2000-01	3,635	1.93%

The Township continues to have new housing and population growth, particularly in the high school grades. As of June 30, 2010, we have 3,986 students enrolled at all five schools compared to 4,096 students as of June 30, 2009, a decrease of 110 students over 2009 totals. The detail of the June 30, 2010 enrollment is as follows: High School 1,159; Middle School 984; Mohawk Avenue School 355; Helen Morgan School 623; and Alpine School 755.

2) ECONOMIC CONDITION AND OUTLOOK:

The School District, along with many other public school systems in the State, still faces some difficult economic situations in the future since the primary funding source is property tax revenue. The proposed budget for fiscal year 2009-2010 was passed by 784 votes (1,622 yes to 838 no). The approval rate represents 50 percent of the votes cast. Overall tax revenue for the 2009-2010 fiscal year was increased 4.0 percent, expenditures increased by 2.1 percent leaving a surplus which will be used to reduce the tax levy in the 2008-2009 school budget. The School District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the School District has been accustomed to providing.

The School District attributes much of its past education success to the community's demand for, and support of, both a traditional and quality school system. Our School District will remain accountable to the residents and taxpayers who make the School District their school system of choice.

The financial condition of the Township of Sparta has seen a stable fund balance over the last few years after accounting for the fund balance appropriated into the following years to reduce the tax burden on the community.

The Honorable President and Members of  
the Board of Education  
Sparta Township School District  
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October 16, 2010

### 3) MAJOR INITIATIVES:

Major improvements done during the year were as follows:

**High School:**

Twenty-three temporary classrooms constructed to house students during the reconstruction of the high school. State project number 37-4960-050-06-1200. Anticipated lease cost over the two year period \$1,491,912

Removed all asbestos containing materials from the four classroom wings (pods). \$153,350

**Middle School:**

Applied reflective aluminum coating to all of the parapet walls and exposed built up roofing. Part of the preventative maintenance program. \$6,600

**Mohawk Avenue School:**

Authorized our Architect/Engineer to prepare plans and specs for the replacement of the fire alarm system and stairwell smoke doors. Project to be bid in Spring 08. Approximate cost for his work \$12,000

**Helen Morgan School:**

No major projects.

**Alpine School:**

Replaced roof on the small modular building. \$6,600

Extended playground and replaced non-compliant swings. \$13,500

### 4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

### 5) BUDGETARY CONTROLS:

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

The Honorable President and Members of  
the Board of Education  
Sparta Township School District  
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October 16, 2010

#### 5) BUDGETARY CONTROLS:

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

#### 6) ACCOUNTING SYSTEM AND REPORTS:

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

#### 7) DEBT ADMINISTRATION:

As of June 30, 2010 the District had \$87,028,000 in outstanding serial bonds. Additional details about the District's debt are included in the "Notes to the Basic Financial Statements", Note 7.

#### 8) CASH MANAGEMENT:

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

#### 9) RISK MANAGEMENT:

The District continues to protect its assets through a comprehensive insurance program through coverage obtained from the School Alliance Insurance Fund. The Fund is a school district joint self insurance fund formed under the provisions of New Jersey Statutes. The Fund's membership is comprised of local and regional school districts. Coverage includes property loss, crime and fidelity, comprehensive general liability, auto insurance, workers' compensation, underground storage tank, pollution liability. Other policies purchased from other insurance companies include fidelity bonds for the School Administrator/Board Secretary and Treasurer. Additional policies purchased were for Student Accident Insurance and Catastrophic Insurance.

#### 10) OTHER INFORMATION:

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

The Honorable President and Members of  
the Board of Education  
Sparta Township School District  
Page 5  
October 16, 2010

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

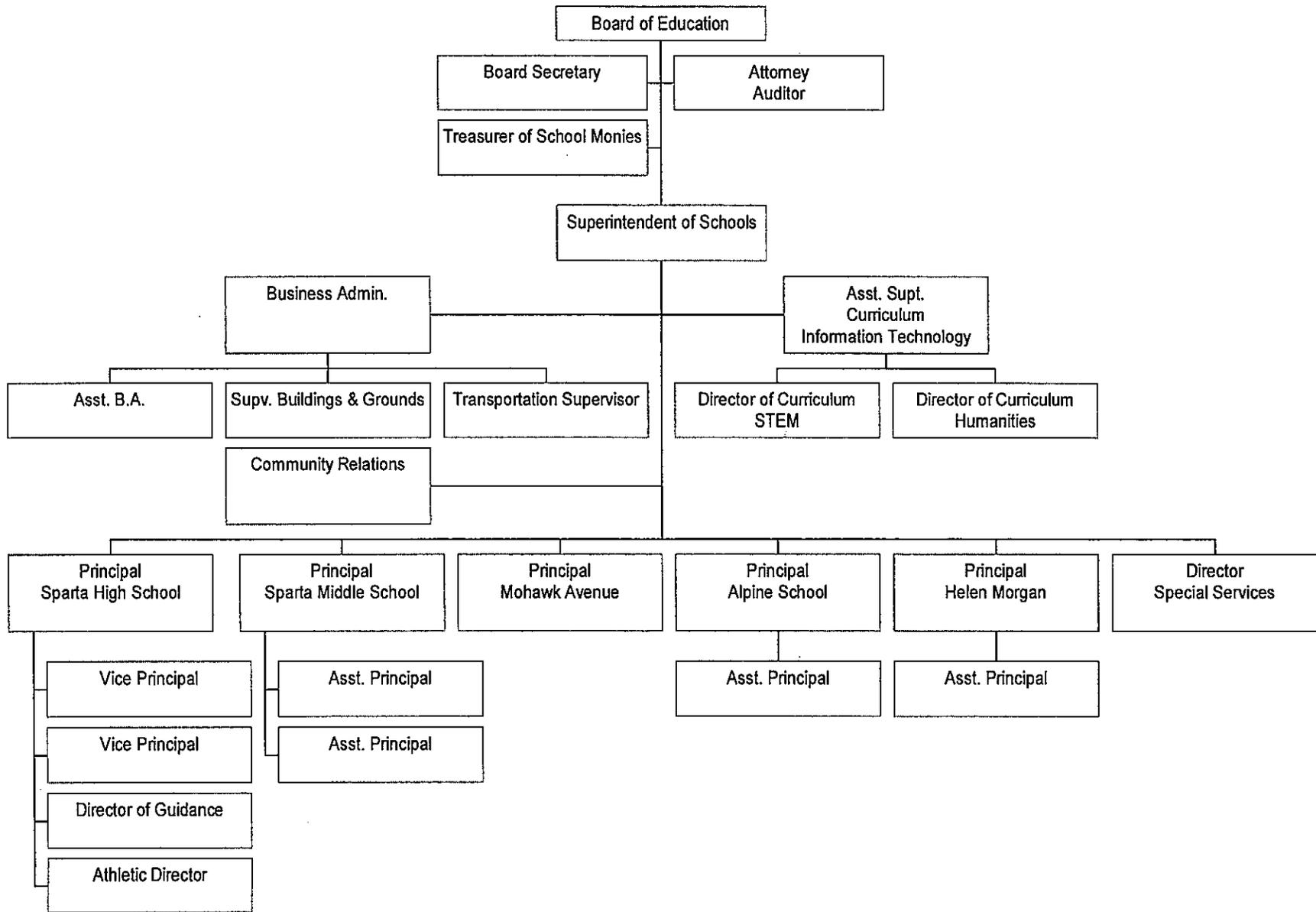
Respectfully submitted,



Thomas Morton, Ed. D.  
Superintendent



Warren Ceurvels, Ed. D.  
Assistant Superintendent for Business/Board Secretary



**SPARTA TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2010**

Members of the Board of EducationTerm Expires

Jennifer Dericks, President	2011
Keith M. Smith, Vice President	2012
Douglas McKernan	2013
Adam Dempsey	2011
Philip Guarraia	2011
Dorothy LaBeau	2012
Ilse Wolfe	2012
Maureen Myre	2013
Kevin Pollison	2013

Other OfficersTitle

J. Thomas Morton, Ed. D.	Superintendent of Schools
Warren S. Ceurvels, Ed. D.	Assistant Superintendent for Business/ Board Secretary
Kathleen W. Monks, Ed. D.	Assistant Superintendent of Curriculum and Staff Development
Kerry Keane Murphy	Treasurer

**Sparta Township School District  
Consultants and Advisors**

**Architect**

The Spiezle Architectural Group  
120 Sanhican Drive  
Trenton, NJ 08618

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Fairlawn, NJ 07410

**Audit Firm**

Nisivoccia & Company LLP, CPAs  
Mount Arlington corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, New Jersey 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Official Depositories**

Lakeland Bank  
48 Sparta Avenue  
Sparta, NJ 07871

NJ/ARM  
821 Alexander Road – Suite 10  
Princeton, NJ 08540

FINANCIAL SECTION

Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ 07856  
Phone: 973-328-1825  
Fax: 973-328-0507

Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860  
Phone: 973-383-6699  
Fax: 973-383-6555

### Independent Auditors' Report

The Honorable President and Members  
of the Board of Education  
Sparta Township School District  
County of Sussex, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Sparta Township School District in the County of Sussex as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Sparta Township School District in the County of Sussex as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2010 on our consideration of the Board of Education of the Sparta Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members  
of the Board of Education  
Sparta Township School District  
Page 2

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

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

*Nisivoccia & Company, LLP*

October 16, 2010  
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY, LLP

*Kathryn L. Mantell*

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

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

This section of Sparta Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the District's basic financial statements, which immediately follow this section.

### **Financial Highlights**

Key financial highlights for the 2009/2010 school year are as follows:

- The District's net assets decreased \$567,446 during the year.
- Overall revenue was \$64,513,175.
- Overall expenditures were \$65,080,621.

### **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 operations.
- *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.

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

**Figure A-1**

**Organization of Sparta Township School District's Financial Report**

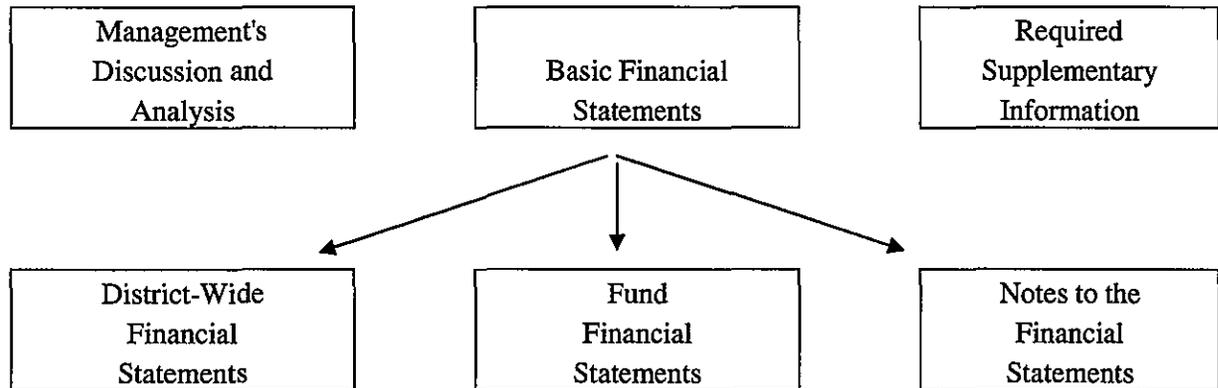


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

Figure A-2

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

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

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

### **District-wide Statements**

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

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

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

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

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

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

**Fund Financial Statements**

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

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

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

*Net Assets.* The District's combined net assets were \$8,437,243 on June 30, 2010, \$567,446 or 6.30% less than they were the year before. (See Figure A-3).

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

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2009/10	2008/09*	2009/10	2008/09	2009/10	2008/09*	
Current & Other Assets	\$12,568,168	\$32,491,041	\$ 210,219	\$ 198,935	\$12,778,387	\$32,689,976	-60.91%
Capital Assets	85,940,103	70,827,106	79,617	72,847	86,019,720	70,899,953	21.33%
Total Assets	98,508,271	103,318,147	289,836	271,782	98,798,107	103,589,929	-4.63%
Long-Term Debt	87,347,246	89,255,482			87,347,246	89,255,482	-2.14%
Other Liabilities	2,953,665	5,320,279	59,953	9,479	3,013,618	5,329,758	-43.46%
Total Liabilities	90,300,911	94,575,761	59,953	9,479	90,360,864	94,585,240	-4.47%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	6,510,564	5,091,240	79,617	72,847	6,590,181	5,164,087	27.62%
Restricted	2,962,744	4,755,153			2,962,744	4,755,153	-37.69%
Unrestricted (Deficit)	(1,265,948)	(1,104,007)	150,266	189,456	(1,115,682)	(914,551)	-21.99%
Total Net Assets	\$ 8,207,360	\$ 8,742,386	\$ 229,883	\$ 262,303	\$ 8,437,243	\$ 9,004,689	-6.30%

\* - Restated.

*Changes in Net Assets.* The District's combined net assets decreased by \$567,446 or 6.30%. Net assets from governmental activities decreased \$535,026 and net assets from business-type activities decreased \$32,420. (See Figure A-4).

Net assets invested in capital assets net of related debt increased by \$1,426,094 primarily due to a \$2,045,000 reduction in debt and \$116,103 in capital additions offset by \$1,115,483 of current year depreciation (\$1,098,312 from Governmental Activities and \$17,171 from Business-type Activities). Restricted net assets decreased \$1,792,409 primarily due to a decrease in General Fund balance reserved as excess (above the State-mandated 2%) surplus. Unrestricted net assets decreased \$201,131 primarily as a result of the use of more surplus to support the 2009-2010 budget than could be generated through additional revenue or reduced spending during the fiscal year.

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Revenue:							
Program Revenue:							
Charges for Services			\$746,697	\$802,644	\$ 746,697	\$ 802,644	-6.97%
Operating Grants & Contributions	\$13,970,402	\$12,597,460	129,701	131,768	14,100,103	12,729,228	10.77%
Capital Grants & Contributions		87,932				87,932	-100.00%
General Revenue:							
Property Taxes	48,662,864	47,553,445			48,662,864	47,553,445	2.33%
Federal and State Aid	686,574	713,974			686,574	713,974	-3.84%
Other	314,993	926,973	1,944	23,814	316,937	950,787	-66.67%
Total Revenue	<u>63,634,833</u>	<u>61,879,784</u>	<u>878,342</u>	<u>958,226</u>	<u>64,513,175</u>	<u>62,838,010</u>	2.67%
Expenses:							
Instruction	36,410,438	35,648,614			36,410,438	35,648,614	2.14%
Pupil/Instruction Services	8,386,344	8,921,742			8,386,344	8,921,742	-6.00%
Administrative/Business Operations/Maintenance	5,279,241	5,002,432			5,279,241	5,002,432	5.53%
Transportation	5,417,939	5,322,156			5,417,939	5,322,156	1.80%
Other	3,805,525	3,672,252			3,805,525	3,672,252	3.63%
Other	4,870,372	3,885,175	910,762	935,202	5,781,134	4,820,377	19.93%
Total Expenses	<u>64,169,859</u>	<u>62,452,371</u>	<u>910,762</u>	<u>935,202</u>	<u>65,080,621</u>	<u>63,387,573</u>	2.67%
Disposal of Capital Assets		(2,367,337)				(2,367,337)	-100.00%
Increase/(Decrease) in Net Assets	<u>\$ (535,026)</u>	<u>\$ (2,939,924)</u>	<u>\$ (32,420)</u>	<u>\$ 23,024</u>	<u>\$ (567,446)</u>	<u>\$ (549,563)</u>	-3.25%

*Revenue Sources.* The District's total revenue for the 2009/2010 school year was \$64,513,175 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$48,662,864 of the total, or 75.43 percent. Another 22.92 percent came from state and federal aid for specific programs and the remaining 1.65 percent came from charges for services and miscellaneous revenue. Charges for services consist primarily of tuition and cafeteria charges.

**Figure A-5  
Sources of Revenue for Fiscal Year 2010 and 2009**

Sources of Income	2010	Percentage	2009	Percentage
Grants and Contributions	\$ 14,100,103	21.86%	\$ 12,817,160	20.40%
Property Taxes	48,662,864	75.43%	47,553,445	75.68%
Federal and State Unrestricted Aid	686,574	1.06%	713,974	1.14%
Charges for Services	746,697	1.16%	802,644	1.28%
Other	316,937	0.49%	950,787	1.51%
	<u>\$ 64,513,175</u>	<u>100.00%</u>	<u>\$ 62,838,010</u>	<u>100.00%</u>

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(UNAUDITED)**

The total cost of all programs and services was \$65,080,621. A significant portion of the District's expenses relate to providing to instruction, support and transportation to students (74.69 percent). (See Figure A-6). The remaining 25.31 percent of the District's expenses were for administrative and business costs which constitute 8.11 percent of total costs, plant operations and maintenance costs which represent 8.32 percent of total expenses, and other expenses which constitute 8.88 percent of total expenses and include the operations of the food service enterprise fund, unallocated depreciation and interest on long-term debt.

**Figure A-6  
Expenses for Fiscal Year 2010 and 2009**

Expense Category	2010	Percentage	2009	Percentage
Instruction	\$ 36,410,438	55.95%	\$ 35,648,614	56.24%
Pupil and Instruction Services	8,386,344	12.89%	8,921,742	14.07%
Administrative and Business	5,279,241	8.11%	5,002,432	7.89%
Operations and Maintenance	5,417,939	8.32%	5,322,156	8.40%
Transportation	3,805,525	5.85%	3,672,252	5.79%
Other	5,781,134	8.88%	4,820,377	7.60%
	<u>\$ 65,080,621</u>	<u>100.00%</u>	<u>\$ 63,387,573</u>	<u>100.00%</u>

### Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District declined during the course of the year. Maintaining existing programs with increasing regular pupil enrollment and increasing outside placements and special services for disabled pupils place great demands on the District's resources. During the past three years, several veteran teachers have retired and have been replaced by teachers of less experience. Such changes have generated savings in teacher salaries, but these have not been sufficient enough to offset costs associated with increased enrollment, special education programs, energy and insurance.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Shared services with other area school districts and the Sussex County Educational Services Commission to provide coordinated transportation routes to out-of-district special education schools, and for maintenance of school buses, speech services, child study team evaluations and non public grant administration.
- Participating in consortiums made up of several hundred school districts for the bulk purchase of heat and electricity.
- Purchase of fuel for District vehicles through the Sussex County Purchasing Cooperative Agreement.
- Aggressive pursuit of federal, state and local grants.
- Completing maintenance projects with expertise of in-house maintenance staff.

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

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

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

	Total Cost of Services		Net Cost of Services	
	2009/10	2008/09	2009/10	2008/09
Instruction	\$ 36,410,438	\$ 35,648,614	\$ 25,526,732	\$ 25,476,985
Pupil and Instruction Services	8,386,344	8,921,742	7,864,134	8,399,658
Administrative and Business	5,279,241	5,002,432	4,906,487	4,658,728
Operations and Maintenance	5,417,939	5,322,156	4,998,078	5,004,483
Transportation	3,805,525	3,672,252	2,033,654	2,341,950
Other	4,870,372	3,885,175	4,870,372	3,885,175
	<u>\$ 64,169,859</u>	<u>\$ 62,452,371</u>	<u>\$ 50,199,457</u>	<u>\$ 49,766,979</u>

- The cost of all governmental activities this year was \$64,169,859.
- The federal and state governments subsidized certain programs with \$13,970,402 in grants and contributions.
- Most of the District's costs were financed by \$48,662,864 in District taxes.
- A portion of governmental activities was financed with \$686,574 in state and federal aid for general and specific programs.
- The remaining \$314,993 came from miscellaneous revenue and charges for services.

#### **Business-Type Activities**

Net assets of the District's business-type activities decreased by \$32,420 – net assets invested in capital assets increased \$6,770 and unrestricted net assets decreased \$45,960. (Refer to Figure A-4). Factors contributing to these results included:

- Revenues from Food Service operations decreased \$55,947, primarily from sales under reimbursable programs. This occurred as a result of a decrease in student enrollment and participation.
- Food Service expenses decreased by \$24,440.

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

The District's financial position remains very positive despite changes in the student population and the rising cost of fixed obligations. Expenditures during the recent year rose significantly as a result of an increased number of pupils with special needs. A continued increase in regular enrollment has also forced the District to expand its classroom teaching staff. The cost of these teachers has been somewhat offset by salary reductions realized from the retirement of veteran staff members. Health benefit costs for all staff have increased dramatically in the past several years. The District must also consider the escalating costs for utilities and insurance.

Legislation (S-1701) which reduced the District's surplus funds to 2% of the budget has had a direct impact on the District's planning for upcoming years. The District now has less funds available in the event of an emergency repair or unanticipated special education tuition. Consideration must be given to suspending the practice of utilizing unappropriated fund balance to reduce the tax levy in future budgets. Increases in operating costs could exceed expected growth in the Township's ratables and could potentially increase local taxes in the future. In order to maintain a stable financial position, the District must continue its practice of sound fiscal management.

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

**General Fund Budgetary Highlights**

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of the year, the District revised the annual operating budget monthly. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation.

- Salary accounts were adjusted to reflect: changes in staff assignments; retirements, resignations and the resulting new hires; program adjustments necessitated by student population changes.
- Funds were transferred from contracted transportation services to transportation salaries in order to utilize a school bus purchased and lower transportation costs.
- Tuition for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into and out of the District during the summer as well as the school year, which necessitates transferring funds to the appropriate account to pay these special education costs.
- The financial statements include the State's payments on behalf of the District for the Teacher's Pension and Annuity Fund for pension, noncontributory insurance, and social security contributions. These amounts are not budgeted, but are required to be reflected as a non-budgeted revenue and expenditure during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

The District's capital assets increased \$15,119,767 or 21.33%. Capital additions were \$16,235,250 - \$16,119,147 from construction projects and \$116,103 from capital outlay projects (\$92,162 from Governmental activities and \$23,941 from Business-type activities) – offset by \$1,115,483 in current year depreciation (\$1,098,312 from Governmental activities and \$17,171 from Business-type activities).

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

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Land	\$ 649,333	\$ 649,333			\$ 649,333	\$ 649,333	
Construction in Progress	62,929,700	48,200,694			62,929,700	48,200,694	30.56%
Site Improvements	1,562,875	1,666,587			1,562,875	1,666,587	-6.22%
Buildings and							
Building Improvements	19,768,457	19,614,176			19,768,457	19,614,176	0.79%
Machinery & Equipment	1,029,738	696,316	\$ 79,617	\$ 72,847	1,109,355	769,163	44.23%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$85,940,103</b>	<b>\$70,827,106</b>	<b>\$ 79,617</b>	<b>\$ 72,847</b>	<b>\$86,019,720</b>	<b>\$70,899,953</b>	<b>21.33%</b>

**SPARTA TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

**Capital Assets and Debt Administration**

***Long-term Debt***

At year-end, the District had \$87,028,000 in general obligation bonds and \$695,503 in compensated absences payable - a decrease of \$1,908,236 from the prior year. (See Figure A-9). (More detailed information about the District's long-term liabilities is presented in Note 7 to the Basic Financial Statements).

**Figure A-9**

<b>Outstanding Long-Term Debt</b>	<b>Total School District</b>		<b>Percentage Change</b>
	<b>2009/10</b>	<b>2008/09</b>	
General Obligation Bonds (Financed with Property Taxes)	\$ 87,028,000	\$ 89,073,000	-2.3%
Deferred Interest on Refunding Bonds	(376,257)	(394,174)	-4.5%
Net General Obligation Bonds	86,651,743	88,678,826	-2.29%
Other Long-Term Debt	695,503	576,656	20.61%
<b>Total Long-Term Debt Outstanding</b>	<b>\$ 87,347,246</b>	<b>\$ 89,255,482</b>	<b>-2.14%</b>

- The District continued to pay down its debt, retiring \$2,045,000 of serial bonds.
- The District's liability for accumulated sick and vacation time increased by \$118,847 as a result of additional staff reaching eligibility during the fiscal year.

**Factors Bearing on the District's Future**

Currently, the District is in good financial condition. Everyone associated with the Sparta Township Board of Education is grateful for the community support of the schools. However, due to an environment of flat state aid, there is an ever-increasing reliance on local property taxes to fund school district operations. A major concern is that an extraordinary financial burden is placed on taxpayers just to maintain appropriate class sizes and services.

Future finances will be challenged even further with the continued effect of legislation that impacts the financial operation of the School District. S1701, adopted by the State of New Jersey on June 17, 2004, forced the District to cut its allowable undesignated general fund balance to 2% at the end of the 2008/2009 school year. This has left the District with very little protection in the event of any significant emergencies. This law also places limits on the District's ability to transfer funds into capital reserve for the construction and maintenance of school facilities, the ability to transfer available balance as needed and the ability to transfer available funds between appropriation accounts. Taking away the option of transferring available funds during the budget year will severely impact our ability to maintain and improve our facilities.

**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 the School Business Administrator at the Sparta Township Board of Education, 18 Mohawk Avenue Sparta, NJ 07871.

**BASIC FINANCIAL STATEMENTS**

DISTRICT-WIDE FINANCIAL STATEMENTS

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,941,925	\$ 178,005	\$ 11,119,930
Internal Balances	(9,821)	9,821	
Receivables from State Government	747,957	463	748,420
Receivables from Federal Government	222,751	4,296	227,047
Inventory		17,634	17,634
Unamortized Bond Issuance Costs	208,054		208,054
Restricted Assets:			
Capital Reserve Account - Cash	457,302		457,302
Capital Assets, Net			
Site (Land) and Construction in Progress	63,579,033		63,579,033
Depreciable Site Improvements, Building and Building Improvements, & Machinery/Equipment	22,361,070	79,617	22,440,687
Total Assets	<u>98,508,271</u>	<u>289,836</u>	<u>98,798,107</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable - Vendors	347,793	45,098	392,891
Accrued Interest Payable	1,188,900		1,188,900
Accrued Liability for Health Benefits Claims	625,128		625,128
Unamortized Bond Premium	584,311		584,311
Payable to Other Governments	133,053		133,053
Deferred Revenue	74,480	14,855	89,335
Noncurrent Liabilities:			
Due Within One Year	2,075,000		2,075,000
Due Beyond one Year	85,272,246		85,272,246
Total liabilities	<u>90,300,911</u>	<u>59,953</u>	<u>90,360,864</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	6,510,564	79,617	6,590,181
Restricted for:			
Capital Projects	501,414		501,414
Debt Service	866,325		866,325
Other Purposes	1,595,005		1,595,005
Unrestricted/(Deficit)	(1,265,948)	150,266	(1,115,682)
Total Net Assets	<u>\$ 8,207,360</u>	<u>\$ 229,883</u>	<u>\$ 8,437,243</u>

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Regular Instruction	\$ 27,386,665		\$ 6,798,425		\$ (20,588,240)	\$ (20,588,240)
Special Education Instruction	7,015,035		3,929,594		(3,085,441)	(3,085,441)
Other Special Instruction	494,090		42,109		(451,981)	(451,981)
Other Instruction	1,514,648		113,578		(1,401,070)	(1,401,070)
Support Services:						
Tuition	1,627,956				(1,627,956)	(1,627,956)
Student & Instruction Related Services	6,758,388		522,210		(6,236,178)	(6,236,178)
General Administration Services	956,084		36,064		(920,020)	(920,020)
School Administration Services	3,384,553		275,544		(3,109,009)	(3,109,009)
Central Services	621,730		49,457		(572,273)	(572,273)
Administrative Information Technology	316,874		11,689		(305,185)	(305,185)
Plant Operations and Maintenance	5,417,939		419,861		(4,998,078)	(4,998,078)
Pupil Transportation	3,805,525		1,771,871		(2,033,654)	(2,033,654)
Charter School	95,083				(95,083)	(95,083)
Unallocated Depreciation	887,613				(887,613)	(887,613)
Interest on Long-Term Debt	3,887,676				(3,887,676)	(3,887,676)
<b>Total Governmental Activities</b>	<b>64,169,859</b>		<b>13,970,402</b>		<b>(50,199,457)</b>	<b>(50,199,457)</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 910,762	\$ 746,697	\$ 129,701		\$ (34,364)		(34,364)
Total Business-Type Activities	910,762	746,697	129,701		(34,364)		(34,364)
Total Primary Government	\$ 65,080,621	\$ 746,697	\$ 14,100,103		\$ (50,199,457)	(34,364)	(50,233,821)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 44,514,252		\$ 44,514,252
Property Taxes Levied for Debt Service					4,148,612		4,148,612
Federal and State Aid not Restricted					686,574		686,574
Interest and Miscellaneous Income					314,993	\$ 1,944	316,937
Total General Revenues, Special Items, Extraordinary Items and Transfers					49,664,431	1,944	49,666,375
Change in Net Assets					(535,026)	(32,420)	(567,446)
Net Assets - Beginning					8,742,386	262,303	9,004,689
Net Assets - Ending					\$ 8,207,360	\$ 229,883	\$ 8,437,243

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

FUND FINANCIAL STATEMENTS

SPARTA TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,039,618		\$ 6,035,982	\$ 866,325	\$ 10,941,925
Interfunds Receivable	1,143,622		2,600,000		3,743,622
Receivables from State Government	578,492	\$ 5,524	163,941		747,957
Receivables from Federal Government		222,751			222,751
Restricted Cash and Cash Equivalents	457,302				457,302
<b>Total Assets</b>	<b>\$ 6,219,034</b>	<b>\$ 228,275</b>	<b>\$ 8,799,923</b>	<b>\$ 866,325</b>	<b>\$ 16,113,557</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable - Vendors	\$ 313,323	\$ 12,210	\$ 22,260		\$ 347,793
Interfunds Payable	2,609,821	8,532	1,135,090		3,753,443
Accrued Liability for Health Benefits Claims	625,128				625,128
Payable to State Government		128,308			128,308
Payable to Federal Government		4,745			4,745
Deferred Revenue		74,480			74,480
<b>Total Liabilities</b>	<b>3,548,272</b>	<b>228,275</b>	<b>1,157,350</b>		<b>4,933,897</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Encumbrances	452,476		3,165,485		3,617,961
Capital Reserve Account	457,302				457,302
Excess Surplus	1,142,529				1,142,529
<b>Unreserved, Reported in:</b>					
<b>General Fund:</b>					
Unreserved/Undesignated	618,455				618,455

SPARTA TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>LIABILITIES AND FUND BALANCES (Cont'd)</b>					
Fund Balances: (Cont'd)					
Capital Projects Fund			\$ 4,477,088		\$ 4,477,088
Debt Service Fund				\$ 866,325	866,325
Total Fund Balances	<u>\$ 2,670,762</u>		<u>7,642,573</u>	<u>866,325</u>	<u>11,179,660</u>
Total Liabilities and Fund Balances	<u>\$ 6,219,034</u>	<u>\$ 228,275</u>	<u>\$ 8,799,923</u>	<u>\$ 866,325</u>	<u>\$ 16,113,557</u>

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (Exhibit A-1) are Different Because:

Total Fund Balances - Governmental Funds (Above)	\$ 11,179,660
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The costs not reported in the Funds. The cost of the assets is \$102,957,105 and the accumulated depreciation is \$17,017,002.	85,940,103
Long-Term Liabilities, including Bonds Payable, are not due in the current the current period and therefore are not reported as liabilities in the Funds.	(87,723,503)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(812,643)
Bond issuance premiums are reported as revenue in the Governmental Funds in the year of receipt. The original premium is \$612,136 and accumulated amortization is \$27,825.	(584,311)
Bond issuance costs are reported as expenditures in the Governmental Funds in the year of expenditure. The costs are \$217,962 and accumulated amortization is \$9,908.	208,054
Net Assets of Governmental Activities (Exhibit A-1)	<u>\$ 8,207,360</u>

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 44,514,252			\$ 4,148,612	\$ 48,662,864
Miscellaneous	107,728	\$ 15,618	\$ 207,265		330,611
Total - Local Sources	44,621,980	15,618	207,265	4,148,612	48,993,475
State Sources	10,904,552	515,663	164,001	686,574	12,270,790
Federal Sources	594,254	1,776,314			2,370,568
Total Revenues	56,120,786	2,307,595	371,266	4,835,186	63,634,833
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular Education Instruction	19,744,997	779,454			20,524,451
Special Education Instruction	4,044,338	1,528,141			5,572,479
Other Special Instruction	362,734				362,734
Other Instruction	1,160,351				1,160,351
Support Services and Undistributed Costs:					
Tuition	1,627,956				1,627,956
Student & Instruction Related Services	5,015,503				5,015,503
General Administration Services	827,007				827,007
School Administration Services	2,476,185				2,476,185
Central Services	458,090				458,090
Administrative Information Technology	280,411				280,411
Plant Operations and Maintenance	4,556,958				4,556,958
Pupil Transportation	3,732,745				3,732,745
Unallocated Benefits	12,375,071				12,375,071

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES:					
Capital Outlay	\$ 92,162		\$ 16,119,147		\$ 16,211,309
Charter School	95,083				95,083
Debt Service:					
Principal				\$ 2,045,000	2,045,000
Interest and Other Charges				3,782,809	3,782,809
Total Expenditures	<u>56,849,591</u>	<u>\$ 2,307,595</u>	<u>16,119,147</u>	<u>5,827,809</u>	<u>81,104,142</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(728,805)</u>		<u>(15,747,881)</u>	<u>(992,623)</u>	<u>(17,469,309)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In	207,265				207,265
Transfers Out			(207,265)		(207,265)
Total Other Financing Sources/(Uses)	<u>207,265</u>		<u>(207,265)</u>		
Net Change in Fund Balances	(521,540)		(15,955,146)	(992,623)	(17,469,309)
Fund Balance - July 1 (As Restated)	<u>3,192,302</u>		<u>23,597,719</u>	<u>1,858,948</u>	<u>28,648,969</u>
Fund Balance - June 30	<u>\$ 2,670,762</u>	<u>\$ - 0 -</u>	<u>\$ 7,642,573</u>	<u>\$ 866,325</u>	<u>\$ 11,179,660</u>

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ (17,469,309)
<p>Amounts reported for Governmental Activities in the Statement of Activities (A-2) are different because:</p> <p>Capital outlays are reported in the 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 capital outlays exceeded depreciation in the current period.</p>		
Depreciation Expense	\$ (1,098,312)	
Capital Outlays	16,211,309	15,112,997
Repayment of debt service principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.		2,045,000
In the Statement of Activities, interest on long-term debt is accrued regardless of when it is due. In the Governmental Funds, interest is reported when due.		(104,867)
The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-)		(9,907)
The governmental funds report the effect of deferred interest costs relative to advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-)		(17,917)
The governmental funds report the effect of bond premiums relative to advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (+)		27,824
In the Statement of Activities, certain operating expenses, e.g., compensated absences 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 (+).		(118,847)
Change in Net Assets of Governmental Activities (Exhibit A-2)		\$ (535,026)

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 178,005
Accounts Receivable - Other Governments - State	463
Accounts Receivable - Other Governments - Federal	4,296
Interfund Receivable	9,821
Inventories	17,634
	210,219
<b>Total Current Assets</b>	
<b>Non-Current Assets:</b>	
<b>Capital Assets:</b>	
Machinery and Equipment	618,406
Less: Accumulated Depreciation	(538,789)
	79,617
<b>Total Non-Current Assets</b>	
	289,836
<b>Total Assets</b>	
<b>LIABILITIES:</b>	
Accounts Payable - Vendors	45,098
Deferred Revenue	14,855
	59,953
<b>Total Liabilities</b>	
<b>NET ASSETS:</b>	
Investment in Capital Assets, Net of Related Debt	79,617
Unrestricted	150,266
	229,883
<b>Total Net Assets</b>	\$ 229,883

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 438,559
Daily Sales - Non-Reimbursable Programs	285,732
Special Events	22,406
<b>Total Operating Revenue</b>	<b>746,697</b>
Operating Expenses:	
Cost of Sales	228,098
Salaries and Benefits	342,744
Purchased Services	164,922
Management Fee	66,920
Resident Director Fee	48,849
Supplies and Materials	40,934
Other	1,124
Depreciation Expense	17,171
<b>Total Operating Expenses</b>	<b>910,762</b>
<b>Operating Loss</b>	<b>(164,065)</b>
Non-Operating Revenue:	
State Sources:	
School Breakfast Program	54
School Lunch Program	8,605
Federal Sources:	
National School Breakfast Program	172
National School Lunch Program	78,147
Food Distribution Program	42,723
Local Sources:	
Interest Income	1,944
<b>Total Non-Operating Revenue</b>	<b>131,645</b>
<b>Change in Net Assets</b>	<b>(32,420)</b>
<b>Net Assets - Beginning of Year</b>	<b>262,303</b>
<b>Net Assets - End of Year</b>	<b>\$ 229,883</b>

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 746,697
Payments to Employees	(342,744)
Payments to Suppliers	(462,619)
Net Cash Used for Operating Activities	(58,666)
Cash Flows from Capital Financing Activities:	
Acquisition of Equipment	(23,941)
Net Cash Used for Capital Financing Activities	(23,941)
Cash Flows from Noncapital Financing Activities:	
State Sources	8,742
Federal Sources	78,522
Net Cash Provided by Noncapital Financing Activities	87,264
Cash Flows from Investing Activities:	
Interest Revenue	1,944
Net Cash Provided by Investing Activities	1,944
Net Increase/(Decrease) in Cash and Cash Equivalents	6,601
Cash and Cash Equivalents, July 1	171,404
Cash and Cash Equivalents, June 30	\$ 178,005
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (164,065)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	17,171
Federal Food Distribution Program	42,723
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(4,531)
(Increase)/Decrease in Interfund	(438)
Increase/(Decrease) in Accounts Payable	5,781
Increase/(Decrease) in Deferred Revenue	44,693
Net Cash Used for Operating Activities	\$ (58,666)

Non-Cash Investing, Capital and Financing Activities:

The District had \$9,074 in USDA donated commodities at June 30, 2009, received commodities valued at \$42,723, used commodities valued at \$36,942, and had \$14,855 in commodities at June 30, 2010.

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	Unemployment Compensation Trust	Agency
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 210,127	\$ 517,285
Interfund Receivable		13,279
<b>Total Assets</b>	<u>210,127</u>	<u>530,564</u>
<b>LIABILITIES:</b>		
Interfund Payable	13,279	
Payroll Deductions and Withholdings		330,751
Due to Student Groups		199,813
<b>Total Liabilities</b>	<u>13,279</u>	<u>530,564</u>
<b>NET ASSETS:</b>		
Held in Trust for Unemployment Claims	<u>196,848</u>	
<b>Total Net Assets</b>	<u>\$ 196,848</u>	<u>\$ - 0 -</u>

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
Net Assets - July 1, 2009	<u>\$ 196,848</u>
Net Assets - June 30, 2010	<u><u>\$ 196,848</u></u>

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Sparta Township 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 District's accounting policies are described below.

A. Reporting Entity:

The District 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.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include three elementary schools, a middle school, and a senior high school located in Sparta. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the District's cafeteria operations. The food service fund is 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 Activity Fund, Payroll Agency Fund, and Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting:

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

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

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

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by 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 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 Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of state aid. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District's General Fund cannot recognize these payments in the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Under the budgetary basis, the District realizes the grant in full at the time of the award. Grant revenue is recognized on the GAAP basis as it is expended and requested for reimbursement.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 56,158,802	\$ 2,409,380
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Expenditures and Revenue while the GAAP Basis does not.		(101,785)
Prior Year State Aid Payment Recognized for GAAP Statements, not recognized for Budgetary Basis	643,217	
Current Year State Aid Payment Recognized for Budgetary Purposes, not recognized for GAAP Statements	(681,233)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 56,120,786	\$ 2,307,595

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by 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 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.

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The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of state aid. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District's General Fund cannot recognize these payments in the GAAP financial statements.

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	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 56,158,802	\$ 2,409,380
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Expenditures and Revenue while the GAAP Basis does not.		(101,785)
Prior Year State Aid Payment Recognized for GAAP Statements, not recognized for Budgetary Basis	643,217	
Current Year State Aid Payment Recognized for Budgetary Purposes, not recognized for GAAP Statements	<u>(681,233)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 56,120,786</u>	<u>\$ 2,307,595</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 56,849,591	\$ 2,409,380
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.		(101,785)
Total Expenditures as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 56,849,591	\$ 2,307,595
		Capital Projects Fund
	Revenue	Fund Balance
Reserve for Encumbrances		\$ 3,165,485
Unreserved Fund Balance		4,477,088
Total Revenue/Fund Balance - Budgetary Basis	\$ (26,274)	7,642,573
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Expended on the GAAP Basis	190,275	
Revenue/Fund Balance per Governmental Funds (GAAP)	\$ 164,001	\$ 7,642,573

E. Cash, Cash Equivalents, and Investments:

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

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

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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 source/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

K. Capital Assets:

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

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2010.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

N. Compensated Absences:

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

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,670,762 General Fund balance at June 30, 2010, \$452,476 is reserved for encumbrances; \$457,302 is reserved in the capital reserve account; \$1,142,529 is current year excess surplus which will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012; and \$618,455 is unreserved and undesignated on the GAAP basis which is \$681,233 less than the calculated maximum unreserved fund balance (budgetary basis), due to the June state aid payments which are not recognized until the following fiscal year.

Capital Projects Fund: Of the \$7,642,573 Capital Projects Fund balance at June 30, 2010, \$3,165,485 is reserved for encumbrances and \$4,477,088 is unreserved and undesignated.

Debt Service Fund: The \$866,325 Debt Service Fund balance at June 30, 2010 is unreserved and has been designated for appropriation and included as anticipated revenue for the fiscal year ending June 30, 2011.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund 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. Excess surplus was calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state payments. The District had excess surplus as noted above. The excess fund balance at June 30, 2009 was \$365,503. Pursuant to the provisions of Executive Order No.14, \$365,503 of that amount was approved by the Commissioner of the Department of Education for withdrawal to address any budget shortfall in the General Fund due to the withholding of state aid.

P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last two 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.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

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 last two state aid payments in the subsequent fiscal year, the School District cannot recognize the last two state aid payments in the GAAP financial statements until the year the State records the payable.

The excess surplus calculation is made using the fund balance reported on the Budgetary Comparison Schedule (including the final state aid payments), and not the fund balance reported on the Fund Statements (which exclude the last two state aid payments).

Q. Deficit in Net Assets

The \$1,265,948 deficit in unrestricted net assets for the governmental activities at June 30, 2010 resulted from the accrual of \$1,188,900 in interest payable, \$584,311 in unamortized bond premiums, and \$695,503 in compensated absences payable and the restriction of surplus above state-mandated amounts. This deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S. Fund Balance Reserves:

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

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. The District considers resources received within sixty days of the fiscal year end to be available.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

T. Revenue – Exchange and Nonexchange Transactions: (Cont'd)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income 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 income taxes is recognized in the period in which the income is earned. 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 activity of the Enterprise Fund. In the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The District 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 District 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 District's deposits may not be returned.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

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

Interest Rate Risk – In accordance with its cash management plan, the District 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 District limits its investments to those authorized in its cash management plan which are those permitted under state statute which are detailed below.

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

Deposits:

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the 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 of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

- (7) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking and Savings Accounts	\$ 9,945,045	\$ 457,302	\$ 10,402,347
Temporary Deposits with Insurance Company	1,902,297		1,902,297
	\$ 11,847,342	\$ 457,302	\$ 12,304,644

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$12,304,644 and the bank balances were \$12,891,924. The temporary deposits with the District's health insurance carrier, Horizon Blue Cross Blue Shield, are uninsured and unregistered.

NOTE 4: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District transferred \$11,118 to capital outlay for equipment which did not require approval of the County Superintendent.

NOTE 5. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Sparta Township School District 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 department, 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 (June 1 to June 30) 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-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**SPARTA TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
(Continued)

**NOTE 5. CAPITAL RESERVE ACCOUNT (Cont'd)**

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance July 1, 2009	\$ 603,095
Interest Earnings	4,981
Comissioner Approved Transfer	<u>(150,774)</u>
Ending Balance June 30, 2010	<u><u>\$ 457,302</u></u>

The Commissioner approved transfer represents the District's use of the Capital Reserve Funds to offset the loss of state aid allowed under provisions of Executive Order No.14. The balance in the capital reserve account at June 30, 2010 does not exceed the local support costs of uncompleted Capital projects in the District's approved LRFP.

**NOTE 6. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Construction in Progress</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Sites (Land)	\$ 649,333			\$ 649,333
Construction in Progress	48,200,694	\$16,119,147	\$ (1,390,141)	62,929,700
<b>Total Capital Assets Not Being Depreciated</b>	<u>48,850,027</u>	<u>16,119,147</u>	<u>(1,390,141)</u>	<u>63,579,033</u>
<b>Capital Assets Being Depreciated:</b>				
Site Improvements	2,708,857		5,025	2,713,882
Buildings and Building Improvements	31,665,858		877,918	32,543,776
Machinery and Equipment	3,521,054	92,162	507,198	4,120,414
<b>Total Capital Assets Being Depreciated</b>	<u>37,895,769</u>	<u>92,162</u>	<u>1,390,141</u>	<u>39,378,072</u>
<b>Governmental Activities Capital Assets</b>	<u>86,745,796</u>	<u>16,211,309</u>		<u>102,957,105</u>
<b>Less Accumulated Depreciation for:</b>				
Site Improvements	(1,042,270)	(108,737)		(1,151,007)
Buildings and Building Improvements	(12,051,682)	(723,637)		(12,775,319)
Machinery and Equipment	(2,824,738)	(265,938)		(3,090,676)
	<u>(15,918,690)</u>	<u>(1,098,312)</u>		<u>(17,017,002)</u>
<b>Governmental Activities Capital Assets, Net of Accumulated Depreciation</b>	<u><u>\$70,827,106</u></u>	<u><u>\$15,112,997</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$85,940,103</u></u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments To Actual</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 594,465	\$ 23,941		\$ 618,406
Less Accumulated Depreciation	<u>(521,618)</u>	<u>(17,171)</u>		<u>(538,789)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 72,847</u>	<u>\$ 6,770</u>	<u>\$ - 0 -</u>	<u>\$ 79,617</u>

Capital acquisitions consisted of \$16,119,147 of ongoing construction of the new middle school, \$92,162 of equipment purchases from capital outlay, and \$23,941 of equipment purchases from the Food Service Enterprise Fund. Current year depreciation was \$1,098,312 (\$1,115,483 from Governmental Funds and \$17,171 from the Food Service Enterprise Fund), and there were no disposals.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 40,932
Student and Instruction Related Services	66,189
General Administration	5,329
Operations and Maintenance of Plant	37,441
Student Transportation	60,808
Unallocated	<u>887,613</u>
	<u>\$ 1,098,312</u>

NOTE 7. LONG-TERM LIABILITIES

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

	<u>Balance 6/30/2009</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance 6/30/2010</u>
Serial Bonds Payable	\$ 89,073,000		\$ 2,045,000	\$ 87,028,000
Less: Deferred Interest	(394,174)		(17,917)	(376,257)
Net Bonds Payable	<u>88,678,826</u>		<u>2,027,083</u>	<u>86,651,743</u>
Compensated Absences Payable	<u>576,656</u>	\$ 214,624	<u>95,777</u>	<u>695,503</u>
	<u>\$ 89,255,482</u>	<u>\$ 214,624</u>	<u>\$ 2,122,860</u>	<u>\$ 87,347,246</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds and Loans Payable:

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

On July 1, 2008, the District issued \$19,830,000 refunding bonds with interest rates ranging from 3.25% to 5.00% to refund \$19,830,000 of the \$22,705,000 school bonds dated March 1, 1999 with rates ranging from 4.20% to 5.00%. The refunding bonds will mature on September 1, 2008 through September 1, 2026 and constitute a current refunding. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent who will pay the debt service requirements of the refunded bonds on September 1, 2008 and will redeem the refunded bonds, at a redemption price equal to 100% of par, on September 1, 2008, which is the first optional redemption date. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

As a result of the refunding, the School District reduced its total debt service requirement by \$1,536,584 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,155,372, or 5.826% net present value savings.

The District had bonds outstanding as of June 30, 2010 as follows:

\$19,830,000 School Refunding Bonds Dated 7/1/2008

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
09/01/2010	3.500%	\$ 1,075,000
09/01/2011	5.000%	1,055,000
09/01/2012	5.000%	1,055,000
09/01/2013	3.250%	1,205,000
09/01/2014	3.608%	1,180,000
09/01/2015	3.634%	1,160,000
09/01/2016	3.857%	1,140,000
09/01/2017	4.678%	1,125,000
09/01/2018	5.000%	1,120,000
09/01/2019	5.000%	1,105,000
09/01/2020	4.000%	1,090,000
09/01/2021	4.000%	1,075,000
09/01/2022	5.000%	1,060,000
09/01/2023	5.000%	1,045,000
09/01/2024	4.250%	1,030,000
09/01/2025	4.250%	1,010,000
09/01/2026	4.375%	985,000
		<u>18,515,000</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds and Loans Payable:

\$71,513,000 School Bonds Dated 12/5/2006

<u>Date</u>	<u>Rate</u>	<u>Amount</u>
02/15/2011	4.125%	\$ 1,000,000
02/15/2012	4.125%	1,250,000
02/15/2013	4.250%	1,300,000
02/15/2014	4.250%	1,500,000
02/15/2015	4.250%	1,500,000
02/15/2016	4.250%	1,750,000
02/15/2017	4.250%	1,900,000
02/15/2018	4.250%	2,000,000
02/15/2019	4.250%	2,150,000
02/15/2020	4.250%	2,250,000
02/15/2021	4.250%	2,500,000
02/15/2022	4.250%	2,500,000
02/15/2023	4.250%	2,750,000
02/15/2024	4.250%	3,000,000
02/15/2025	4.250%	3,000,000
02/15/2026	4.300%	3,150,000
02/15/2027	4.300%	3,250,000
02/15/2028	4.300%	3,600,000
02/15/2029	4.300%	3,600,000
02/15/2030	4.300%	3,550,000
02/15/2031	4.300%	3,500,000
02/15/2032	4.300%	3,500,000
02/15/2033	4.300%	3,500,000
02/15/2034	4.300%	3,500,000
02/15/2035	4.300%	3,500,000
02/15/2036	4.300%	3,513,000
		<u>68,513,000</u>
Total Bonds Payable		<u>\$ 87,028,000</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds and Loans Payable:

Principal and interest due on serial bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,075,000	\$ 3,705,765	\$ 5,780,765
2012	2,305,000	3,619,328	5,924,328
2013	2,355,000	3,415,015	5,770,015
2014	2,705,000	3,413,809	6,118,809
2015	2,680,000	3,309,190	5,989,190
2016-2020	15,700,000	14,732,867	30,432,867
2021-2025	19,050,000	11,110,677	30,160,677
2026-2030	19,145,000	6,865,698	26,010,698
2031-2035	17,500,000	3,012,795	20,512,795
2036	3,513,000	151,059	3,664,059
	<u>\$ 87,028,000</u>	<u>\$ 53,336,203</u>	<u>\$ 140,364,203</u>

B. Bonds Authorized But Not Issued:

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

C. Capital Leases Payable:

As of June 30, 2010, the Board had no Capital Leases.

D. Compensated Absences:

The liability for compensated absences of the governmental fund type is recorded in the long-term liabilities and will be liquidated by the General Fund. There is no current portion and the entire \$695,503 represents the long-term portion of compensated absences liability at June 30, 2010.

There was no liability for compensated absences payable in the District's Enterprise Funds at June 30, 2010.

NOTE 8. PENSION PLANS

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 8. PENSION PLANS: (Cont'd)

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current state statute, the District is a noncontributing employer of the TPAF.

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

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ - 0 -	100.00%	\$ - 0 -
2009	- 0 -	100.00%	- 0 -
2008	1,854,506	100.00%	1,854,506

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

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

Three-Year Trend for PERS			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 403,986	100.00%	\$ 403,986
2009	359,011	100.00%	359,011
2008	365,520	80.00%	292,416

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990 c. 6 required Teachers Pensions and Annuity Fund (T.P.A.F.) and the Public Employees' Retirement System (P.E.R.S.), respectively, to kind post retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a refunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2008.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,802,945, \$1,609,524, and \$1,660,839 for 2010, 2009 and 2008, respectively.

NOTE 10. 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. Health and prescription benefits are provided to employees through Horizon Blue Cross Blue Shield.

Property, Liability and Health Benefits

The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery and School Board Legal Liability Insurance. The SAIF is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

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

The SAIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

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

	<u>School Alliance Insurance Fund</u>
Total Assets	<u>\$ 33,656,794</u>
Net Assets	<u>\$ 14,417,326</u>
Total Revenue	<u>\$ 28,042,089</u>
Total Expenses	<u>\$ 25,015,943</u>
Change in Net Assets	<u>\$ 3,026,146</u>
Net Assets Distribution to Participating Members	<u>\$ 3,005,614</u>

Financial Statements for the Fund are available at the Fund's Executive Director's Office:

Risk and Loss Managers, Inc.  
51 Everett Drive Suite 40B  
West Windsor, NJ 08550  
(609) 275-1155

The District currently maintains medical and prescription health care insurance with Horizon Blue Cross Blue Shield ("Horizon"). The insurance plan is a traditionally funded, fully participating plan whereby the District participates in any margins or losses generated by claims experience and Horizon holds reserves for its estimated liability for incurred but not reported claims which are calculated by Horizon's actuary.

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

	<u>Year Ended June 30, 2010</u>
Premium Stabilization Reserve at June 30, 2009 with Horizon	\$ 495,934
Accrued Liability for Health Benefit Claims at June 30, 2009 with Horizon	<u>753,851</u>
Total Temporary Investments with Insurance Company at June 30, 2009	<u>1,249,785</u>
Interest Earnings	9,904
Increase in Accrued Liability for Health Benefit Claims based on Paid Claims Experience	176,362
Paid Premiums	6,747,139
Paid Claims	(5,383,715)
Administrative Costs	<u>(897,178)</u>
Premium Stabilization Reserve as of June 30, 2010	1,277,169
Accrued Liability for Health Benefit Claims at June 30, 2010 with Horizon	<u>625,128</u>
Total Temporary Investments with Insurance Company at June 30, 2010	<u>\$ 1,902,297</u>
	<u>Year Ended June 30, 2009</u>
Premium Stabilization Reserve at June 30, 2008 with Horizon	\$ 3,143,896
Accrued Liability for Health Benefit Claims at June 30, 2008 with Horizon	<u>603,712</u>
Total Temporary Investments with Insurance Company at June 30, 2008	<u>3,747,608</u>
Interest Earnings	53,932
Decrease in Accrued Liability for Health Benefit Claims based on Paid Claims Experience	(6,053)
Paid Premiums	6,300,627
Paid Claims	(5,512,947)
Administrative Costs	(1,276,214)
Transfer to School District Operating Account	<u>(2,057,168)</u>
Premium Stabilization Reserve as of June 30, 2009	495,934
Accrued Liability for Health Benefit Claims at June 30, 2009 with Horizon	<u>753,851</u>
Total Temporary Investments with Insurance Company at June 30, 2009	<u>\$ 1,249,785</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 10. 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, employee contributions, interest earnings, 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>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ -0-	\$ -0-	\$ -0-	\$ 196,848
2008-2009	-0-	16,578	40,763	196,848
2007-2008	-0-	40,140	39,393	221,033

NOTE 11. 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). 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:

TD Bank Equitable Fidelity Group First Investors Kemper	Security First/Holden Co. Variable Annuity Life Insurance Co. Siscor Siracusa Metropolitan Life Insurance Co.
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NOTE 12. TAX CALENDAR

Property taxes are levied by the District's constituent municipality 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 municipality and are remitted to the School District on a predetermined mutually agreed-upon schedule.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 13. PRIOR PERIOD ADJUSTMENTS

The District corrected the classification of fund balance reported in its Governmental Funds and Activities as of June 30, 2009 in order to correctly reflect the transfer of 2009 interest earnings from the Capital Projects Fund to the Debt Service Fund rather than the General Fund for the fiscal year ended June 30, 2009. As a result, the District's financial statements as of June 30, 2009 have been restated as follows:

	Balance 6/30/2009 <u>Previous</u>	Retroactive Adjustments <u>                    </u>	Balance 6/30/2010 <u>Restated</u>
Statement of Net Assets - Governmental Activities:			
Net Assets:			
Restricted for:			
Debt Service	\$ 1,121,399	\$ 737,549	\$ 1,858,948
Unrestricted/(Deficit)	(1,104,007)	(737,549)	(1,841,556)
Balance Sheet - Governmental Funds:			
General Fund	3,929,851	(737,549)	3,192,302
Debt Service Fund	1,121,399	737,549	1,858,948

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as at June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,143,622	\$ 2,609,821
Special Revenue Fund		8,532
Capital Projects Fund	2,600,000	1,135,090
Enterprise Funds	9,821	
Fiduciary Funds	13,279	13,279
	<u>\$ 3,766,722</u>	<u>\$ 3,766,722</u>

During the fiscal year, the Capital Projects Fund transferred \$207,265 of interest earnings and \$2,600,000 as a temporary loan for cash purposes to the General Fund. The General Fund collected \$9,821 of state and federal subsidies that are due to the Food Service Enterprise Fund as of June 30, 2010. The General Fund advanced \$8,532 to the Special Revenue Fund for expenditures under Federal programs where reimbursement was not received as of June 30, 2010. Unemployment expenses in the amount of \$13,279 were paid from the Payroll Agency Account during the year and are due from the Unemployment Account to the Payroll Agency Account as of June 30, 2010.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District is periodically involved in claims and lawsuits arising from operations. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

NOTE 16. 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.

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 44,514,252		\$ 44,514,252	\$ 44,514,252	
Tuition	27,000		27,000	49,981	\$ 22,981
Interest on Capital Reserve	12,000		12,000	4,981	(7,019)
Miscellaneous	90,000		90,000	52,766	(37,234)
<b>Total - Local Sources</b>	<b>44,643,252</b>		<b>44,643,252</b>	<b>44,621,980</b>	<b>(21,272)</b>
<b>State Sources:</b>					
Transportation Aid	1,788,560		1,788,560	1,788,560	
Special Education Aid	1,925,258		1,925,258	1,925,258	
Equalization Aid	3,275,100	\$ (594,254)	2,680,846	2,680,846	
Security Aid	253,636		253,636	102,862	(150,774)
Extraordinary Aid	235,909		235,909	461,655	225,746
Non-Public Transportation Aid				16,292	16,292
Reimbursed TPAF FICA Contributions (Non-budgeted)				2,068,154	2,068,154
On-Behalf TPAF Non-Contributory Insurance (Non-budgeted)				95,996	95,996
On-Behalf TPAF Post Retirement Medical Benefits (Non-budgeted)				1,802,945	1,802,945
<b>Total State Sources</b>	<b>7,478,463</b>	<b>(594,254)</b>	<b>6,884,209</b>	<b>10,942,568</b>	<b>4,058,359</b>
<b>Federal Sources:</b>					
Equalization Aid - ARRA ESF		572,107	572,107	572,107	
Equalization Aid - ARRA GSF		22,147	22,147	22,147	
<b>Total Federal Sources</b>		<b>594,254</b>	<b>594,254</b>	<b>594,254</b>	
<b>TOTAL REVENUES</b>	<b>52,121,715</b>		<b>52,121,715</b>	<b>56,158,802</b>	<b>4,037,087</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 56,763	\$ 3,626	\$ 60,389	\$ 60,389	
Kindergarten - Salaries of Teachers	403,390	110,858	514,248	514,248	
Grades 1-5 - Salaries of Teachers	6,611,237	154,843	6,766,080	6,766,080	
Grades 6-8 - Salaries of Teachers	4,717,262	109,965	4,827,227	4,827,227	
Grades 9-12 - Salaries of Teachers	6,515,497	78,785	6,594,282	6,594,282	
Regular Programs - Home Instruction:					
Other Salaries for Instruction	60,000	(11,231)	48,769	48,769	
Purchased Professional - Educational Services	45,000		45,000	20,823	\$ 24,177
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	35,000	(11,706)	23,294	23,294	
Purchased Professional - Educational Services	1,050	350	1,400	1,400	
Purchased Technical Services	249	30	279	279	
Other Purchased Services (400-500 series)	30,090	1,060	31,150	9,181	21,969
General Supplies	872,020	9,523	881,543	825,606	55,937
Textbooks	71,624	493	72,117	52,964	19,153
Other Objects	1,275	90	1,365	455	910
<b>Total Regular Programs - Instruction</b>	<b>19,420,457</b>	<b>446,686</b>	<b>19,867,143</b>	<b>19,744,997</b>	<b>122,146</b>
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	125,005	22,145	147,150	147,150	
<b>Total Multiple Disabilities</b>	<b>125,005</b>	<b>22,145</b>	<b>147,150</b>	<b>147,150</b>	

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 150,121	\$ 6,250	\$ 156,371	\$ 156,371	
Other Salaries for Instruction	41,167	(5,187)	35,980	35,980	
General Supplies	1,200		1,200	1,185	\$ 15
Total Learning and/or Language Disabilities	<u>192,488</u>	<u>1,063</u>	<u>193,551</u>	<u>193,536</u>	<u>15</u>
Resource Room/Resource Center:					
Salaries of Teachers	2,825,600	(103,783)	2,721,817	2,706,989	14,828
Other Salaries for Instruction	609,500	140,736	750,236	744,396	5,840
Other Purchased Services	300		300		300
General Supplies	8,015	(10)	8,005	7,588	417
Total Resource Room/Resource Center	<u>3,443,415</u>	<u>36,943</u>	<u>3,480,358</u>	<u>3,458,973</u>	<u>21,385</u>
Autism:					
Salaries of Teachers	123,626	3,930	127,556	127,556	
Other Salaries for Instruction	110,320	(4,117)	106,203	106,023	180
General Supplies	4,495		4,495	4,380	115
Total Autism	<u>238,441</u>	<u>(187)</u>	<u>238,254</u>	<u>237,959</u>	<u>295</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	65,613	(65,613)			
Other Salaries for Instruction	31,072	(2,484)	28,588	6,137	22,451
General Supplies	600		600	583	17
Total Preschool Disabilities - Part-Time	<u>97,285</u>	<u>(68,097)</u>	<u>29,188</u>	<u>6,720</u>	<u>22,468</u>
<b>Total Special Education - Instruction</b>	<u>4,096,634</u>	<u>(8,133)</u>	<u>4,088,501</u>	<u>4,044,338</u>	<u>44,163</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 381,752	\$ (88,378)	\$ 293,374	\$ 272,374	\$ 21,000
General Supplies	1,000	(76)	924	852	72
Total Basic Skills/Remedial - Instruction	<u>382,752</u>	<u>(88,454)</u>	<u>294,298</u>	<u>273,226</u>	<u>21,072</u>
Bilingual Education - Instruction:					
Salaries of Teachers	89,508		89,508	89,508	
Total Bilingual Education - Instruction	<u>89,508</u>		<u>89,508</u>	<u>89,508</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	360,313	18,797	379,110	379,110	
Purchased Services (300-500 series)	24,430		24,430	16,814	7,616
Supplies and Materials	7,700		7,700	3,287	4,413
Other Objects	150		150		150
Transfer to Cover Deficit	39,250		39,250	6,000	33,250
Total School-Sponsored Cocurricular Activities - Instruction	<u>431,843</u>	<u>18,797</u>	<u>450,640</u>	<u>405,211</u>	<u>45,429</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	448,911	1,893	450,804	450,804	
Purchased Services (300-500 series)	35,450	(5,100)	30,350	28,522	1,828
Supplies and Materials	66,069	576	66,645	60,561	6,084
Other Objects	7,200	(800)	6,400	6,190	210
Transfer to Cover Deficit	57,842		57,842	57,842	
Total School-Sponsored Cocurricular Athletics - Instruction	<u>615,472</u>	<u>(3,431)</u>	<u>612,041</u>	<u>603,919</u>	<u>8,122</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Other Instructional Programs - Instruction:					
Salaries	\$ 183,839	\$ (33,684)	\$ 150,155	\$ 146,165	\$ 3,990
Purchased Services (300-500 series)	16,445	(7,040)	9,405	1,515	7,890
Supplies and Materials	3,339		3,339	3,169	170
Other Objects	780		780	372	408
Total Other Instructional Programs - Instruction	<u>204,403</u>	<u>(40,724)</u>	<u>163,679</u>	<u>151,221</u>	<u>12,458</u>
Total Instruction	<u>25,241,069</u>	<u>324,741</u>	<u>25,565,810</u>	<u>25,312,420</u>	<u>253,390</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	676,911	(64,164)	612,747	603,767	8,980
Tuition to Private Schools for the Disabled - Within the State	938,924	(4,227)	934,697	920,901	13,796
Tuition to Private Schools for the Disabled - Outside the State	85,920		85,920	72,538	13,382
Tuition - State Facilities	30,750		30,750	30,750	
Total Undistributed Expenditures - Instruction	<u>1,732,505</u>	<u>(68,391)</u>	<u>1,664,114</u>	<u>1,627,956</u>	<u>36,158</u>
Health Services:					
Salaries	485,613	4,707	490,320	490,320	
Purchased Professional and Technical Services	5,500	5,000	10,500	8,203	2,297
Other Purchased Services (400-500 series)	1,770	(300)	1,470	1,238	232
Supplies and Materials	6,215	395	6,610	6,095	515
Other Objects	605	173	778	673	105
Total Health Services	<u>499,703</u>	<u>9,975</u>	<u>509,678</u>	<u>506,529</u>	<u>3,149</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Speech, OT, PT and Other Related Services:					
Salaries	\$ 395,897	\$ (46,968)	\$ 348,929	\$ 348,929	
Purchased Professional-Educational Services	323,049	73,301	396,350	282,339	\$ 114,011
Supplies and Materials	19,390	(728)	18,662	18,268	394
Other Objects	2,500		2,500		2,500
Speech, OT, PT, and Other Related Services	<u>740,836</u>	<u>25,605</u>	<u>766,441</u>	<u>649,536</u>	<u>116,905</u>
Other Support Services - Students - Extraordinary					
Salaries	<u>82,791</u>	<u>15,452</u>	<u>98,243</u>	<u>98,243</u>	
Total Other Support Services - Students - Extraordinary	<u>82,791</u>	<u>15,452</u>	<u>98,243</u>	<u>98,243</u>	
Guidance:					
Salaries of Other Professional Staff	957,761	(83,596)	874,165	874,156	9
Salaries of Secretarial and Clerical Assistants	151,155	(20,676)	130,479	130,479	
Other Purchased Professional and Technical Services	16,025	5,824	21,849	10,274	11,575
Other Purchased Services (400-500 series)	7,915		7,915	3,927	3,988
Supplies and Materials	31,147	2,000	33,147	27,204	5,943
Other Objects	405		405	261	144
Total Guidance	<u>1,164,408</u>	<u>(96,448)</u>	<u>1,067,960</u>	<u>1,046,301</u>	<u>21,659</u>
Child Study Team:					
Salaries of Other Professional Staff	1,655,467	(105,166)	1,550,301	1,550,301	
Salaries of Secretarial and Clerical Assistants	122,365	(26,314)	96,051	96,051	
Purchased Professional - Educational Services	7,700		7,700	7,300	400
Miscellaneous Purchased Services (400-500 Series)	16,350	(5,268)	11,082	9,851	1,231
Supplies and Materials	25,851	(500)	25,351	18,759	6,592

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Child Study Team:					
Other Objects	\$ 2,000		\$ 2,000	\$ 1,974	\$ 26
<b>Total Child Study Team</b>	<b>1,829,733</b>	<b>(137,248)</b>	<b>1,692,485</b>	<b>1,684,236</b>	<b>8,249</b>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	373,509	(30,244)	343,265	343,265	
Salaries of Secretarial and Clerical Assistants	70,192	(22,795)	47,397	47,397	
Other Salaries	20,000	10,668	30,668	30,668	
Other Purchased Services (400-500)	5,665		5,665	3,878	\$ 1,787
Supplies and Materials	10,000	(1,000)	9,000	2,404	6,596
Other Objects	2,094	1,000	3,094	2,587	507
<b>Total Improvement of Instructional Services</b>	<b>481,460</b>	<b>(42,371)</b>	<b>439,089</b>	<b>430,199</b>	<b>8,890</b>
Educational Media Services/School Library:					
Salaries	394,610	(39,179)	355,431	355,431	
Salaries of Technology Coordinators	102,207	43,829	146,036	146,036	
Other Purchased Services (400-500 series)	48,685	(9,273)	39,412	38,087	1,325
Supplies and Materials	25,532	8,103	33,635	31,843	1,792
<b>Total Educational Media Services/School Library</b>	<b>571,034</b>	<b>3,480</b>	<b>574,514</b>	<b>571,397</b>	<b>3,117</b>
Instructional Staff Training Services:					
Other Salaries	14,537	(7,305)	7,232	7,232	
Other Purchased Services (400-500 series)	38,125	(318)	37,807	21,630	16,177
Supplies and Materials	14,425		14,425	100	14,325
Other Objects	295	10	305	100	205
<b>Total Instructional Staff Training Services</b>	<b>67,382</b>	<b>(7,613)</b>	<b>59,769</b>	<b>29,062</b>	<b>30,707</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
General Administration:					
Salaries	\$ 299,336	\$ 10,592	\$ 309,928	\$ 309,928	
Legal Services	70,000	118,907	188,907	168,982	\$ 19,925
Audit Fees	45,000	16,682	61,682	61,682	
Other Purchased Professional Services	32,000		32,000	532	31,468
Purchased Technical Services	38,000		38,000	30,138	7,862
Communications/Telephone	129,200	2,690	131,890	112,199	19,691
Board of Education Other Purchased Services	3,000		3,000	1,920	1,080
Other Purchased Services (400-500 series)	94,000		94,000	87,100	6,900
General Supplies	32,000	(538)	31,462	8,625	22,837
BOE In-house Training/Meeting Supplies	500		500		500
Judgements Against the School District		5,900	5,900	3,710	2,190
Miscellaneous Expenditures	22,000		22,000	17,153	4,847
Board of Education Membership Dues and Fees	24,500	538	25,038	25,038	
<b>Total General Administration</b>	<b>789,536</b>	<b>154,771</b>	<b>944,307</b>	<b>827,007</b>	<b>117,300</b>
School Administration:					
Salaries of Principals/Assistant Principals	1,612,778	53,029	1,665,807	1,665,807	
Salaries of Secretarial and Clerical Assistants	654,407	47,797	702,204	702,204	
Other Purchased Services (400-500 series)	49,755	(6,401)	43,354	23,333	20,021
Supplies and Materials	83,530	(2,058)	81,472	67,883	13,589
Other Objects	18,125	(76)	18,049	16,958	1,091
<b>Total School Administration</b>	<b>2,418,595</b>	<b>92,291</b>	<b>2,510,886</b>	<b>2,476,185</b>	<b>34,701</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 382,341	\$ 42,693	\$ 425,034	\$ 425,034	
Purchased Technical Services	1,500	(1,135)	365		\$ 365
Other Purchased Services (400-500 series)	20,200		20,200	19,464	736
Supplies and Materials	10,000	1,135	11,135	10,374	761
Micellaneous Expenditures	3,600		3,600	3,218	382
<b>Total Central Services</b>	<b>417,641</b>	<b>42,693</b>	<b>460,334</b>	<b>458,090</b>	<b>2,244</b>
Administrative Information Technology:					
Salaries	101,166	(711)	100,455	100,455	
Other Purchased Services (400-500 series)	181,488	(7,799)	173,689	170,863	2,826
Supplies and Materials	9,194		9,194	9,093	101
<b>Total Administrative Information Technology</b>	<b>291,848</b>	<b>(8,510)</b>	<b>283,338</b>	<b>280,411</b>	<b>2,927</b>
Required Maintenance of School Facilities:					
Salaries	455,688	(13,123)	442,565	442,565	
Cleaning, Repair and Maintenance Services	159,525		159,525	117,011	42,514
General Supplies	96,092	54	96,146	52,369	43,777
Other Objects	250		250	225	25
<b>Total Required Maintenance of School Facilities</b>	<b>711,555</b>	<b>(13,069)</b>	<b>698,486</b>	<b>612,170</b>	<b>86,316</b>
Security:					
Salaries	50,919	(387)	50,532	50,532	
<b>Total Security</b>	<b>50,919</b>	<b>(387)</b>	<b>50,532</b>	<b>50,532</b>	

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 1,743,928	\$ (38,188)	\$ 1,705,740	\$ 1,705,740	
Purchased Professional and Technical Services	6,300		6,300	5,172	\$ 1,128
Cleaning, Repair and Maintenance Services	392,185	(2,377)	389,808	315,094	74,714
Other Purchased Property Services	163,508		163,508	135,807	27,701
Insurance	182,982	995	183,977	183,977	
Miscellaneous Purchased Services	3,800		3,800	2,553	1,247
General Supplies	190,088	2,598	192,686	157,851	34,835
Energy (Electricity)	1,113,660	12,605	1,126,265	1,022,741	103,524
Energy (Natural Gas)	36,000		36,000	24,668	11,332
Energy (Oil)	629,400	(86,471)	542,929	340,653	202,276
<b>Total Custodial Services</b>	<b>4,461,851</b>	<b>(110,838)</b>	<b>4,351,013</b>	<b>3,894,256</b>	<b>456,757</b>
<b>Total Operations &amp; Maintenance of Plant</b>	<b>5,224,325</b>	<b>(124,294)</b>	<b>5,100,031</b>	<b>4,556,958</b>	<b>543,073</b>
Student Transportation Services:					
Salaries of Non-Instructional Aides	77,522	(77,522)			
Salaries for Pupil Transportation:					
Between Home and School - Regular	498,248	(21,134)	477,114	477,114	
Between Home and School - Special Education	151,102	(5,964)	145,138	145,138	
Other Than Between Home and School	55,720	(23,527)	32,193	32,193	
Management Fee - ESC & CTSA Trans. Program	28,015		28,015	23,323	4,692
Other Purchased Professional and Technical Services	7,058		7,058	3,445	3,613
Cleaning, Repair and Maintenance Services	136,466	(12,104)	124,362	82,004	42,358
Lease Purchase Payments - School Buses	89,688		89,688	29,688	60,000
Contracted Services:					
Between Home and School - Vendors	1,820,479	(15,233)	1,805,246	1,741,903	63,343

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Student Transportation Services: (Cont'd)					
Contracted Services:					
Other Than Between Home and School - Vendors	\$ 122,555	\$ 12,298	\$ 134,853	\$ 130,447	\$ 4,406
Special Education Students - Vendors	129,290	(45,000)	84,290	53,545	30,745
Special Education Students - Joint Agreements	148,884		148,884	114,149	34,735
Regular Students - ESCs & CTSA's	3,695	(1,675)	2,020	95	1,925
Special Education Students - ESCs & CTSA's	598,796	66,675	665,471	665,471	
Aid in Lieu of Payments - Non-Public Schools	96,884		96,884	70,361	26,523
Miscellaneous Purchased Services - Transportation	21,323		21,323	12,356	8,967
Supplies and Materials	222,817	1,679	224,496	149,948	74,548
Miscellaneous Expenditures	1,165	400	1,565	1,565	
Total Student Transportation Services	<u>4,209,707</u>	<u>(121,107)</u>	<u>4,088,600</u>	<u>3,732,745</u>	<u>355,855</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	548,912	47,380	596,292	596,292	
Other Retirement Contributions - Regular	395,098	8,888	403,986	403,986	
Workmen's Compensation	324,982	(8,888)	316,094	307,333	8,761
Health Benefits	7,472,142	(507,526)	6,964,616	6,481,133	483,483
Tuition Reimbursement	215,000		215,000	209,896	5,104
Unemployment Compensation		300,000	300,000	300,000	
Other Employee Benefits	85,463	24,554	110,017	109,336	681
Total Unallocated Benefits	<u>9,041,597</u>	<u>(135,592)</u>	<u>8,906,005</u>	<u>8,407,976</u>	<u>498,029</u>
Reimbursed TPAF FICA Contributions (Non-budgeted)				2,068,154	(2,068,154)
On-Behalf TPAF Non-Contributory Insurance (Non-budgeted)				95,996	(95,996)
On-Behalf TPAF Post Retirement Contributions (Non-budgeted)				1,802,945	(1,802,945)
Total Personal Services - Employee Benefits	<u>9,041,597</u>	<u>(135,592)</u>	<u>8,906,005</u>	<u>12,375,071</u>	<u>(3,469,066)</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Total Undistributed Expenditures	\$ 29,563,101	\$ (397,307)	\$ 29,165,794	\$ 31,349,926	\$ (2,184,132)
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>54,804,170</u>	<u>(72,566)</u>	<u>54,731,604</u>	<u>56,662,346</u>	<u>(1,930,742)</u>
<b>CAPITAL OUTLAY:</b>					
Equipment:					
Administration Information Technology	3,247	11,118	14,365	14,364	1
Total Equipment	<u>3,247</u>	<u>11,118</u>	<u>14,365</u>	<u>14,364</u>	<u>1</u>
Facilities Acquisition and Construction Services:					
Construction Services	77,798		77,798	77,798	
Total Facilities Acquisition and Construction Services	<u>77,798</u>		<u>77,798</u>	<u>77,798</u>	
<b>TOTAL CAPITAL OUTLAY</b>	<u>81,045</u>	<u>11,118</u>	<u>92,163</u>	<u>92,162</u>	<u>1</u>
Transfer of Funds to Charter Schools	<u>33,635</u>	<u>61,448</u>	<u>95,083</u>	<u>95,083</u>	
<b>TOTAL EXPENDITURES</b>	<u>54,918,850</u>		<u>54,918,850</u>	<u>56,849,591</u>	<u>(1,930,741)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(2,797,135)</u>		<u>(2,797,135)</u>	<u>(690,789)</u>	<u>2,106,346</u>
<b>Other Financing Sources/(Uses):</b>					
Transfer from Capital Projects Fund - Interest				207,265	207,265
<b>Total Other Financing Sources/(Uses)</b>				<u>207,265</u>	<u>207,265</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	\$ (2,797,135)		\$ (2,797,135)	\$ (483,524)	\$ 2,313,611
Fund Balance, July 1 (As Restated)	<u>3,835,519</u>		<u>3,835,519</u>	<u>3,835,519</u>	
Fund Balance, June 30	<u>\$ 1,038,384</u>	<u>\$ - 0 -</u>	<u>\$ 1,038,384</u>	<u>\$ 3,351,995</u>	<u>\$ 2,313,611</u>
Analysis of Balance:					
Reserved for Encumbrances				\$ 452,476	
Reserved for Capital Reserve				457,302	
Reserved for Excess Surplus				1,142,529	
Unreserved/Undesignated Fund Balance				<u>1,299,688</u>	
Fund Balance per Governmental Funds (Budgetary Basis)				3,351,995	
Less: June state aid payments not recognized on a GAAP basis				<u>(681,233)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 2,670,762</u>	

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources		\$ 39,536	\$ 39,536	\$ 16,882	\$ (22,654)
State Sources	\$ 604,338	64,872	669,210	543,706	(125,504)
Federal Sources	911,912	1,520,236	2,432,148	1,848,792	(583,356)
<b>Total Revenues</b>	<b>1,516,250</b>	<b>1,624,644</b>	<b>3,140,894</b>	<b>2,409,380</b>	<b>(731,514)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers		9,526	9,526	6,503	3,023
Purchased Professional and Technical Services		3,217	3,217	2,688	529
Other Purchased Services	139,807	466,082	605,889	552,275	53,614
Tuition	837,980	(232,001)	605,979	603,825	2,154
General Supplies	73,932	581,716	655,648	279,073	376,575
Textbooks	114,576	8,009	122,585	110,435	12,150
Other Objects		33,227	33,227	13,872	19,355
<b>Total Instruction</b>	<b>1,166,295</b>	<b>869,776</b>	<b>2,036,071</b>	<b>1,568,671</b>	<b>467,400</b>
<b>Support Services:</b>					
Personal Services - Salaries		1,525	1,525	1,120	405
Personal Services—Employee Benefits		848	848		848
Purchased Professional Educational Services		588,861	588,861	468,360	120,501
Purchased Technical Services		44,750	44,750	37,933	6,817
Tuition		406,708	406,708	288,065	118,643
Other Purchased Services	349,955	(324,969)	24,986	12,331	12,655
Supplies and Materials		24,903	24,903	22,752	2,151
<b>Total Support Services</b>	<b>349,955</b>	<b>742,626</b>	<b>1,092,581</b>	<b>830,561</b>	<b>262,020</b>
<b>Capital Outlay:</b>					
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment		12,242	12,242	10,148	2,094
<b>Total Capital Outlay</b>		<b>12,242</b>	<b>12,242</b>	<b>10,148</b>	<b>2,094</b>
<b>Total Expenditures</b>	<b>1,516,250</b>	<b>1,624,644</b>	<b>3,140,894</b>	<b>2,409,380</b>	<b>731,514</b>
<b>Excess/(Deficiency) of Revenue Over/(Under) Expenditures</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 56,158,802	\$ 2,409,380
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Expenditures and Revenue while the GAAP Basis does not.		(101,785)
State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	643,217	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(681,233)	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	 \$ 56,120,786	 \$ 2,307,595
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 56,849,591	\$ 2,409,380
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.		(101,785)
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 \$ 56,849,591	 \$ 2,307,595
		Capital Projects Fund
	Revenue	Fund Balance
Reserve for Encumbrances		\$ 3,165,485
Unreserved Fund Balance		4,477,088
Total Revenue/Fund Balance - Budgetary Basis	\$ (26,274)	7,642,573
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Expended on the GAAP Basis	190,275	
 Revenue/Fund Balance per Governmental Funds (GAAP)	 \$ 164,001	 \$ 7,642,573

SPARTA TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by 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 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 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 in the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Under the budgetary basis, the District realizes the grant in full at the time of the award. Grant revenue is recognized on the GAAP basis as it is expended and requested for reimbursement.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

SPARTA TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2010

REVENUE:	No Child Left Behind				Personalized Student Pilot Grant	Perkins Grant
	Title II A	Title II A Carryover	Title IV	Title IV Carryover		
State Sources					\$ 5,299	
Federal Sources	\$ 55,021	\$ 9,788	\$ 1,648	\$ 1,040		\$ 20,803
Local Sources						
<b>Total Revenue</b>	<b>\$ 55,021</b>	<b>\$ 9,788</b>	<b>\$ 1,648</b>	<b>\$ 1,040</b>	<b>\$ 5,299</b>	<b>\$ 20,803</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers	\$ 2,943	\$ 550				
Purchased Professional/Technical Services			\$ 1,648	\$ 1,040		
Other Purchased Services						
Tuition						
General Supplies	13,747	1,333			\$ 989	1,412
Textbooks						
Other Objects						
<b>Total Instruction</b>	<b>16,690</b>	<b>1,883</b>	<b>1,648</b>	<b>1,040</b>	<b>989</b>	<b>1,412</b>
<b>Support Services:</b>						
Salaries of Program Directors					1,120	
Purchased Professional/Educational Services		4,600			500	
Purchased Technical Services	37,933					
Tuition						
Other Purchased Services	398				2,690	9,243
Supplies and Materials		3,305				
<b>Total Support Services</b>	<b>38,331</b>	<b>7,905</b>			<b>4,310</b>	<b>9,243</b>
<b>Facilities Acquisition:</b>						
Instructional Equipment						10,148
<b>Total Facilities Acquisition</b>						<b>10,148</b>
<b>Total Expenditures</b>	<b>\$ 55,021</b>	<b>\$ 9,788</b>	<b>\$ 1,648</b>	<b>\$ 1,040</b>	<b>\$ 5,299</b>	<b>\$ 20,803</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2010

REVENUE:	IDEA Part B					Nonpublic Textbooks
	Preschool Carryover	Part B Basic	Basic Carryover	Basic ARRA	Preschool ARRA	
State Sources						\$ 110,435
Federal Sources	\$ 3,506	\$ 906,150	\$ 13,798	\$ 797,100	\$ 34,639	
Local Sources						
<b>Total Revenue</b>	<b>\$ 3,506</b>	<b>\$ 906,150</b>	<b>\$ 13,798</b>	<b>\$ 797,100</b>	<b>\$ 34,639</b>	<b>\$ 110,435</b>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers						
Purchased Professional/Technical Services						
Other Purchased Services				\$ 399,848	\$ 16,554	
Tuition	\$ 3,506	\$ 600,319				
General Supplies		20,000	\$ 982	240,610		
Textbooks						110,435
Other Objects						
<b>Total Instruction</b>	<b>3,506</b>	<b>620,319</b>	<b>982</b>	<b>640,458</b>	<b>16,554</b>	<b>110,435</b>
Support Services:						
Salaries of Program Directors						
Purchased Professional/Educational Services		\$ 269,031	12,816	153,995	18,085	
Purchased Technical Services						
Tuition						
Other Purchased Services						
Supplies and Materials		16,800		2,647		
<b>Total Support Services</b>		<b>285,831</b>	<b>12,816</b>	<b>156,642</b>	<b>18,085</b>	
Facilities Acquisition:						
Instructional Equipment						
<b>Total Facilities Acquisition</b>						
<b>Total Expenditures</b>	<b>\$ 3,506</b>	<b>\$ 906,150</b>	<b>\$ 13,798</b>	<b>\$ 797,100</b>	<b>\$ 34,639</b>	<b>\$ 110,435</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2010

	Chapter 192/193					
	Compensatory Education	Examination & Classification	Corrective Speech	Supplementary Instruction	ESL	Home Instruction
<b>REVENUE:</b>						
State Sources	\$ 97,913	\$ 111,687	\$ 25,197	\$ 56,783	\$ 294	\$ 5,524
Federal Sources						
Local Sources						
<b>Total Revenue</b>	<u>\$ 97,913</u>	<u>\$ 111,687</u>	<u>\$ 25,197</u>	<u>\$ 56,783</u>	<u>\$ 294</u>	<u>\$ 5,524</u>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers						
Purchased Professional/Technical Services						
Other Purchased Services						
Tuition						
General Supplies						
Textbooks						
Other Objects						
<b>Total Instruction</b>						
Support Services:						
Salaries of Program Directors						
Purchased Professional/Educational Services	\$ 9,333					
Purchased Technical Services						
Tuition	88,580	\$ 111,687	\$ 25,197	\$ 56,783	\$ 294	\$ 5,524
Other Purchased Services						
Supplies and Materials						
<b>Total Support Services</b>	<u>97,913</u>	<u>111,687</u>	<u>25,197</u>	<u>56,783</u>	<u>294</u>	<u>5,524</u>
Facilities Acquisition:						
Instructional Equipment						
<b>Total Facilities Acquisition</b>						
<b>Total Expenditures</b>	<u>\$ 97,913</u>	<u>\$ 111,687</u>	<u>\$ 25,197</u>	<u>\$ 56,783</u>	<u>\$ 294</u>	<u>\$ 5,524</u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2010

REVENUE:	Nonpublic Nursing	American Heart Association Grant	Nickelodeon Grant	Sparta Education Foundation	German Christmas Market Grant	Totals June 30, 2010
State Sources	\$ 135,873					\$ 549,005
Federal Sources						1,843,493
Local Sources		\$ 2,300	\$ 2,535	\$ 10,847	\$ 1,200	16,882
<b>Total Revenue</b>	<b>\$ 135,873</b>	<b>\$ 2,300</b>	<b>\$ 2,535</b>	<b>\$ 10,847</b>	<b>\$ 1,200</b>	<b>\$ 2,409,380</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers		\$ 475	\$ 2,535			\$ 6,503
Purchased Professional/Technical Services						2,688
Other Purchased Services	\$ 135,873					552,275
Tuition						603,825
General Supplies						279,073
Textbooks						110,435
Other Objects		1,825		\$ 10,847	\$ 1,200	13,872
<b>Total Instruction</b>	<b>135,873</b>	<b>2,300</b>	<b>2,535</b>	<b>10,847</b>	<b>1,200</b>	<b>1,568,671</b>
<b>Support Services:</b>						
Salaries of Program Directors						1,120
Purchased Professional/Educational Services						468,360
Purchased Technical Services						37,933
Tuition						288,065
Other Purchased Services						12,331
Supplies and Materials						22,752
<b>Total Support Services</b>						<b>830,561</b>
<b>Facilities Acquisition:</b>						
Instructional Equipment						10,148
<b>Total Facilities Acquisition</b>						<b>10,148</b>
<b>Total Expenditures</b>	<b>\$ 135,873</b>	<b>\$ 2,300</b>	<b>\$ 2,535</b>	<b>\$ 10,847</b>	<b>\$ 1,200</b>	<b>\$ 2,409,380</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

CAPITAL PROJECTS FUND

SPARTA TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ (26,274)
Interest Earned	207,265
	180,991
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	709,845
Site Improvements	151,337
Construction Services	13,834,468
Miscellaneous Expenditures	1,144,609
Equipment Purchases	278,888
Transfer to General Fund - Interest	207,265
	16,326,412
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing (Uses)	(16,145,421)
Fund Balance - July 1	23,787,994
Fund Balance - June 30	\$ 7,642,573
<u>Recapitulation:</u>	
Reserve for Encumbrances	\$ 3,165,485
Unreserved Fund Balance	4,477,088
Total Fund Balances (Budgetary Basis)	7,642,573
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	- 0 -
Fund Balance per Governmental Funds (GAAP)	\$ 7,642,573

SPARTA TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
MOHAWK SCHOOL MASONRY RESTORATION PROJECT  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 190,275	\$ (26,274)	\$ 164,001	\$ 164,001
Transfer from Capital Outlay	285,413		285,413	285,413
Total Revenues and Other Financing Sources	475,688	(26,274)	449,414	449,414
Expenditures:				
Purchased Professional and Technical Services	24,828		24,828	31,036
Construction Services		380,474	380,474	418,318
Total Expenditures	24,828	380,474	405,302	449,354
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 450,860	\$ (406,748)	\$ 44,112	\$ - 0 -

**Additional Project Information:**

Project Number:	SP4960-070-05-2000
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 475,688
SDA Grant Cancelled:	\$ (26,274)
Additional Authorized Cost:	\$ - 0 -
Revised Authorized Cost:	\$ 449,414
Percentage Increase over Original Authorized Cost:	0%
Percentage Completion:	90.20%
Original Target Completion Date:	June 2010
Revised Target Completion Date:	June 2010

SPARTA TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
CONSTRUCTION OF NEW MIDDLE SCHOOL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 71,513,000		\$ 71,513,000	\$ 71,513,000
Total Revenues and Other Financing Sources	<u>71,513,000</u>		<u>71,513,000</u>	<u>71,513,000</u>
Expenditures:				
Purchased Professional and Technical Services	4,760,057	\$ 709,845	5,469,902	6,035,680
Site Improvements	760,763	151,337	912,100	3,750,000
Construction Services	41,753,225	13,453,994	55,207,219	53,389,140
Miscellaneous Expenses	415,104	1,144,609	1,559,713	7,736,180
Equipment Purchases	486,717	278,888	765,605	602,000
Total Expenditures	<u>48,175,866</u>	<u>15,738,673</u>	<u>63,914,539</u>	<u>71,513,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 23,337,134</u>	<u>\$ (15,738,673)</u>	<u>\$ 7,598,461</u>	<u>\$ - 0 -</u>

**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:	\$ 71,513,000
Revised Authorized Cost:	\$ 71,513,000
Percentage Increase over Original Authorized Cost:	0.00%
Percentage Completion:	89.37%
Original Target Completion Date:	December 2010
Revised Target Completion Date:	December 2010

PROPRIETARY FUNDS

Exhibit G-1

SPARTA TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

**ASSETS:**

## Current Assets:

Cash and Cash Equivalents	\$ 178,005
Accounts Receivable - State	463
Accounts Receivable - Federal	4,296
Interfund Receivable	9,821
Inventories	17,634
	<hr/>

## Total Current Assets

210,219

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## Non-Current Assets:

Capital Assets	618,406
Less: Accumulated Depreciation	(538,789)
	<hr/>

## Total Non-Current Assets

79,617

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## Total Assets

289,836

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**LIABILITIES:**

Accounts Payable - Vendors	45,098
Deferred Revenue	14,855
	<hr/>

## Total Liabilities

59,953

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**NET ASSETS:**

Investment in Capital Assets, Net of Related Debt	79,617
Unrestricted	150,266
	<hr/>

## Total Net Assets

\$ 229,883

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Exhibit G-2

SPARTA TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 438,559
Daily Sales - Non-Reimbursable Programs	285,732
Special Events	22,406
	<hr/>
Total Operating Revenue	746,697
	<hr/>
Operating Expenses:	
Cost of Sales	228,098
Salaries and Benefits	342,744
Purchased Services	164,922
Management Fee	66,920
Resident Director Fee	48,849
Supplies and Materials	40,934
Other	1,124
Depreciation Expense	17,171
	<hr/>
Total Operating Expenses	910,762
	<hr/>
Operating Loss	(164,065)
	<hr/>
Non-Operating Revenue:	
State Sources:	
School Breakfast Program	54
School Lunch Program	8,605
Federal Sources:	
National School Breakfast Program	172
National School Lunch Program	78,147
Food Distribution Program	42,723
Interest Revenue	1,944
	<hr/>
Total Non-Operating Revenue	131,645
	<hr/>
Change in Net Assets	(32,420)
	<hr/>
Net Assets - Beginning of Year	262,303
	<hr/>
Net Assets - End of Year	\$ 229,883
	<hr/> <hr/>

SPARTA TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 746,697
Payments to Employees	(342,744)
Payments to Suppliers	<u>(462,619)</u>
Net Cash Used for Operating Activities	<u>(58,666)</u>
Cash Flows Used for Capital Financing Activities:	
Acquisition of Equipment	<u>(23,941)</u>
Net Cash Used for Capital Financing Activities	<u>(23,941)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	8,742
Federal Sources	<u>78,522</u>
Net Cash Provided by Noncapital Financing Activities	<u>87,264</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>1,944</u>
Net Cash Provided by Investing Activities	<u>1,944</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	6,601
Cash and Cash Equivalents, July 1	<u>171,404</u>
Cash and Cash Equivalents, June 30	<u>\$ 178,005</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (164,065)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	17,171
Food Distribution Program	42,723
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(4,531)
(Increase)/Decrease in Interfunds Receivable	(438)
Increase/(Decrease) in Deferred Revenue	5,781
Increase/(Decrease) in Accounts Payable	<u>44,693</u>
Net Cash Used for Operating Activities	<u>\$ (58,666)</u>

Non-Cash Investing, Capital and Financing Activities:

The District had \$9,074 in USDA donated commodities at June 30, 2009, received commodities valued at \$42,723, used commodities valued at \$36,942, and had \$14,855 in commodities at June 30, 2010.

FIDUCIARY FUNDS

SPARTA TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Unemployment Compensation Trust	Agency		
		Student Activity	Payroll	Total
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 210,127	\$ 199,813	\$ 317,472	\$ 517,285
Interfund Receivable			13,279	13,279
<b>Total Assets</b>	<b>210,127</b>	<b>199,813</b>	<b>330,751</b>	<b>530,564</b>
<b>LIABILITIES:</b>				
Interfund Payable	13,279			
Payroll Deductions and Withholdings Due to Student Groups		199,813	330,751	330,751
<b>Total Liabilities</b>	<b>13,279</b>	<b>199,813</b>	<b>330,751</b>	<b>530,564</b>
<b>NET ASSETS:</b>				
Held in Trust for Unemployment Claims	196,848			
<b>Total Net Assets</b>	<b>\$ 196,848</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
Net Assets - July 1, 2009	<u>\$ 196,848</u>
Net Assets - June 30, 2010	<u><u>\$ 196,848</u></u>

SPARTA TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 358,392	\$ 563,104	\$ 721,683	\$ 199,813
<b>Total Assets</b>	<u>\$ 358,392</u>	<u>\$ 563,104</u>	<u>\$ 721,683</u>	<u>\$ 199,813</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 358,392	\$ 563,104	\$ 721,683	\$ 199,813
<b>Total Liabilities</b>	<u>\$ 358,392</u>	<u>\$ 563,104</u>	<u>\$ 721,683</u>	<u>\$ 199,813</u>

Exhibit H-4

SPARTA TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
High School	\$ 301,865	\$ 380,276	\$ 557,491	\$ 124,650
Middle School	35,270	24,631	25,387	34,514
Helen Morgan School	2,968	23,245	24,971	1,242
Alpine School	14,640	120,009	98,824	35,825
Mohawk Avenue School	3,649	14,943	15,010	3,582
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total All Schools	<u>\$ 358,392</u>	<u>\$ 563,104</u>	<u>\$ 721,683</u>	<u>\$ 199,813</u>

Exhibit H-5

SPARTA TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents		\$ 40,284,768	\$ 39,967,296	\$ 317,472
Interfunds Receivable	\$ 40,763	13,279	40,763	13,279
<b>Total Assets</b>	<b>\$ 40,763</b>	<b>\$ 40,298,047</b>	<b>\$ 40,008,059</b>	<b>\$ 330,751</b>
<b>LIABILITIES:</b>				
Cash Overdraft	\$ 39,010		\$ 39,010	
Payroll Deductions and Withholdings	1,753	\$ 40,298,047	39,969,049	\$ 330,751
<b>Total Liabilities</b>	<b>\$ 40,763</b>	<b>\$ 40,298,047</b>	<b>\$ 40,008,059</b>	<b>\$ 330,751</b>

LONG-TERM DEBT

SPARTA TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
School Refunding Bonds	7/1/2008	\$ 19,830,000	09/01/10	\$ 1,075,000	3.500%			
			09/01/11	1,055,000	5.000%			
			09/01/12	1,055,000	5.000%			
			09/01/13	1,205,000	3.250%			
			09/01/14	1,180,000	3.608%			
			09/01/15	1,160,000	3.634%			
			09/01/16	1,140,000	3.857%			
			09/01/17	1,125,000	4.678%			
			09/01/18	1,120,000	5.000%			
			09/01/19	1,105,000	5.000%			
			09/01/20	1,090,000	4.000%			
			09/01/21	1,075,000	4.000%			
			09/01/22	1,060,000	5.000%			
			09/01/23	1,045,000	5.000%			
			09/01/24	1,030,000	4.250%			
			09/01/25	1,010,000	4.250%			
			09/01/26	985,000	4.375%			
School Bonds	12/5/2006	\$ 71,513,000	02/15/11	1,000,000	4.125%			
			02/15/12	1,250,000	4.125%			
			02/15/13	1,300,000	4.250%			
			02/15/14	1,500,000	4.250%			
			02/15/15	1,500,000	4.250%			
			02/15/16	1,750,000	4.250%			

SPARTA TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance June 30, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
School Bonds	12/5/2006	\$ 71,513,000	02/15/17	\$ 1,900,000	4.250%			
			02/15/18	2,000,000	4.250%			
			02/15/19	2,150,000	4.250%			
			02/15/20	2,250,000	4.250%			
			02/15/21	2,500,000	4.250%			
			02/15/22	2,500,000	4.250%			
			02/15/23	2,750,000	4.250%			
			02/15/24	3,000,000	4.250%			
			02/15/25	3,000,000	4.250%			
			02/15/26	3,150,000	4.300%			
			02/15/27	3,250,000	4.300%			
			02/15/28	3,600,000	4.300%			
			02/15/29	3,600,000	4.300%			
			02/15/30	3,550,000	4.300%			
			02/15/31	3,500,000	4.300%			
			02/15/32	3,500,000	4.300%			
			02/15/33	3,500,000	4.300%			
			02/15/34	3,500,000	4.300%			
			02/15/35	3,500,000	4.300%			
			02/15/36	3,513,000	4.300%			
						\$ 89,073,000	\$ 2,045,000	\$ 87,028,000

SPARTA TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

SPARTA TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,148,612		\$ 4,148,612	\$ 4,148,612	
State Sources:					
Debt Service Aid - Type II	686,574		686,574	686,574	
Total Revenues	<u>4,835,186</u>		<u>4,835,186</u>	<u>4,835,186</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	3,782,809		3,782,809	3,782,809	
Redemption of Principal	2,045,000		2,045,000	2,045,000	
Total Expenditures	<u>5,827,809</u>		<u>5,827,809</u>	<u>5,827,809</u>	
(Deficiency) of Revenues (Under) Expenditures	<u>(992,623)</u>		<u>(992,623)</u>	<u>(992,623)</u>	
Fund Balance, July 1 (As Restated)	<u>1,858,948</u>		<u>1,858,948</u>	<u>1,858,948</u>	
Fund Balance, June 30	<u>\$ 866,325</u>	<u>\$ -0-</u>	<u>\$ 866,325</u>	<u>\$ 866,325</u>	<u>\$ -0-</u>
Unreserved - Designated for Subsequent Year's Expenditures				<u>\$ 886,325</u>	
				<u>\$ 886,325</u>	

## STATISTICAL SECTION

This part of the School'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 School's overall financial health.

### Contents

### Exhibit

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the School'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 School'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 School's current levels of outstanding debt and the School'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 School'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 School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009*	2010
<b>Governmental Activities:</b>								
Invested (Deficit) in Capital Assets, Net of Related Debt	\$ (929,057)	\$ (267,684)	\$ 1,277,234	\$ 2,671,908	\$ 4,186,882	\$ 5,487,294	\$ 5,091,240	\$ 6,510,564
Restricted	780,800	3,227,228	2,004,399	4,736,543	8,772,291	6,464,397	4,755,153	2,962,744
Unrestricted (Deficit)	855,172	(506,316)	300,445	927,259	(863,744)	(269,381)	(1,104,007)	(1,265,948)
<b>Total Governmental Activities Net Assets</b>	<b>\$ 706,915</b>	<b>\$ 2,453,228</b>	<b>\$ 3,582,078</b>	<b>\$ 8,335,710</b>	<b>\$ 12,095,429</b>	<b>\$ 11,682,310</b>	<b>\$ 8,742,386</b>	<b>\$ 8,207,360</b>
<b>Business-Type Activities:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 174,824	\$ 154,126	\$ 136,354	\$ 111,946	\$ 106,840	\$ 89,787	\$ 72,847	\$ 79,617
Unrestricted	13,933	18,904	74,134	60,500	114,107	149,492	189,456	150,266
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 188,757</b>	<b>\$ 173,030</b>	<b>\$ 210,488</b>	<b>\$ 172,446</b>	<b>\$ 220,947</b>	<b>\$ 239,279</b>	<b>\$ 262,303</b>	<b>\$ 229,883</b>
<b>District-Wide:</b>								
Invested (Deficit) in Capital Assets, Net of Related Debt	\$ (754,233)	\$ (113,558)	\$ 1,413,588	\$ 2,783,854	\$ 4,293,722	\$ 5,577,081	\$ 5,164,087	\$ 6,590,181
Restricted	780,800	3,227,228	2,004,399	4,736,543	8,772,291	6,464,397	4,755,153	2,962,744
Unrestricted (Deficit)	869,105	(487,412)	374,579	987,759	(749,637)	(119,889)	(914,551)	(1,115,682)
<b>Total District Net Assets</b>	<b>\$ 895,672</b>	<b>\$ 2,626,258</b>	<b>\$ 3,792,566</b>	<b>\$ 8,508,156</b>	<b>\$ 12,316,376</b>	<b>\$ 11,921,589</b>	<b>\$ 9,004,689</b>	<b>\$ 8,437,243</b>

\* - Restated.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006 retroactive to June 30, 2003.

Source: Sparta Township School District Financial Reports.

SPARTA TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses:</b>								
<b>Governmental Activities:</b>								
<b>Instruction:</b>								
Regular Instruction	\$18,493,152	\$19,704,216	\$21,568,811	\$23,069,466	\$23,558,983	\$26,151,409	\$26,725,548	\$27,386,665
Special Education Instruction	3,380,779	3,029,049	3,468,781	3,903,630	5,574,291	6,812,260	6,850,626	7,015,035
Other Special Instruction	94,886	483,780	518,805	529,512	447,146	460,361	490,576	494,090
Other Instruction	971,105	1,203,231	1,261,665	1,214,821	1,358,457	1,411,752	1,581,864	1,514,648
<b>Total Instruction</b>	<b>22,939,922</b>	<b>24,420,276</b>	<b>26,818,062</b>	<b>28,717,429</b>	<b>30,938,877</b>	<b>34,835,782</b>	<b>35,648,614</b>	<b>36,410,438</b>
<b>Support Services:</b>								
Tuition	773,482	1,005,020	1,307,512	1,102,934	1,343,510	1,281,820	1,864,626	1,627,956
Student & Instruction Related Services	6,493,867	6,541,841	6,710,304	6,617,468	6,267,362	6,618,981	7,057,116	6,758,388
General Administration Services	1,450,386	1,463,710	2,174,511	2,244,610	972,811	872,823	829,283	956,084
School Administration Services	1,793,660	2,019,581	2,252,827	2,693,231	3,019,131	2,928,104	3,156,636	3,384,553
Central Services					492,988	528,708	555,179	621,730
Administrative Information Technology					297,561	439,191	461,334	316,874
Plant Operations and Maintenance	3,972,058	4,227,410	4,361,026	4,317,449	4,645,539	5,183,376	5,322,156	5,417,939
Pupil Transportation	2,883,336	2,880,713	3,130,387	3,132,328	3,483,496	3,386,358	3,672,252	3,805,525
Charter Schools	22,736	39,178	67,607	29,174	50,745	52,376	51,108	95,083
Interest On Long-Term Debt	1,654,427	1,188,453	1,141,544	1,091,455	1,973,317	4,855,550	3,079,095	3,887,676
Unallocated Depreciation	648,956	684,157	714,978	755,227	775,995	766,914	754,972	887,613
Capital Outlay					29,224			
<b>Total Governmental Activities Expenses</b>	<b>42,632,830</b>	<b>44,470,339</b>	<b>48,678,758</b>	<b>50,701,305</b>	<b>54,290,556</b>	<b>61,749,983</b>	<b>62,452,371</b>	<b>64,169,859</b>
<b>Business-Type Activities:</b>								
Food Service	887,364	933,895	922,700	987,226	951,011	976,591	935,202	910,762
<b>Total Business-Type Activities Expenses</b>	<b>887,364</b>	<b>933,895</b>	<b>922,700</b>	<b>987,226</b>	<b>951,011</b>	<b>976,591</b>	<b>935,202</b>	<b>910,762</b>

SPARTA TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Total District Expenses	\$43,520,194	\$45,404,234	\$49,601,458	\$51,688,531	\$55,241,567	\$62,726,574	\$63,387,573	\$65,080,621
Program Revenues:								
Governmental Activities:								
Charges For Services:								
Instruction (Tuition)	55,660	90,066	34,513	35,350				
Pupil Transportation		24,825	16,920	33,521				
Central & Other Support Services	64,640	64,340	128,768	80,560				
Operating Grants and Contributions	5,542	104,902	99,743	100,195	13,063,676	13,763,738	12,597,460	13,970,402
Capital Grants and Contributions					41,852	108,975	87,932	
Total Governmental Activities Program Revenues	125,842	284,133	279,944	249,626	13,105,528	13,872,713	12,685,392	13,970,402
Business-Type Activities:								
Charges for Services:								
Food Service	784,859	805,875	855,815	847,087	865,799	829,186	802,644	746,697
Operating Grants and Contributions	109,641	112,293	104,343	108,005	113,065	140,946	131,768	129,701
Total Business Type Activities Program Revenues	894,500	918,168	960,158	955,092	978,864	970,132	934,412	876,398
Total District-wide Program Revenues	1,020,342	1,202,301	1,240,102	1,204,718	14,084,392	14,842,845	13,619,804	14,846,800
Net (Expense)/Revenue:								
Governmental Activities	(42,506,988)	(44,186,206)	(48,398,814)	(50,451,679)	(41,185,028)	(47,877,270)	(49,766,979)	(50,199,457)
Business-Type Activities	7,136	(15,727)	37,458	(32,134)	27,853	(6,459)	(790)	(34,364)
Total District-Wide Net (Expense)/Revenue	(42,499,852)	(44,201,933)	(48,361,356)	(50,483,813)	(41,157,175)	(47,883,729)	(49,767,769)	(50,233,821)

**SPARTA TOWNSHIP SCHOOL DISTRICT**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets:</b>								
<b>Governmental Activities:</b>								
Property Taxes Levied for General Purposes, Net	\$30,956,530	\$34,390,720	\$35,963,401	\$38,988,926	\$39,354,680	\$40,828,867	\$42,269,637	\$44,514,252
Taxes Levied for Debt Service	1,834,228	1,842,364	1,849,202	1,852,474	1,813,398	2,016,628	5,283,808	4,148,612
Unrestricted Grants and Contributions	10,231,294	9,906,091	11,686,214	12,017,042	665,911	1,468,396	713,974	686,574
Interest and Miscellaneous Income	53,464	63,391	98,341	206,371	2,513,296	3,170,210	946,923	314,993
Transfers	(74,994)	(65,594)	(69,494)	(72,676)	(64,318)	(19,950)	(19,950)	
Disposal of Capital Assets							(2,367,337)	
<b>Total Governmental Activities General Revenues &amp; Other Changes in Net Assets</b>	<b>43,000,522</b>	<b>46,136,972</b>	<b>49,527,664</b>	<b>52,992,137</b>	<b>44,282,967</b>	<b>47,464,151</b>	<b>46,827,055</b>	<b>49,664,431</b>
<b>Business-Type Activities:</b>								
Investment Earnings					694	4,841	3,864	1,944
Transfers				\$ (5,908)	19,954	19,950	19,950	
<b>Total Business-Type Activities General Revenues &amp; Other Changes in Net Assets</b>				<b>(5,908)</b>	<b>20,648</b>	<b>24,791</b>	<b>23,814</b>	<b>1,944</b>
<b>Total District-Wide General Revenues and Other Changes in Net Assets</b>	<b>43,000,522</b>	<b>46,136,972</b>	<b>49,527,664</b>	<b>52,986,229</b>	<b>44,303,615</b>	<b>47,488,942</b>	<b>46,850,869</b>	<b>49,666,375</b>
<b>Change in Net Assets:</b>								
Governmental Activities	493,534	1,950,766	1,128,850	2,540,458	3,097,939	(413,119)	(2,939,924)	(535,026)
Business-Type Activities	7,136	(15,727)	37,458	(38,042)	48,501	18,332	23,024	(32,420)
<b>Total District-wide Change in Net Assets</b>	<b>\$ 500,670</b>	<b>\$ 1,935,039</b>	<b>\$ 1,166,308</b>	<b>\$ 2,502,416</b>	<b>\$ 3,146,440</b>	<b>\$ (394,787)</b>	<b>\$ (2,916,900)</b>	<b>\$ (567,446)</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006 retroactive to June 30, 2003.

Source: Sparta Township School District Financial Reports.

SPARTA TOWNSHIP SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009*	2010
<b>General Fund:</b>								
Reserved	\$ 786,010	\$ 182,670	\$ 2,003,495	\$ 4,436,485	\$ 6,774,699	\$ 6,464,397	\$ 3,373,169	\$ 2,052,307
Unreserved	1,801,240	2,044,826	1,124,861	1,690,721	739,042	790,866	556,682	618,455
<b>Total General Fund</b>	<u>\$ 2,587,250</u>	<u>\$ 2,227,496</u>	<u>\$ 3,128,356</u>	<u>\$ 6,127,206</u>	<u>\$ 7,513,741</u>	<u>\$ 7,255,263</u>	<u>\$ 3,929,851</u>	<u>\$ 2,670,762</u>
<b>Other Governmental Funds:</b>								
Reserved	\$ 4,539	\$ 1,084,735		\$ 298,435	\$ 3,764,610	\$ 47,337,793	\$ 16,265,625	\$ 3,165,485
Unreserved (Deficit), Reported In:								
Special Revenue Fund	(8,222)							
Capital Projects Fund		224,692			64,387,999	10,552,059	7,332,094	4,477,088
Debt Service Fund	(1,527)	2,189	\$ 3,093	1,622	1,997,592	992,623	1,121,399	866,325
<b>Total Other Governmental Funds</b>	<u>\$ (5,210)</u>	<u>\$ 1,311,616</u>	<u>\$ 3,093</u>	<u>\$ 300,057</u>	<u>\$ 70,150,201</u>	<u>\$ 58,882,475</u>	<u>\$ 24,719,118</u>	<u>\$ 8,508,898</u>
<b>Total Government Funds</b>	<u>\$ 2,582,040</u>	<u>\$ 3,539,112</u>	<u>\$ 3,131,449</u>	<u>\$ 6,427,263</u>	<u>\$ 77,663,942</u>	<u>\$ 66,137,738</u>	<u>\$ 28,648,969</u>	<u>\$ 11,179,660</u>

\* - Restated.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006 retroactive to June 30, 2003.

Source: Sparta Township School District Financial Reports.

SPARTA TOWNSHIP SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>										
Tax Levy	\$28,311,570	\$30,720,013	\$32,790,758	\$36,233,084	\$37,812,603	\$40,841,400	\$41,168,078	\$ 42,845,495	\$ 47,553,445	\$ 48,662,864
Tuition Charges	13,810	26,765	55,660	90,066	34,513	35,350		12,200	13,500	21,031
Interest Earnings	212,567	57,442	30,538	29,827	74,219	180,178	442,535	3,101,204	746,100	244,035
Transportation Fees	13,803			24,825	16,920	33,521	14,603			
Shared Services - Sparta Township				64,340	128,768	80,560				
Miscellaneous	58,512	79,263	93,108	35,448	24,772	31,493	2,056,158	112,130	257,046	65,545
State Sources	9,178,325	8,319,823	9,611,120	9,280,302	10,952,852	11,265,625	12,701,224	14,064,830	12,306,953	12,266,780
Federal Sources	438,577	688,469	620,174	728808	832,455	846,312	1,070,215	1,220,955	1,022,690	2,374,578
<b>Total Revenue</b>	<b>38,227,164</b>	<b>39,891,775</b>	<b>43,201,358</b>	<b>46,486,700</b>	<b>49,877,102</b>	<b>53,314,439</b>	<b>57,452,813</b>	<b>61,356,814</b>	<b>61,899,734</b>	<b>63,634,833</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	13,514,751	14,318,194	14,200,832	15,515,917	16,695,950	17,502,880	17,184,732	18,908,145	19,683,498	20,524,451
Special Education Instruction	1,805,859	2,133,436	2,741,315	2,335,628	2,625,050	2,922,931	4,395,099	5,319,487	5,293,197	5,572,479
Other Special Instruction	112,266	120,717	71,970	372,745	392,317	392,715	322,682	326,178	354,814	362,734
Other Instruction	734,845	755,847	762,454	951,953	984,020	932,199	1,027,595	1,068,045	1,210,416	1,160,351
<b>Total Instruction</b>	<b>16,167,721</b>	<b>17,328,194</b>	<b>17,776,571</b>	<b>19,176,243</b>	<b>20,697,337</b>	<b>21,750,725</b>	<b>22,930,108</b>	<b>25,621,855</b>	<b>26,541,925</b>	<b>27,620,015</b>
<b>Support Services:</b>										
Tuition	785,291	694,921	773,482	1,005,020	1,307,512	1,102,934	1,343,510	1,281,820	1,864,626	1,627,956
<b>Student &amp; Instruction-Related Services</b>	<b>4,498,975</b>	<b>4,641,863</b>	<b>5,129,428</b>	<b>5,207,226</b>	<b>5,256,957</b>	<b>5,136,988</b>	<b>4,621,702</b>	<b>4,813,219</b>	<b>5,203,923</b>	<b>5,015,503</b>
General Administration	1,032,254	1,034,084	1,207,038	996,327	822,514	831,152	844,965	733,937	714,221	827,007
School Administration	1,358,006	1,341,231	1,389,389	1,871,161	1,741,714	2,030,426	2,237,081	2,129,097	2,318,691	2,476,185
Central Services					343,438	355,651	368,968	386,741	406,792	458,090
<b>Administrative Information Technology</b>					<b>478,221</b>	<b>475,835</b>	<b>227,070</b>	<b>357,283</b>	<b>384,030</b>	<b>280,411</b>
Plant Operation/Maintenance	3,320,077	3,153,319	3,432,928	3,711,962	3,778,093	3,662,461	3,911,726	4,328,145	4,504,535	4,556,958
Pupil Transportation	2,206,992	2,365,327	2,589,366	2,607,599	2,843,826	2,825,544	3,411,439	3,323,035	3,624,264	3,732,745
Unallocated Benefits	6,154,561	6,294,662	7,842,175	8,066,726	9,227,646	10,488,778	11,428,644	12,869,284	12,621,495	12,375,071

SPARTA TOWNSHIP SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

Expenditures:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Charter Schools	\$ 54,619	\$ 27,614	\$ 22,736	\$ 39,178	\$ 67,607	\$ 29,174	\$ 50,745	\$ 52,376	\$ 51,108	\$ 95,083
Capital Outlay	945,359	1,295,371	464,479	771,387	1,630,054	426,363	4,966,594	10,452,210	35,261,118	16,211,309
Debt Service:										
Principal	650,000	655,000	760,000	810,000	865,000	920,000	925,000	1,975,000	2,285,000	2,045,000
Interest and Other Charges	1,319,305	1,284,234	1,245,980	1,203,208	1,157,356	1,108,328	1,059,044	4,539,067	3,586,825	3,782,809
<b>Total Expenditures</b>	<b>\$38,495,161</b>	<b>\$40,117,822</b>	<b>\$42,635,575</b>	<b>\$45,468,041</b>	<b>\$50,219,280</b>	<b>\$51,146,365</b>	<b>\$58,328,603</b>	<b>\$ 72,865,077</b>	<b>\$ 99,370,562</b>	<b>\$ 81,104,142</b>
Excess/(Deficiency) Of Revenues										
Over/(Under) Expenditures	(267,997)	(226,047)	565,783	1,018,659	(342,178)	2,168,074	(875,790)	(11,508,263)	(37,470,828)	(17,469,309)
Other Financing Sources (Uses):										
Bond Proceeds							71,513,000			
Transfers In	10,323	1,269		1,307,189	373,139	338,442	2,038,725	2,708,504	1,022,962	207,265
Transfers Out	(87,080)	(90,019)		(1,372,783)	(442,633)	(411,118)	(2,103,043)	(2,728,454)	(1,042,912)	(207,265)
<b>Total Other Financing Sources (Uses)</b>	<b>(76,757)</b>	<b>(88,750)</b>		<b>(65,594)</b>	<b>(69,494)</b>	<b>(72,676)</b>	<b>71,448,682</b>	<b>(19,950)</b>	<b>(19,950)</b>	
<b>Net Change In Fund Balances</b>	<b>\$ (344,754)</b>	<b>\$ (314,797)</b>	<b>\$ 565,783</b>	<b>\$ 953,065</b>	<b>\$ (411,672)</b>	<b>\$ 2,095,398</b>	<b>\$70,572,892</b>	<b>\$(11,528,213)</b>	<b>\$(37,490,778)</b>	<b>\$(17,469,309)</b>
Debt Service as a Percentage of Noncapital Expenditures	5.24%	5.00%	4.76%	4.50%	4.16%	4.00%	3.72%	10.44%	9.16%	8.98%

Source: Sparta Township School District Financial Reports.

SPARTA TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
 (Modified Accrual Basis of Accounting)

Fiscal Year Ending June 30,	Interest	Prior Year Refunds	Lacrosse Funds	Vending Machine Receipts	Other	Total
2001		\$ 27,960	\$ 4,631	\$ 8,228	\$ 6,370	\$ 47,189
2002		4,815	5,340	8,585	7,323	26,063
2003		7,495	5,542	9,147	6,284	28,468
2004		20,210		8,438	6,800	35,448
2005		1,275		8,121	15,376	24,772
2006	\$ 179,460	10,831		8,551	12,111	210,953
2007	442,535	4,137		7,691	62,060	516,423
2008	373,567	16,754			71,385	461,706
2009	137,364	60,361		1,277	7,553	206,555
2010	36,769	48,782		839	21,338	107,728

Source: Sparta Township School District Financial Reports.

SPARTA TOWNSHIP SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
UNAUDITED

Year Ended Dec. 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities *	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2000	\$ 43,652,550	\$ 984,092,900	\$ 10,390,800	\$ 908,800	\$ 65,367,600	\$ 20,988,900	\$ 1,143,200	\$ 1,126,544,750	\$ 4,936,947	\$ 1,131,481,697	\$ 87,794,740	\$ 2.430	\$1,611,019,146
2001	43,407,950	1,019,393,800	11,138,800	898,300	72,065,000	21,399,600	1,143,200	1,169,446,650	5,028,113	1,174,474,763	90,166,640	2.516	1,775,081,985
2002 *	82,490,900	1,871,076,100	16,704,200	1,186,400	139,221,900	41,883,600	2,348,800	2,154,911,900	8,201,200	2,163,113,100	137,220,200	1.473	1,963,997,973
2003	72,268,700	1,929,031,800	19,141,600	1,106,200	139,777,100	41,697,500	2,348,800	2,205,371,700	7,442,459	2,212,814,159	143,954,900	1.562	2,201,719,434
2004	61,888,000	1,994,026,800	18,256,800	1,129,200	145,289,100	39,470,800	2,348,800	2,262,409,500	6,493,572	2,268,903,072	145,258,300	1.634	2,521,193,973
2005	64,949,800	2,027,559,200	18,372,600	1,025,900	147,655,200	40,201,200	5,040,400	2,304,804,300	6,056,787	2,310,861,087	146,247,800	1.704	2,830,220,668
2006	79,137,700	2,062,036,600	18,223,200	966,400	151,301,800	39,379,100	4,700,400	2,355,745,200	5,824,308	2,361,569,508	148,627,900	1.736	3,139,385,540
2007	74,034,600	2,097,964,400	18,195,600	955,800	151,153,000	35,512,800	4,700,400	2,382,516,600	5,151,224	2,387,667,824	152,019,400	1.757	3,499,812,264
2008	69,057,500	2,132,373,400	18,035,600	929,100	162,124,600	34,483,600	4,700,400	2,421,704,200	5,053,147	2,426,757,347	155,652,700	1.848	3,711,373,217
2009	64,660,700	2,152,033,500	17,615,700	876,400	172,441,900	32,967,000	2,348,800	2,442,944,000	4,389,055	2,447,333,055	158,380,400	1.966	3,767,867,651

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

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> Tax rates are per \$100 of assessed value.

\* Revaluation of real property was effective in this year.

SPARTA TOWNSHIP SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	Sparta Township School District					
	Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	Debt Service <sup>b</sup>	Total Direct	Sparta Township	Sussex County	
2000	\$ 2.272	\$ 0.158	\$ 2.430	\$ 0.690	\$ 0.670	\$ 3.790
2001	2.366	0.150	2.516	0.725	0.779	4.020
2002	* 1.386	* 0.087	* 1.473	* 0.425	* 0.472	* 2.370
2003	1.478	0.084	1.562	0.474	0.484	2.520
2004	1.552	0.082	1.634	0.491	0.495	2.620
2005	1.623	0.081	1.704	0.513	0.503	2.720
2006	1.658	0.078	1.736	0.513	0.503	2.752
2007	1.674	0.083	1.757	0.556	0.557	2.870
2008	1.643	0.205	1.848	0.591	0.545	2.984
2009	1.798	0.168	1.966	0.615	0.544	3.125

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.

\* Revaluation of property was effective in this year.

<sup>a</sup> The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

<sup>b</sup> Rates for Debt Service are based on each year's requirements.

Source: Sparta Township Tax Collector and School Business Administrator.

SPARTA TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

TOWNSHIP OF SPARTA

<u>2009</u>			<u>2000</u>		
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Cofrancesco/Grinnell	\$ 7,792,700	0.319%			
Limecrest Quarry Dev., LLC	6,518,000	0.003%			
Sparta Builders, LLC	5,802,900	0.238%			
Toll NJ VI, LP	5,171,100	0.212%			
Lake Mohawk Country Club	4,761,100	0.195%			
Newton Memorial Hospital	4,756,000	0.195%			
United Telephone	4,382,825	0.179%			
Heller Sparta, LLC	3,878,600	0.146%			
Terry-Lynn, LLC	3,724,200	0.152%			
Lake Mohawk Golf Club	3,573,800	0.146%			
Total	<u>\$ 50,361,225</u>	<u>1.785%</u>		<u>\$ -0-</u>	<u>0.00%</u>

INFORMATION NOT AVAILABLE

Source: Sparta Township Tax Assessor.

SPARTA TOWNSHIP SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy<sup>a</sup></u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2001	\$ 28,311,570	\$ 28,311,570	100%	\$ - 0 -
2002	30,720,013	30,720,013	100%	- 0 -
2003	32,790,758	32,790,758	100%	- 0 -
2004	36,233,084	36,233,084	100%	- 0 -
2005	37,812,603	37,812,603	100%	- 0 -
2006	40,841,400	40,841,400	100%	- 0 -
2007	41,168,078	41,168,078	100%	- 0 -
2008	42,845,495	42,845,495	100%	- 0 -
2009	47,553,445	47,553,445	100%	- 0 -
2010	48,662,864	48,662,864	100%	- 0 -

<sup>a</sup> School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance in the amount voted upon or certified prior to the end of the school year.

Source: Sparta Township School District records including the Certificate and Report of School Taxes (A4F form).

SPARTA TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Capital Leases			
2001	\$ 26,755,000	\$ - 0 -	\$ 26,755,000	3.79%	\$ 1,461
2002	26,100,000	- 0 -	26,100,000	3.62%	1,402
2003	25,340,000	- 0 -	25,340,000	3.40%	1,336
2004	24,530,000	- 0 -	24,530,000	3.16%	1,290
2005	23,665,000	- 0 -	23,665,000	2.93%	1,244
2006	22,745,000	- 0 -	22,745,000	2.62%	1,192
2007	93,333,000	- 0 -	93,333,000	10.02%	4,855
2008	91,358,000	- 0 -	91,358,000	9.52%	4,739
2009	89,073,000	- 0 -	89,073,000	9.31%	4,632
2010	87,028,000	- 0 -	87,028,000	9.10%	4,526

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

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

Source: Sparta Township School District Financial Reports.

SPARTA TOWNSHIP SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2001	\$ 26,755,000	\$ -0-	\$ 26,755,000	2.36%	\$ 1,461
2002	26,100,000	- 0 -	26,100,000	2.22%	1,402
2003	25,340,000	- 0 -	25,340,000	1.17%	1,336
2004	24,530,000	- 0 -	24,530,000	1.11%	1,290
2005	23,665,000	- 0 -	23,665,000	1.04%	1,244
2006	22,745,000	- 0 -	22,745,000	0.98%	1,192
2007	93,333,000	- 0 -	93,333,000	3.95%	4,855
2008	91,358,000	- 0 -	91,358,000	3.83%	4,739
2009	89,073,000	- 0 -	89,073,000	3.67%	4,632
2010	87,028,000	- 0 -	87,028,000	3.56%	4,526

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

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

<sup>b</sup> Population data can be found in Exhibit J-14. This ratio is calculated using population data for the prior calendar year.

Source: Sparta Township School District Financial Reports.

SPARTA TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2009  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid With Property Taxes</b>			
Township of Sparta	\$ 19,150,922	100.00%	\$ 19,150,922
Sussex County General Obligation Debt	77,111,415	17.42%	<u>13,436,465</u>
Subtotal, Overlapping Debt			32,587,387
Sparta School District Direct Debt			<u>88,028,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 120,615,387</u></u>

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 the residents and businesses of Township of Sparta. 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.

<sup>a</sup> 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 Sparta Township 's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 62,864,022	\$ 68,474,552	\$ 76,323,815	\$ 86,269,223	\$ 98,043,327	\$110,322,196	\$123,695,695	\$135,336,679	\$144,191,747	\$ 146,246,070
Total Net Debt Applicable to Limit	<u>26,755,000</u>	<u>26,100,000</u>	<u>25,340,000</u>	<u>24,530,000</u>	<u>23,665,000</u>	<u>22,745,000</u>	<u>93,333,000</u>	<u>91,358,000</u>	<u>89,073,000</u>	<u>87,028,000</u>
Legal Debt Margin	<u>\$ 36,109,022</u>	<u>\$ 42,374,552</u>	<u>\$ 50,983,815</u>	<u>\$ 61,739,223</u>	<u>\$ 74,378,327</u>	<u>\$ 87,577,196</u>	<u>\$ 30,362,695</u>	<u>\$ 43,978,679</u>	<u>\$ 55,118,747</u>	<u>\$ 59,218,070</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	42.56%	38.12%	33.20%	28.43%	24.14%	20.62%	75.45%	67.50%	61.77%	59.51%

Legal Debt Margin Calculation for Fiscal Year 2010

	Sparta Township
Equalized Valuation Basis	
2007	\$ 3,640,208,709
2008	3,724,552,753
2009	<u>3,603,693,760</u>
	<u>\$10,968,455,222</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,656,151,741</u>
Debt Limit (4% of average equalization value) <sup>a</sup>	\$ 146,246,070
Net Bonded School Debt as of June 30, 2010	<u>87,028,000</u>
Legal Debt Margin	<u>\$ 59,218,070</u>

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

SPARTA TOWNSHIP SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Sussex County Per Capita Personal Income <sup>c</sup>	Township Personal Income <sup>b</sup>	Township Unemployment Rate <sup>d</sup>
2001	18,315	\$ 38,577	\$ 706,537,755	2.60%
2002	18,614	38,723	720,789,922	3.30%
2003	18,962	39,336	745,889,232	4.70%
2004	19,022	40,819	776,459,018	5.00%
2005	19,022	42,450	807,483,900	3.80%
2006	19,085	45,448	867,375,080	2.80%
2007	19,225	48,474	931,912,650	4.00%
2008	19,279	49,763	959,380,877	3.50%
2009	19,228	49,763 *	956,842,964	5.90%
2010	19,228 **	49,763 *	956,842,964	N/A

\* - Latest Sussex County per capita personal income available (2008) was used for calculation purposes.

\*\* - Latest population data available (2009) was used for calculation purposes.

N/A - Information is not available.

Sources:

- <sup>a</sup> - Population information provided by the NJ Department of Labor and Workforce Development.
- <sup>b</sup> - Personal income has been estimated based upon the municipal population and per capita personal income presented.
- <sup>c</sup> - Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- <sup>d</sup> - Unemployment data provided by the NJ Department of Labor and Workforce Development.

SPARTA TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - SUSSEX COUNTY  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

2010			2001		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	2.57%	Selective Insurance	954	1.23%
Newton Memorial Hospital	1,490	1.91%	Andover Subacute and Rehab Center	906	1.17%
Selective Insurance	900	1.15%	County of Sussex	815	1.05%
County of Sussex	830	1.06%	Mountain Creek Resort	800	1.04%
Mountain Creek Resort	800	1.03%	Newton Memorial Hospital	757	0.98%
Shop Rite (Ronetco)	697	0.89%	Ronetco Supermarkets	711	0.92%
Ames Rubber Corp	445	0.57%	Vernon Township Bd. of Education	629	0.81%
Walmart	412	0.53%	F.O. Phoenix, Inc.	600	0.78%
Andover Subacute and Rehab Center	300	0.38%	Hopatcong Board of Education	450	0.58%
Sussex County Community College	300	0.38%	Walmart	380	0.49%
	<u>8,174</u>	<u>10.49%</u>		<u>7,002</u>	<u>9.06%</u>
Total Employment - Sussex County	<u>77,953</u>		Total Employment - Sussex County	<u>77,255</u>	

Source: County of Sussex, Department of Administration and Finance.

SPARTA TOWNSHIP SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST FIVE FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Instruction:</b>					
Regular	329.0	329.0	329.0	329.0	329.0
Special Education	34.0	39.0	39.0	39.0	39.0
<b>Support Services:</b>					
Student & Instruction Related Services	78.0	81.0	81.0	77.0	71.0
School Administrative Services	30.0	30.0	30.0	28.0	32.0
General Administrative Services	4.0	4.0	5.0	5.0	5.0
Plant Operations and Maintenance	47.0	47.0	47.0	42.0	53.0
Pupil Transportation	15.0	15.0	15.0	20.0	20.0
Business and Other Support Services	8.0	8.0	8.0	7.0	8.0
<b>Total</b>	<b>545.0</b>	<b>553.0</b>	<b>554.0</b>	<b>547.0</b>	<b>557.0</b>

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

Source: Sparta Township School District personnel records.

SPARTA TOWNSHIP SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended	Enrollment <sup>d</sup>	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>e</sup>	Percent Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary			Middle School	Senior High School				
						Helen Morgan	Alpine	Mohawk Avenue						
2001	3,690	\$ 35,576,496	9,641	7.66%	235	15.4/1	16.6/1	15.4/1	12.4/1	12.8/1	3,635.4	3,403	1.94%	93.60%
2002	3,721	36,879,214	9,911	2.80%	241	12.8/1	17.2/1	17.2/1	12.8/1	11.9/1	3,778.6	3,458	3.94%	91.52%
2003	3,874	40,161,111	10,367	4.60%	240	15.3/1	17.6/1	16.4/1	13.2/1	11.2/1	3,975.7	3,589	5.22%	90.27%
2004	3,985	42,679,439	10,710	3.31%	259	15.1/1	17.7/1	14.9/1	13.1/1	12.4/1	4,003.0	3,769	0.69%	94.16%
2005	4,012	46,562,861	11,606	8.37%	274	14.8/1	14.8/1	13.6/1	12.8/1	11.2/1	4,014.3	3,795	0.28%	94.54%
2006	4,027	48,687,663	12,090	4.17%	281	14.7/1	14.9/1	12.2/1	11.8/1	12.1/1	4,027.8	3,760	0.34%	93.36%
2007	4,058	51,375,958	12,660	4.72%	304	14.9/1	15.6/1	17.1/1	11.5/1	11.9/1	4,058.5	3,851	0.76%	94.89%
2008	4,096	55,896,792	13,647	7.79%	306	14.1/1	15.5/1	14.1/1	11.8/1	11.6/1	4,095.9	3,877	0.92%	94.66%
2009	4,004	58,235,610	14,544	6.58%	305	12.7/1	13.7/1	16.1/1	11.5/1	10.8/1	3,986.2	3,767	-2.68%	94.51%
2010	3,940	59,065,024	14,991	3.07%	308	13.3/1	12.6/1	14.9/1	11.8/1	11.2/1	3,916.8	3,749	-1.74%	95.72%

Note: Enrollment based on annual October district count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

<sup>d</sup> Per annual School Report Card.

<sup>e</sup> Cost per pupil is the sum of the operating expenditures divided by the enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Source: Sparta Township School District records.

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

District Building	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Elementary</u>										
Helen Morgan (1958)										
Square Feet	60,515	60,515	60,515	60,515	60,515	60,515	60,515	60,515	60,515	60,515
Capacity (Students)	372	372	372	372	372	372	372	372	372	372
Enrollment	681	691	663	706	691	666	670	646	627	649
Alpine (1964)										
Square Feet	63,240	63,240	63,240	63,240	63,240	63,240	63,240	63,240	63,240	63,240
Capacity (Students)	805	805	805	805	805	805	805	805	805	805
Enrollment	818	861	903	825	827	813	812	850	798	709
Mohawk Avenue (1935)										
Square Feet	47,300	47,300	47,300	47,300	47,300	47,300	47,300	47,300	47,300	47,300
Capacity (Students)	350	350	350	350	350	350	350	350	350	350
Enrollment	329	326	355	330	306	359	312	210	356	312
<u>Middle School</u>										
Square Feet	132,500	132,500	132,500	132,500	132,500	132,500	132,500	132,500	132,500	132,500
Capacity (Students)	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Enrollment	902	965	1,003	1,056	1,022	997	997	1,008	985	1,036
<u>High School</u>										
Square Feet	153,245	153,245	153,245	153,245	153,245	153,245	153,245	153,245	153,245	153,245
Capacity (Students)	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075
Enrollment	988	1,017	1,063	1,081	1,177	1,201	1,207	1,223	1,220	1,205

Number of Schools at June 30, 2010

Elementary = 3

Middle School = 1

High School = 1

Other = 0

Note: Enrollment is based on the annual October district count.

Source: Sparta Township School District Facilities Office.

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST NINE FISCAL YEARS

Undistributed Expenditures - Required Maintenance For School Facilities

Account #11-000-261-xxx

Fiscal Year Ended	Helen Morgan School	Alpine School	Mohawk Avenue School	Middle School	Senior High School	Total School Facilities
2002	\$ 67,769	\$ 79,466	\$ 59,730	\$ 142,923	\$ 163,045	\$ 512,933
2003	83,707	70,139	60,866	163,948	163,609	542,269
2004	81,909	79,282	92,804	160,680	165,102	579,777
2005	89,062	94,154	63,556	159,755	185,219	591,746
2006	97,395	95,868	73,317	156,450	163,920	586,950
2007	91,771	97,194	68,293	146,227	180,561	584,046
2008	70,793	85,843	52,983	165,873	180,158	555,650
2009	75,129	89,361	71,518	184,258	192,718	612,984
2010	73,326	64,366	54,101	174,178	246,199	612,170

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

This schedule does not provide ten years of information as the State Department of Education required this information beginning with the fiscal year ended June 30, 2001.

Source: Sparta Township School District records.

SPARTA TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2010  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
<u>Commercial Package Policy - Selective Insurance Company:</u>		
Property - Blanket Buildings and Contents	\$ 5,000,000	\$ 1,000
Includes Elite Pac enhancements such as:		
Accounts Receivable		
Extra Expense		
Valuable Papers		
Systems Power Pac - Boiler and Machinery		
General Liability	5,000,000	1,000
Employee Benefits Program Liability (Each Claim)	5,000,000	1,000
Automobile Liability	5,000,000	
Comprehensive		
Collision		
Inland Marine	5,000,000	
Contractors Equipment per Schedule		
Satellite Dish		
Business Computer		
Cameras, etc		
Musical Instruments		
Valuable Papers		
Excess Liability	5,000,000	
School Board Legal Liability - Selective Insurance Company	5,000,000	
Workers Compensation - Selective Insurance Company	Each Employee/Each Accident/ Policy Limit 250,000/250,000	
Surety Bond - Selective Insurance Company		
Treasurer of School Monies	300,000	
Business Administrator	300,000	

Source: Sparta Township School District records.

SINGLE AUDIT SECTION

Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
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11 Lawrence Road  
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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

The Honorable President and Members  
of the Board of Education  
Sparta Township School District  
County of Sussex, New Jersey

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Sparta Township School District, in the County of Sussex (the "Board") as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

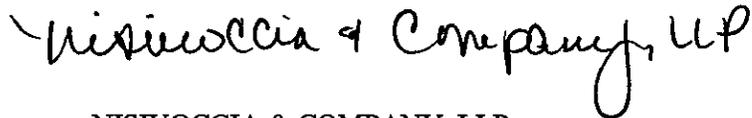
The Honorable President and Members  
of the Board of Education  
Sparta Township School District  
Page 2

Compliance and Other Matters

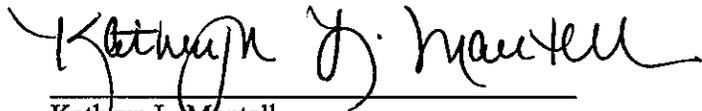
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Department. However, we noted certain matters that we have reported in the Auditor's Management Report on Administrative Findings – Financial, Compliance, and Performance, a separate report dated October 16, 2010.

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

October 16, 2010  
Mount Arlington, New Jersey



NISIVOCCIA & COMPANY, LLP



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

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Independent Auditors' Report on Compliance with Requirements That Could Have  
a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04

The Honorable President and Members  
of the Board of Education  
Sparta Township School District  
County of Sussex, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Sparta Township School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010.

The Honorable President and Members  
of the Board of Education  
Sparta Township School District  
Page 2

### Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

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

October 16, 2010  
Mount Arlington, New Jersey

*Nisivoccia & Company, LLP*

NISIVOCCIA & COMPANY, LLP

*Kathryn L. Mantell*

Kathryn L. Mantell

Licensed Public School Accountant #884

Certified Public Accountant

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrances	Balance June 30, 2010		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
U.S. Department of Education Passed-Through State Department of Education:													
General Fund:													
American Recovery and Reinvestment Act:													
Equalization Aid - ESF	84.394	N/A	7/1/09-6/30/10	\$ 572,107			\$ 572,107	\$ (572,107)					
Equalization Aid - GSF	84.397	N/A	7/1/09-6/30/10	22,147			22,147	(22,147)					
<b>Total General Fund</b>							<b>594,254</b>	<b>(594,254)</b>					
Special Revenue Fund:													
U.S. Department of Education													
Passed Through State Department of Education:													
Special Education Cluster:													
Individuals with Disabilities Act (IDEA):													
Part B, Basic	84.027	IDEA-4960-10	9/1/09-8/31/10	934,575			782,669	(906,150)			\$(123,481)		
Part B, Basic - ARRA	84.391	IDEA-4960-10	7/1/09-8/31/11	1,162,820			726,684	(797,100)			(70,416)		
Part B, Preschool - ARRA	84.392	IDEA-4960-10	7/1/09-8/31/11	42,085			21,965	(34,639)			(12,674)		
Part B, Basic - Carryover	84.027	IDEA-4960-09	9/1/08-8/31/10	934,741	\$ (69,545)		67,627	(13,798)			(15,716)		
Part B, Basic - Carryover	84.027	IDEA-4960-08	9/1/07-8/31/10	911,377								\$2,805	
Part B, Preschool - Carryover	84.173	IDEA-4960-09	9/1/08-8/31/10	25,230				(3,506)			(3,506)		
Part B, Preschool - Carryover	84.173	IDEA-4960-08	9/1/07-8/31/10	27,243								1,193	
<b>Total Special Education Cluster</b>					(69,545)		3,998	1,598,945	(1,755,193)		(225,793)	3,998	
No Child Left Behind (NCLB):													
Title II, Part A	84.367A	NCLB-4960-10	9/1/09-8/31/10	72,966			8,412	(55,021)			(46,609)		
Title II, Part A - Carryover	84.367A	NCLB-4960-09	9/1/08-8/31/10	72,043	(5,881)		13,413	(9,788)			(2,256)		
Title III	84.365A	NCLB-4960-10	9/1/08-8/31/09	11,735	(4,639)		4,621		\$ (19)				
Title IV - Part A	84.186A	NCLB-4960-10	9/1/09-8/31/10	7,950			648	(1,648)			(1,000)		
Title IV - Part A - Carryover	84.186A	NCLB-4960-09	9/1/08-8/31/10	7,770				(1,040)			(1,040)		
Title IV - Part A	84.186A	NCLB-4960-08	9/1/07-8/31/08	10,715								324	
Title V - Part A	84.298A	NCLB-4960-08	9/1/07-8/31/08	6,383								234	
Perkins Vocational Education	84.048A	PERK-4960-10	7/1/09-6/30/10	44,940			2,951	(20,803)			(17,852)		
Perkins Vocational Education	84.048A	PERK-4960-09	7/1/08-6/30/09	42,354	(28,215)		28,215						
Perkins Vocational Education	84.048A	PERK-4960-08	7/1/07-6/30/08	47,236								189	
<b>Total U.S. Department of Education/Special Revenue Fund</b>					(108,280)		4,745	1,657,205	(1,843,493)	(19)	(294,550)	4,745	

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrances	Balance June 30, 2010		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
Enterprise Fund:													
U.S. Department of Agriculture													
Passed-through State Department of Education:													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/09-6/30/10	\$ 42,723			\$ 42,723	\$ (27,868)				\$ 14,855	
Food Distribution Program	10.555	N/A	7/1/08-6/30/09	49,198		\$ 9,074		(9,074)					
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	78,147			73,872	(78,147)			\$ (4,275)		
National School Lunch Program	10.555	N/A	7/1/08-6/30/09	73,094	\$ (4,455)		4,455						
School Breakfast Program	10.553	N/A	7/1/09-6/30/10	172			151	(172)			(21)		
School Breakfast Program	10.553	N/A	7/1/08-6/30/09	238	(44)		44						
Child Nutrition Cluster Subtotal					(4,499)	9,074	121,245	(115,261)			(4,296)	14,855	
Total Enterprise Fund and U.S. Department of Agriculture					(112,779)	9,074	4,745	121,245	(115,261)		(4,296)	14,855	
Total Federal Awards					#####	\$ 9,074	\$9,490	\$2,372,704	\$(2,553,008)	\$ (19)	\$(298,846)	\$ 14,855	\$4,745

SEE ACCOMPANYING NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2010			MEMO	
				Budgetary (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor				GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditure
<b>New Jersey Department of Education</b>														
<b>General Fund:</b>														
Transportation Aid	09-495-034-5120-014	7/1/08-6/30/09	\$ 1,405,805	\$ (154,541)			\$ 154,541							\$ 1,405,805
Special Education Aid	09-495-034-5120-011	7/1/08-6/30/09	1,901,597	(209,044)			209,044							1,901,597
Equalization Aid	09-495-034-5120-078	7/1/08-6/30/09	3,530,803	(251,997)			251,997							3,530,803
Security Aid	09-495-034-5120-084	7/1/08-6/30/09	251,386	(27,635)			27,635							251,386
Extraordinary Aid	09-100-034-5120-473	7/1/08-6/30/09	346,039	(346,039)			346,039							346,039
Nonpublic Transportation Aid	N/A	7/1/08-6/30/09	16,408	(16,408)			16,408							16,408
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08-6/30/09	2,022,713	(100,515)			100,515							2,022,713
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	1,788,560				1,601,039	\$ (1,788,560)				\$ (187,521)		1,788,560
Special Education Aid	10-495-034-5120-011	7/1/09 - 6/30/10	1,925,258				1,723,404	(1,925,258)				(201,854)		1,925,258
Equalization Aid	10-495-034-5120-078	7/1/09 - 6/30/10	2,680,846				2,399,773	(2,680,846)				(281,073)		2,680,846
Security Aid	10-495-034-5120-030	7/1/09 - 6/30/10	102,862				92,077	(102,862)				(10,785)		102,862
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	461,655					(461,655)	\$ (461,655)			(461,655)		461,655
Nonpublic Transportation Aid	N/A	7/1/09 - 6/30/10	16,292					(16,292)		(16,292)		(16,292)		16,292
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	2,068,154				1,967,609	(2,068,154)		(100,545)		(100,545)		2,068,154
<b>Total General Fund State Aid</b>				<b>(1,106,179)</b>			<b>8,890,081</b>	<b>(9,043,627)</b>		<b>(578,492)</b>		<b>(1,259,725)</b>		<b>18,518,378</b>
<b>Special Revenue Fund:</b>														
Personalized Student Pilot Grant	10-100-034-5062-032	7/1/09 - 6/30/10	7,500				6,500	(5,299)			\$ 1,201			5,299
<b>New Jersey Nonpublic Aid:</b>														
Textbook Aid	10-100-034-5120-064	7/1/09 - 6/30/10	114,576				114,576	(110,435)			\$ 4,141			110,435
Textbook Aid	09-100-034-5120-064	7/1/08 - 6/30/09	97,909			\$ 1,776			\$ (1,776)					96,133
Technology Aid	09-100-034-5120-373	7/1/08 - 6/30/09	68,480			6,975			(6,975)					61,505
Nursing Aid	10-100-034-5120-070	7/1/09 - 6/30/10	135,873				135,873	(135,873)						135,873
<b>New Jersey Nonpublic Auxiliary Services:</b>														
Compensatory Education	10-100-034-5120-067	7/1/09 - 6/30/10	171,786				171,786	(97,913)				73,873		97,913
Compensatory Education	09-100-034-5120-067	7/1/08 - 6/30/09	164,428			4,682			(4,682)					159,746
English as a Second Language	10-100-034-5120-067	7/1/09 - 6/30/10	294				294	(294)						294
Home Instruction	10-100-034-5120-067	7/1/09 - 6/30/10	5,524					(5,524)		(5,524)				5,524
Home Instruction	09-100-034-5120-067	7/1/08 - 6/30/09	3,383				3,383							3,383

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2010			MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
<b>Special Revenue Fund: - Cont'd</b>														
<b>New Jersey Nonpublic Handicapped:</b>														
Supplemental Instruction	10-100-034-5120-066	7/1/09 - 6/30/10	\$ 80,439				\$ 80,439	\$ (56,783)				\$ 23,656		\$ 56,783
Supplemental Instruction	09-100-034-5120-066	7/1/08 - 6/30/09	82,600			\$ 21,641			\$ (21,641)					60,959
Corrective Speech	10-100-034-5120-066	7/1/09 - 6/30/10	43,042				43,042	(25,197)			17,845			25,197
Corrective Speech	09-100-034-5120-066	7/1/08 - 6/30/09	68,820			46,128			(46,128)					22,692
Exam & Classification	10-100-034-5120-066	7/1/09 - 6/30/10	120,480				120,480	(111,687)			8,793			111,687
Exam & Classification	09-100-034-5120-066	7/1/08 - 6/30/09	126,845			8,933			(8,933)					117,912
Character Education Aid	06-100-034-5120-053	7/1/05 - 6/30/06	10,779			5,308			(5,308)					5,471
<b>Total Special Revenue Fund</b>						<b>95,443</b>	<b>676,373</b>	<b>(549,005)</b>	<b>(95,443)</b>	<b>\$ (5,524)</b>	<b>\$ 1,201</b>	<b>128,308</b>		<b>1,076,806</b>
<b>Debt Service Fund:</b>														
Debt Service Aid Type II	10-100-034-5120-125	7/1/09 - 6/30/10	686,574				686,574	(686,574)						686,574
<b>Total Debt Service Fund</b>							<b>686,574</b>	<b>(686,574)</b>						<b>686,574</b>
<b>Capital Projects Fund:</b>														
<b>New Jersey Schools Development Authority:</b>														
<b>Educational Facilities Capital Financing Act:</b>														
<b>Mohawk Avenue School</b>														
Masonry Project	4960-070-05-2000	7/1/06 - 6/30/09	190,275					(163,941)		(163,941)			\$ (163,941)	163,941
<b>Total Capital Projects Fund</b>								<b>(163,941)</b>		<b>(163,941)</b>			<b>(163,941)</b>	<b>163,941</b>
<b>Enterprise Fund:</b>														
<b>State Department of Agriculture:</b>														
National School Breakfast	10-100-010-3350-021	7/1/09-6/30/10	54				50	(54)		(4)			(4)	54
National School Breakfast	09-100-010-3350-021	7/1/08-6/30/09	88	\$ (16)			16							
National School Lunch	10-100-010-3350-023	7/1/09-6/30/10	8,605				8,146	(8,605)		(459)			(459)	8,605
National School Lunch	09-100-010-3350-023	7/1/08-6/30/09	9,150			(530)	530							
<b>Total Enterprise Fund</b>						<b>(546)</b>	<b>8,742</b>	<b>(8,659)</b>		<b>(463)</b>			<b>(463)</b>	<b>8,659</b>
<b>Total State Awards</b>				<b>\$(1,106,725)</b>	<b>\$ - 0 -</b>	<b>\$95,443</b>	<b>\$10,261,770</b>	<b>\$(10,451,806)</b>	<b>\$ (95,443)</b>	<b>\$ (748,420)</b>	<b>\$ 1,201</b>	<b>\$128,308</b>	<b>\$(1,424,129)</b>	<b>\$20,454,358</b>

SEE ACCOMPANYING NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General, Special Revenue, and Capital Projects Fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds 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 last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two 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. Grant revenue in the Capital Projects Fund is recognized on the budgetary basis in the year of award; however, on the GAAP basis, revenue is recognized when expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$38,016) for the General Fund, (\$101,785) for the Special Revenue Fund, and \$190,275 for the Capital Projects Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds and Exhibit F-1 for the Capital Projects Fund. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Post Retirement Medical Benefits and Non-Contributory Insurance Contributions revenue of \$1,802,945 and \$95,996, respectively.

SPARTA TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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	\$ 594,254	\$ 10,904,552	\$ 11,498,806
Special Revenue Fund	1,776,314	515,663	2,291,977
Capital Projects Fund		164,001	164,001
Debt Service Fund		686,574	686,574
Food Service Fund	121,042	8,659	129,701
Total Awards	<u>\$ 2,491,610</u>	<u>\$ 12,279,449</u>	<u>\$ 14,771,059</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District has been awarded a grant in the amount of \$190,275 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act for masonry work at the Mohawk Avenue School. As of June 30, 2010, \$163,941 of the grant has been expended, submitted for reimbursement, and is receivable both on the budgetary and GAAP basis.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2010. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively.

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

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

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
IDEA Basic	84.027	9/1/09-8/31/10	\$ 934,575	\$ 906,150
IDEA Basic - ARRA	84.391	7/1/09-8/31/11	1,162,820	797,100
IDEA Preschool - ARRA	84.392	7/1/09-8/31/11	42,085	34,639
IDEA Basic - Carryover	84.027	9/1/08-8/31/10	934,741	13,798
IDEA Preschool - Carryover	84.173	9/1/08-8/31/10	25,230	3,506
Equalization Aid - ESF	84.394	7/1/09-6/30/10	572,107	572,107
Equalization Aid - GSF	84.397	7/1/09-6/30/10	22,147	22,147

<u>State Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Special Education Aid	10-495-034-5120-011	7/1/09-6/30/10	1,925,258	1,925,258
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	2,680,846	2,680,846
Security Aid	10-495-034-5120-008	7/1/09-6/30/10	102,862	102,862

- The threshold for distinguishing Type A and Type B programs was \$300,000 for federal programs and \$313,395 for state programs.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Federal Circular.

SPARTA TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey OMB Circular NJOMB 04-04.

SPARTA TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

There were no prior year audit findings.