

**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, 2012**

**Comprehensive Annual
Financial Report**

of the

SPARTA TOWNSHIP SCHOOL DISTRICT

Sparta, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**SPARTA TOWNSHIP SCHOOL DISTRICT
Board of Education**

SPARTA TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal.....	1-5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8

FINANCIAL SECTION.....9

Independent Auditors' Report.....	10-11
-----------------------------------	-------

Required Supplementary Information	12
Management's Discussion and Analysis (Unaudited)	13-23

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

A. District-Wide Financial Statements	25
A-1 Statement of Net Assets	26
A-2 Statement of Activities	27-28

B. Fund Financial Statements.....	29
B-1 Balance Sheet – Governmental Funds	30-31
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	32-33
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
B-4 Statement of Net Assets – Proprietary Funds.....	35
B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds	36
B-6 Statement of Cash Flows – Proprietary Funds	37
B-7 Statement of Fiduciary Net Assets – Fiduciary Funds.....	38
B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	39

Notes to Basic Financial Statements.....	40-62
--	-------

Required Supplementary Information	63
--	----

C. Budgetary Comparison Schedules (Unaudited).....	64
C-1 Budgetary Comparison Schedule – General Fund	65-77
C-2 Budgetary Comparison Schedule – Special Revenue Fund	78
C-3 Required Supplementary Information – Budgetary Comparison Schedule - Note to Required Supplementary Information	79-80

D. School Level Schedules (Not Applicable).....	81
---	----

E. Special Revenue Fund	82
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	83-86
E-2 Preschool Education Aid– Budgetary Basis (Not Applicable)	

SPARTA TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

FINANCIAL SECTION (Cont'd)

F. Capital Projects Fund.....	87
F-1 Summary Schedule of Revenue Expenditures, and Changes in Fund Balance – Budgetary Basis	88
F-1a Schedule of Project Revenue, Expenditures, Project Balances, and Project Status – Budgetary Basis - Mohawk School Masonry Restoration Project.....	89
F-1b Schedule of Project Revenue, Expenditures, Project Balances, and Project Status – Budgetary Basis – Construction of New High School Project	90
G. Proprietary Funds.....	91
Enterprise Fund:	
G-1 Statement of Net Assets	92
G-2 Statement of Revenue, Expenses and Changes in Fund Net Assets	93
G-3 Statement of Cash Flows.....	94
H. Fiduciary Funds	95
H-1 Combining Statement of Fiduciary Net Assets	96
H-2 Statement of Changes in Fiduciary Net Assets	97
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	98
H-4 Student Activity Agency Fund Statement of Activity	99
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements	100
I. Long-Term Debt	101
I-1 Schedule of Serial Bonds	102-103
I-2 Schedule of Obligations Under Capital Leases.....	104
I-3 Debt Service Fund Budgetary Comparison Schedule (Unaudited).....	105
J. STATISTICAL SECTION (Unaudited).....	106
J-1 Net Assets by Component.....	107
J-2 Changes in Net Assets.....	108-110
J-3 Fund Balances - Governmental Funds	111
J-4 Changes in Fund Balance – Governmental Funds	112-113
J-5 General Fund Other Local Revenue by Source.....	114
J-6 Assessed Value and Actual Value of Taxable Property.....	115
J-7 Direct and Overlapping Property Tax Rates	116
J-8 Principal Property Tax Payers.....	117
J-9 Property Tax Levies and Collections	118
J-10 Ratios of Outstanding Debt by Type.....	119
J-11 Ratios of Net General Bonded Debt Outstanding	120
J-12 Ratios of Overlapping Governmental Activities Debt	121
J-13 Legal Debt Margin Information	122
J-14 Demographic and Economic Statistics.....	123
J-15 Principal Employers.....	124
J-16 Full-Time Equivalent District Employees by Function/Program	125
J-17 Operating Statistics	126
J-18 School Building Information.....	127
J-19 Schedule of Required Maintenance for School Facilities	128
J-20 Insurance Schedule	129

SPARTA TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

K.	SINGLE AUDIT SECTION.....	130
K-1	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 <i>Government Auditing Standards</i>	131-132
K-2	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's Circular 04-04.....	133-134
	Schedule of Expenditures of Federal Awards.....	135-136
	Schedule of Expenditures of State Awards.....	137-138
	Notes to the Schedules of Expenditures of Federal and State Awards	139-140
	Schedule of Findings and Questioned Costs.....	141-142
	Summary Schedule of Prior Audit Findings.....	143

INTRODUCTORY SECTION
(UNAUDITED)

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

November 7, 2012

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, 2012, 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 economic 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 New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control system 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 Governmental 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
Page 2
November 7, 2012

1) REPORTING ENTITY AND ITS SERVICES:

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-12	3,422	-11.42%
2010-11	3,863	-1.38%
2009-10	3,917	-1.74%
2008-09	3,986	-2.69%
2007-08	4,096	0.92%
2006-07	4,059	0.76%
2005-06	4,028	0.34%
2004-05	4,014	0.28%
2003-04	4,003	0.69%
2002-03	3,976	5.22%

The Township continues to have new housing and population growth, particularly in the high school grades. As of June 30, 2012, we have 3,422 students enrolled at all five schools compared to 3,863 students as of June 30, 2011, a decrease of 441 students from 2011 totals.

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 School District's administration is closely monitoring the cost of operations and continues to look for new funding sources and improved efficiencies 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 educational 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.

In May 2012, Moody's confirmed the Aa2 Rating on Sparta Township School District's (NJ) General Obligation Bonds and Removed the Rating from "Under Review". The Aa2 Rating Applies to \$85.0 Million of Long-Term Rated G.O. Debt Outstanding. Moody's Investors Service has confirmed the Aa2 rating on Sparta Township School District's (Sussex County), NJ general obligation bonds, affecting \$85.0 million of outstanding parity debt obligations.

The removal of the rating "under review" reflects receipt of the new information in the form of the fiscal 2011 audited financial information. The Aa2 rating confirmation reflects the District's sufficient and improving finances and sizable tax base with above-average resident wealth levels. The District's equalized valuation is a large \$3.6 billion. The effects of the economic downturn was somewhat muted, which may be due to the presence of the Picatinny Arsenal military base and several high-end lakefront properties. Since fiscal 2006, equalized value decreased once in fiscal 2010 by 3.3%. Moody's also considers the high net direct debt burden, which is 2.4% of equalized value. Beginning in fiscal 2008 through fiscal 2010, the district struggled to have structural balanced operations due to state aid cuts and increased fixed costs. In fiscal 2011, financial operations improved as the district was able to reduce instruction costs and keep other expenditures relatively flat to offset further state aid reductions.

The Honorable President and Members of
the Board of Education
Sparta Township School District
Page 3
November 7, 2012

3) MAJOR INITIATIVES:

FAILED REFERENDUM – On March 13, 2012 Sparta voters rejected a \$4.5 million bond referendum to construct a track, turf field, bleachers, press box, lighting, sound system and scoreboard behind Sparta High School. The District proposed the project as a strong need for the new field due to the loss of several athletic fields lost or damaged during the high school construction project. The referendum was defeated by a narrow 3% margin with 4,502 voters out of 13,903 registered voters casting ballots with 48% voting yes and 51% voting no on the project.

Major instructional initiatives completed during the 2011-2012 school year were as follows:

Alpine School:

- Envision Math
- Addition of Language Arts Specialist
- Classroom Sound Systems installed in 15 classrooms
- Bucket-filling Assembly and Character Education Program

Helen Morgan School:

- Envision Math
- Addition of Language Arts Specialist
- Writers' Workshop
- Writing A-Z
- Implementation of RAZ-Kids.com
- FM Systems installed in 5 classrooms
- Bucket-filling Assembly and Character Education Program

Middle School:

- 200 new Netbook Computers for Language Arts classes
- Curriculum Revisions in Language Arts, Mathematics, and Social Studies
- Supervisors restored to Language Arts, Math, Science, Social Studies

High School:

- Supervisors restored to Language Arts, Math, Science, Social Studies

TECHNOLOGY INITIATIVES:

Mohawk Avenue School:

- Updated IT Network Switch and Power Backup Infrastructure
- New CAT6 runs to all classrooms, Gigabit Network Connections to each desktop
- Interactive Projectors & Sound Systems

Sparta High School:

- Gym Audio/Video System updated
- Auditorium & Lecture Halls updated and connected to Professional Digital Sound Mixer and connected to Apple Logic
- Music Classrooms connected to Professional Digital Recording Studio and connected to Apple Logic
- MIDI classroom installed with new MIDI Keyboards and connected to Apple Logic
- TV Studio installed with new Digital Mixer and Digital Microphones, connected to updated network Video Streaming Server and Apple Logic

The Honorable President and Members of
the Board of Education
Sparta Township School District
Page 4
November 7, 2012

3) MAJOR INITIATIVES:

TECHNOLOGY INITIATIVES:

District-Wide:

- Internet Connection upgraded from 50mbps to 150 mbps in both download and upload connections.
- All buildings wireless network infrastructure updated to new 802.11n Wireless Radios, each capable of 900mbps throughput.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control 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.

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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2012.

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, 2012 the District had \$82,648,000 in outstanding serial bonds and \$103,135 of capital leases payable. Additional details about the District's debt are included in the "Notes to the Basic Financial Statements", Note 7.

The Honorable President and Members of
the Board of Education
Sparta Township School District
Page 5
November 7, 2012

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:

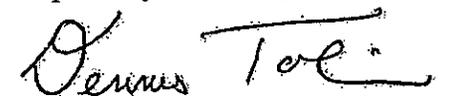
The District continues to protect its assets through a comprehensive insurance program through coverage obtained from the School Alliance Insurance Fund. The Fund is a school district joint self-insurance fund formed under the provisions of New Jersey Statutes. The Fund's membership is comprised of local and regional school districts. Coverage includes property loss, crime and fidelity, comprehensive general liability, auto insurance, workers' compensation, underground storage tank, and pollution liability coverage. 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. A schedule of insurance coverage is found on Exhibit J-20.

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 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 New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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.

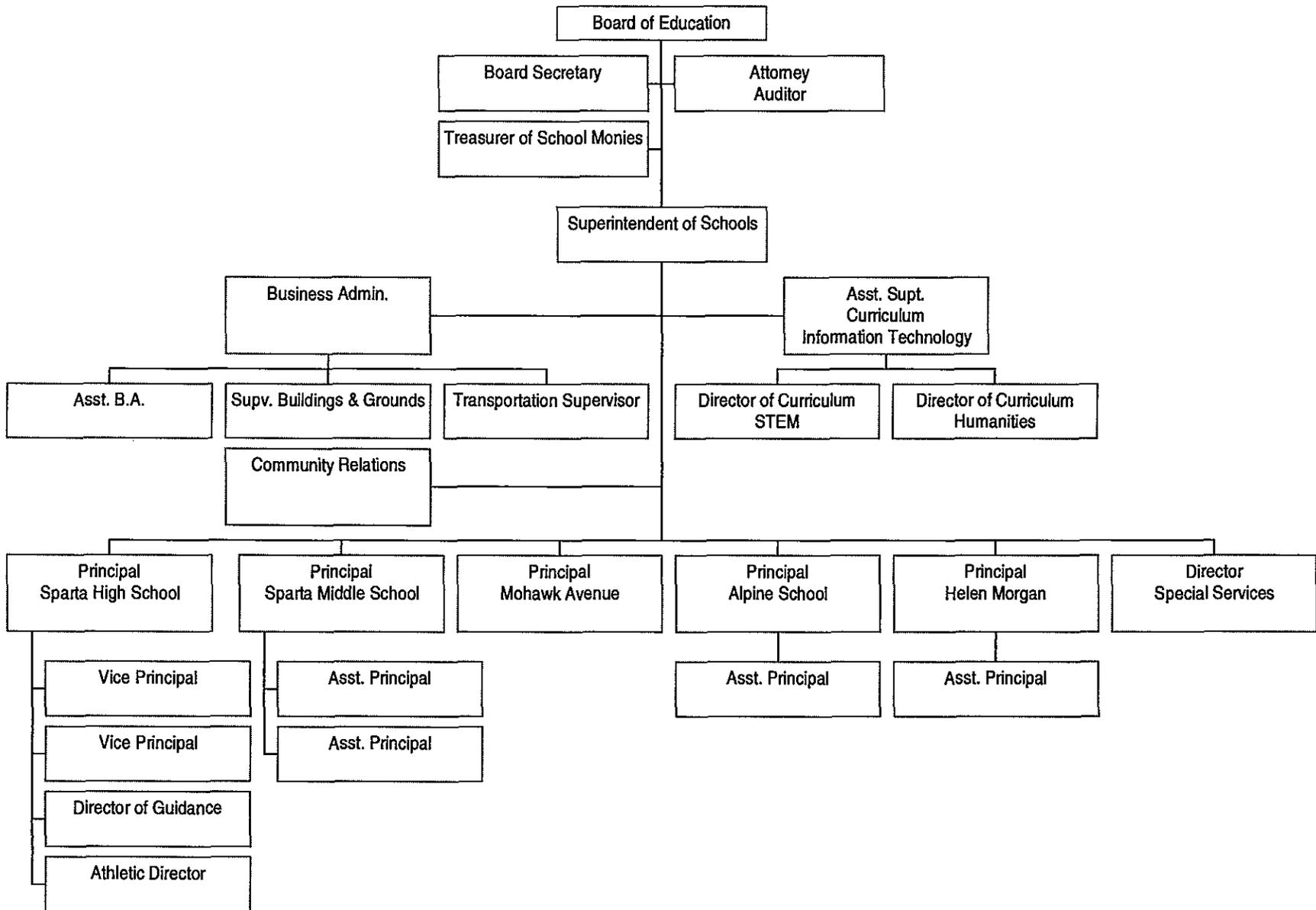
Respectfully submitted,



Dennis Tobin
Superintendent



Linda A. Alvarez, RSBA, SFO
School Business Administrator/Board Secretary



**SPARTA TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Keith M. Smith, President	2012
Dorothy LaBeau, Vice President	2012
Douglas McKernan	2013
Ilse Wolfe	2012
Maureen Myre	2013
Kevin Pollison	2013
Richard Bladek	2014
Frank Favichia	2014
Scott Turner	2014

<u>Other Officers</u>	<u>Title</u>
Dennis Tobin	Superintendent of Schools (from July 1, 2012)
J. Thomas Morton, Ed. D.	Superintendent of Schools (to June 30, 2012)
Linda A. Alvarez, RSBA, SFO	Business Administrator/Board Secretary (from January 30, 2012)
Warren S. Ceurvels, Ed. D.	Assistant Superintendent for Business/ Board Secretary (to March 27, 2012)
Kathleen W. Monks, Ed. D.	Assistant Superintendent of Curriculum and Staff Development
Barbara A. Decker	Assistant Business Administrator
Kerry Keane	Treasurer

**Sparta Township School District
Consultants and Advisors**

Architects

DiCara Rubino Architects
30 Galesi Drive, West Wing
Wayne, NJ 07470

Gianforcaro Engineers
555 East Main Street, Suite 1
Chester, NJ 07930

Attorneys

Rod Hara, Esq.
Fogarty & Hara Esqs.
General Counsel
16-00 Route 208 South
Fairlawn, NJ 07410

Audit Firm

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

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

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 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, 2012, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Sparta Township School District in the County of Sussex as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, 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

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

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 supplementary information schedules such as the combining and individual non-major fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Nisivoccia, LLP

November 7, 2012
Mount Arlington, New Jersey

NISIVOCCIA, LLP

Kathryn L. Mantell

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

REQUIRED SUPPLEMENTARY INFORMATION - PART I
MANAGEMENT'S DISCUSSION AND ANALYSIS

**SPARTA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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 2011/2012 school year are as follows:

- The District's net assets increased \$1,914,047 during the year.
- Overall revenue was \$68,117,416.
- Overall expenditures were \$66,203,369.

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, 2012
(UNAUDITED)**

**Figure A-1
Organization of Sparta Township School District's Financial Report**

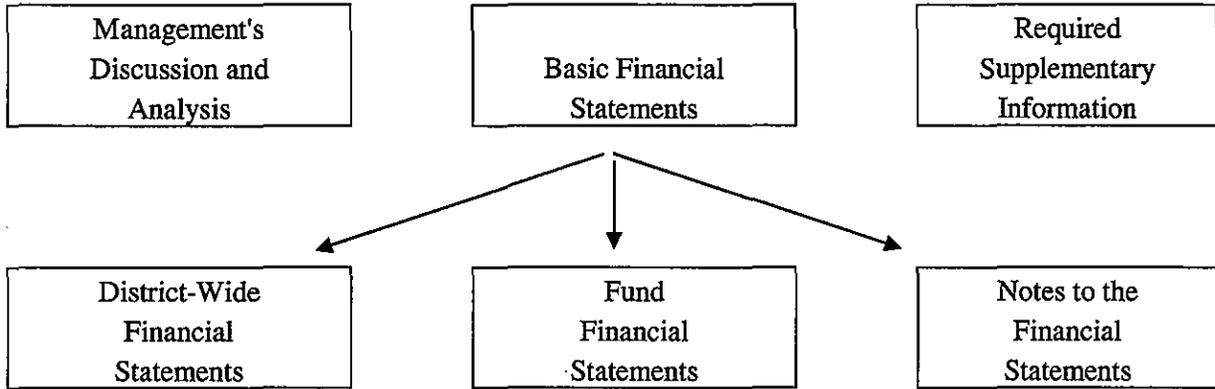


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

**SPARTA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, 2012
(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, 2012
(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 \$9,114,390 on June 30, 2012, \$1,914,047 or 26.58% more 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
	2011/12	(Restated) 2010/11	2011/12	(Restated) 2010/11	2011/12	(Restated) 2010/11	
Current & Other Assets	\$10,232,971	\$13,965,526	\$ 140,291	\$ 286,913	\$10,373,262	\$14,252,439	-27.22%
Capital Assets	83,533,337	81,753,021	412,509	443,742	83,945,846	82,196,763	2.13%
Total Assets	93,766,308	95,718,547	552,800	730,655	94,319,108	96,449,202	-2.21%
Long-Term Debt	83,131,538	85,561,800			83,131,538	85,561,800	-2.84%
Other Liabilities	2,069,759	3,553,436	3,421	133,623	2,073,180	3,687,059	-43.77%
Total Liabilities	85,201,297	89,115,236	3,421	133,623	85,204,718	89,248,859	-4.53%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	782,202	1,433,522	412,509	443,742	1,194,711	1,877,264	-36.36%
Restricted	6,407,574	3,888,991			6,407,574	3,888,991	64.76%
Unrestricted	1,375,235	1,280,798	136,870	153,290	1,512,105	1,434,088	5.44%
Total Net Assets	\$ 8,565,011	\$ 6,603,311	\$ 549,379	\$ 597,032	\$ 9,114,390	\$ 7,200,343	26.58%

Changes in Net Assets. The District's combined net assets increased by \$1,914,047 or 26.58%. Net assets from Governmental activities increased \$1,961,700 and net assets from Business-type activities decreased \$47,653. (See Figure A-4).

Net assets invested in capital assets net of related debt increased by \$1,961,784 primarily due to a \$2,305,000 reduction in debt and \$2,799,492 in net capital additions offset by \$3,188,903 in depreciation (\$3,128,725 from Governmental activities and \$60,178 from Business-type activities). Restricted net assets decreased by \$125,754 primarily due to a decrease in General Fund balance restricted as excess (above the State-mandated 2%) surplus. Unrestricted net assets increased \$78,017 primarily as a result of reduced spending during the fiscal year.

**SPARTA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
Revenue:							
Program Revenue:							
Charges for Services			\$ 769,953	\$ 750,526	\$ 769,953	\$ 750,526	2.59%
Operating Grants & Contributions	\$12,121,256	\$10,849,692	143,511	119,402	12,264,767	10,969,094	11.81%
General Revenue:							
Property Taxes	54,050,895	52,662,064			54,050,895	52,662,064	2.64%
Federal and State Aid	638,505	803,515			638,505	803,515	-20.54%
Other	392,736	506,545	560	907	393,296	507,452	-22.50%
Total Revenue	67,203,392	64,821,816	914,024	870,835	68,117,416	65,692,651	3.69%
Expenses:							
Instruction	35,819,672	32,895,950			35,819,672	32,895,950	8.89%
Pupil/Instruction Services	8,803,932	8,504,470			8,803,932	8,504,470	3.52%
Administrative/Business	5,636,006	5,191,750			5,636,006	5,191,750	8.56%
Operations/Maintenance	5,869,743	5,835,195			5,869,743	5,835,195	0.59%
Transportation	3,450,381	3,452,216			3,450,381	3,452,216	-0.05%
Other	5,661,958	6,116,930	961,677	927,009	6,623,635	7,043,939	-5.97%
Total Expenses	65,241,692	61,996,511	961,677	927,009	66,203,369	62,923,520	5.21%
Increase/(Decrease) in Net Assets	\$ 1,961,700	\$ 2,825,305	\$ (47,653)	\$ (56,174)	\$ 1,914,047	\$ 2,769,131	-30.88%

Revenue Sources. The District's total revenue for the 2011/2012 school year was \$68,117,416 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$54,050,895 of the total, or 79.35 percent. Another 18.95 percent came from state and federal aid for specific programs and the remaining 1.70 percent came from charges for services and miscellaneous revenue. Charges for services consist primarily of tuition and cafeteria sales.

**Figure A-5
Sources of Revenue for Fiscal Year 2012 and 2011**

Sources of Income	2012	Percentage	2011	Percentage
Grants and Contributions	\$ 12,264,767	18.01%	\$ 10,969,094	16.70%
Property Taxes	54,050,895	79.35%	52,662,064	80.16%
Federal and State Unrestricted Aid	638,505	0.94%	803,515	1.22%
Charges for Services	769,953	1.13%	750,526	1.14%
Other	393,296	0.57%	507,452	0.78%
	\$ 68,117,416	100.00%	\$ 65,692,651	100.00%

**SPARTA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The total cost of all programs and services was \$66,203,369. A significant portion of the District's expenses relate to providing to instruction, support and transportation to students (72.62 percent). (See Figure A-6). The remaining 27.38 percent of the District's expenses were for administrative and business costs which constitute 8.51 percent of total costs, plant operations and maintenance costs which represent 8.87 percent of total expenses, and other expenses which constitute 10.00 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 2012 and 2011**

Expense Category	2012	Percentage	2011	Percentage
Instruction	\$ 35,819,672	54.11%	\$ 32,895,950	52.28%
Pupil and Instruction Services	8,803,932	13.30%	8,504,470	13.52%
Administrative and Business	5,636,006	8.51%	5,191,750	8.25%
Operations and Maintenance	5,869,743	8.87%	5,835,195	9.27%
Transportation	3,450,381	5.21%	3,452,216	5.49%
Other	6,623,635	10.00%	7,043,939	11.19%
	<u>\$ 66,203,369</u>	<u>100.00%</u>	<u>\$ 62,923,520</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District increased during the course of the year. However, 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 nonpublic 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, 2012
(UNAUDITED)**

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

	Total Cost of Services		Net Cost of Services	
	2011/12	2010/11	2011/12	2010/11
Instruction	\$ 35,819,672	\$ 32,895,950	\$ 26,059,780	\$ 24,193,429
Pupil and Instruction Services	8,803,932	8,504,470	8,014,139	7,168,370
Administrative and Business	5,636,006	5,191,750	5,214,495	4,838,472
Operations and Maintenance	5,869,743	5,835,195	5,575,084	5,587,990
Transportation	3,450,381	3,452,216	2,594,980	3,251,776
Other	5,661,958	6,116,930	5,661,958	6,106,782
	<u>\$ 65,241,692</u>	<u>\$ 61,996,511</u>	<u>\$ 53,120,436</u>	<u>\$ 51,146,819</u>

- The cost of all governmental activities this year was \$65,241,692.
- The federal and state governments subsidized certain programs with \$12,121,256 in grants and contributions.
- Most of the District's costs were financed by \$54,050,895 in District taxes.
- A portion of governmental activities was financed with \$638,505 in state and federal aid for general and specific programs.
- The remaining \$392,736 came from miscellaneous revenue.

Business-Type Activities

Net assets of the District's business-type activities decreased by \$47,653 – net assets invested in capital assets decreased \$31,233 and unrestricted net assets decreased \$16,420. (Refer to Figure A-4). Factors contributing to these results included:

- Revenues from Food Service operations increased \$19,427, primarily from sales under reimbursable programs.
- Food Service expenses increased by \$4,688.
- Capital assets were depreciated, or reduced, by \$60,178 during the fiscal year.

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 certain fixed obligations. The District must be diligent in monitoring expenditures. Expenditures during the recent year increased by over \$6 million due to increases in the number of pupils with special needs and increases in regular enrollment which force 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 considerably 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, 2012
(UNAUDITED)**

General Fund Budgetary Highlights

The District's budget is prepared according to New Jersey law and is based on accounting for 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 budget to recognize revenues and expenditures that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions are noted below:

- Chart of account corrections were necessary to reflect salary changes and staff assignments due to retirements, resignations, program adjustments necessitated by student population changes, substitute coverage realignment, overload stipends, restoration of programs including instructional supervisors and athletics and co-curricular stipends, salary guide movement, reduced department liaisons, and contract buy-out with resulting compensation for employment of the new Business Administrator.
- Increased expenditures to provide programs, therapies, and services for students with identified special needs.
- Tuition based on actual enrollment for students attending a charter school and the local vocational technical school and the reduction of students with special needs placed in out of district programs.
- Re-opening the Mohawk Avenue School for Preschool and Kindergarten students required the transfer of funds for projects including the upgrade of the wireless network; technology purchases including the replacement of classroom interactive projectors and whiteboards; environmental testing to insure the safety of the building for students, staff, and community; various building repairs and upgrades including resealing the foam roof, replacing the auditorium window and stage drapery; upgrading the phone and security system; plumbing and electrical upgrades and renovations; and general cleaning and painting.
- Under-budgeted accounts based on actual expenditures for health, prescription and dental benefits and payment of accumulated sick days payments for retiring staff.
- Heating fuel and building energy consumption were less than budgeted.
- Transportation contracts were less than budgeted.
- Funds were necessary to maintain, support, and expand network infrastructure and update computers for administrative services and classroom instruction as required in the 5-year technology plan. Budget limitations have placed a severe strain on the annual financial support for these products and services and the District has relied on end of year fund balance to maintain and support technology and the new requirements of the Core Curriculum Content Standards..
- A severe "sink hole" in the Alpine School entrance/exit driveway required extensive repairs that included engineer services and an emergency repair contract while the driveway was deemed "out of service" by local code officials. The cost of this project was in excess of \$120,000 and was a "non-budgeted" expenditure.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets increased \$1,749,083 or 2.13%. Capital additions were \$4,943,734 - \$2,144,242 from construction projects, \$2,770,547 from capital outlay projects from Governmental activities and \$28,945 from Business-type activities – offset by \$3,188,903 in current year depreciation (\$3,128,725 from Governmental activities and \$60,178 from Business-type activities). (See Figure A-8). (More detailed information about the District's capital assets and the restatement of prior year balances is presented in Notes 6 and 17 to the Basic Financial Statements).

**SPARTA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2011/12	(Restated) 2010/11	2011/12	(Restated) 2010/11	2011/12	(Restated) 2010/11	
Land	\$ 649,333	\$ 649,333			\$ 649,333	\$ 649,333	
Construction in Progress		67,129,723				67,129,723	-100.00%
Site Improvements	1,218,202	1,051,486			1,218,202	1,051,486	15.86%
Buildings and Building Improvements	77,194,324	10,427,669			77,194,324	10,427,669	640.28%
Machinery & Equipment	4,471,478	2,494,810	\$ 412,509	\$ 443,742	4,883,987	2,938,552	66.20%
Total Capital Assets (Net of Depreciation)	<u>\$83,533,337</u>	<u>\$81,753,021</u>	<u>\$ 412,509</u>	<u>\$ 443,742</u>	<u>\$83,945,846</u>	<u>\$82,196,763</u>	2.13%

Long-term Debt

At year-end, the District had \$82,648,000 in general obligation bonds, \$103,135 in capital leases and \$720,826 in compensated absences payable - a decrease of \$2,430,262 from the prior year. (See Figure A-9). (More detailed information about the District's long-term liabilities and the restatement of prior year capital leases is presented in Note 7 and 17 to the Basic Financial Statements).

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage Change
	2011/12	(Restated) 2010/11	
General Obligation Bonds (Financed with Property Taxes)	\$ 82,648,000	\$ 84,953,000	-2.7%
Deferred Interest on Refunding Bonds	(340,423)	(358,340)	-5.0%
Net General Obligation Bonds	82,307,577	84,594,660	-2.70%
Other Long-Term Debt	823,961	967,140	-14.80%
Total Long-Term Debt Outstanding	<u>\$ 83,131,538</u>	<u>\$ 85,561,800</u>	-2.84%

- The District continued to pay down its debt, retiring \$2,305,000 of serial bonds and \$51,943 of capital leases.
- The District's liability for accumulated sick and vacation time decreased by \$91,236 as a result of staff retirements during the fiscal year.

**SPARTA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Factors Bearing on the District's Future

Currently, the District is in good financial condition. The district administration and Sparta Township Board of Education are grateful for the community support of the schools. However, due to an environment of flat state aid, reducing property values and a county-wide trend in reduced student enrollment, there is an 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, has forced the District to cut its allowable unassigned general fund balance to 2% for the past several years. 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, and severely impact our ability to maintain and improve our facilities.

As stated earlier in this report, in May 2012 Moody's confirmed the Aa2 Rating on Sparta Township School District's (NJ) General Obligation Bonds and removed the rating from "Under Review". The Aa2 rating confirmation reflects the district's sufficient and improving finances and sizable tax base with above-average resident wealth levels. The district's equalized valuation is a large \$3.6 billion. In fiscal 2011, financial operations improved as the District was able to reduce instruction costs and keep other expenditures relatively flat to offset further state aid reductions. Total fund balance increased from a narrow \$3.2 million (or 5.9% of revenues) in fiscal 2009 to a healthy \$7.1 million (or 12.3% of revenues). Budget documents for fiscal year 2013 indicate that the District continues to be prudent with its expenditures and finances through the near-term.

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

Exhibit A-1

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 8,874,795	\$ 127,999	\$ 9,002,794
Receivables from State Government	442,886	321	443,207
Receivables from Federal Government	261,663	3,668	265,331
Other Receivables	41,032		41,032
Inventory		8,303	8,303
Unamortized Bond Issuance Costs	188,240		188,240
Restricted Assets:			
Capital Reserve Account - Cash	424,355		424,355
Capital Assets, Net			
Site (Land) and Construction in Progress	649,333		649,333
Depreciable Site Improvements, Building and Building Improvements, & Machinery/Equipment	82,884,004	412,509	83,296,513
Total Assets	<u>93,766,308</u>	<u>552,800</u>	<u>94,319,108</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	248,985		248,985
Accrued Interest Payable	472,096		472,096
Accrued Liability for Health Benefits Claims	737,999		737,999
Unamortized Bond Premium	528,663		528,663
Payable to Other Governments	25,391		25,391
Deferred Revenue	56,625	3,421	60,046
Noncurrent Liabilities:			
Due Within One Year	2,389,766		2,389,766
Due Beyond one Year	80,741,772		80,741,772
Total liabilities	<u>85,201,297</u>	<u>3,421</u>	<u>85,204,718</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	782,202	412,509	1,194,711
Restricted for:			
Capital Projects	3,112,804		3,112,804
Debt Service	49		49
Other Purposes	3,294,721		3,294,721
Unrestricted	1,375,235	136,870	1,512,105
Total Net Assets	<u>\$ 8,565,011</u>	<u>\$ 549,379</u>	<u>\$ 9,114,390</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, 2012

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
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 26,982,553		\$ 6,463,603		\$ (20,518,950)		\$ (20,518,950)
Special Education Instruction	6,763,534		3,096,949		(3,666,585)		(3,666,585)
Other Special Instruction	797,952		90,638		(707,314)		(707,314)
Other Instruction	1,275,633		108,702		(1,166,931)		(1,166,931)
Support Services:							
Tuition	2,126,153		309,410		(1,816,743)		(1,816,743)
Student & Instruction Related Services	6,677,779		480,383		(6,197,396)		(6,197,396)
General Administration Services	1,118,511		43,389		(1,075,122)		(1,075,122)
School Administration Services	3,269,642		298,384		(2,971,258)		(2,971,258)
Central Services	696,640		66,719		(629,921)		(629,921)
Administrative Information Technology	551,213		13,019		(538,194)		(538,194)
Plant Operations and Maintenance	5,869,743		294,659		(5,575,084)		(5,575,084)
Pupil Transportation	3,450,381		855,401		(2,594,980)		(2,594,980)
Charter School	297,638				(297,638)		(297,638)
Unallocated Depreciation	2,438,639				(2,438,639)		(2,438,639)
Interest on Long-Term Debt	2,925,681				(2,925,681)		(2,925,681)
Total Governmental Activities	65,241,692		12,121,256		(53,120,436)		(53,120,436)

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$ 961,677	\$ 769,953	\$ 143,511			\$ (48,213)	\$ (48,213)
Total Business-Type Activities	<u>961,677</u>	<u>769,953</u>	<u>143,511</u>			<u>(48,213)</u>	<u>(48,213)</u>
Total Primary Government	<u>\$ 66,203,369</u>	<u>\$ 769,953</u>	<u>\$ 12,264,767</u>	<u>\$ - 0 -</u>	<u>\$ (53,120,436)</u>	<u>(48,213)</u>	<u>(53,168,649)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					48,733,462		48,733,462
Property Taxes Levied for Debt Service					5,317,433		5,317,433
Federal and State Aid not Restricted					638,505		638,505
Interest and Miscellaneous Income					392,736	560	393,296
Total General Revenues					<u>55,082,136</u>	<u>560</u>	<u>55,082,696</u>
Change in Net Assets					1,961,700	(47,653)	1,914,047
Net Assets - Beginning (As Restated)					<u>6,603,311</u>	<u>597,032</u>	<u>7,200,343</u>
Net Assets - Ending					<u>\$ 8,565,011</u>	<u>\$ 549,379</u>	<u>\$ 9,114,390</u>

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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 4,962,617		\$ 3,912,129	\$ 49	\$ 8,874,795
Interfunds Receivable	1,292,814				1,292,814
Receivables from State Government	418,875	\$ 24,011			442,886
Receivables from Federal Government		261,663			261,663
Other Receivables	41,032				41,032
Restricted Cash and Cash Equivalents	424,355				424,355
Total Assets	\$ 7,139,693	\$ 285,674	\$ 3,912,129	\$ 49	\$ 11,337,545
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 114,461	\$ 61,584	\$ 72,940		\$ 248,985
Interfunds Payable		142,074	1,150,740		1,292,814
Accrued Liability for Health Benefits Claims	737,999				737,999
Payable to State Government		25,391			25,391
Deferred Revenue		56,625			56,625
Total Liabilities	852,460	285,674	1,223,680		2,361,814
Fund Balances:					
Restricted for:					
Capital Reserve Account	424,355				424,355
Excess Surplus Designated for Subsequent Year's Expenditures	2,278,968				2,278,968
Excess Surplus	1,015,753				1,015,753
Capital Projects Fund			2,644,337		2,644,337
Debt Service Fund				\$ 49	49
Committed			44,112		44,112

SPARTA TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES AND FUND BALANCES					
Fund Balances:					
Assigned:					
Year-end Encumbrances	\$ 1,753,161				\$ 1,753,161
Designated for Subsequent Year's Expenditures	70,496				70,496
Unassigned	744,500				744,500
Total Fund Balances	<u>6,287,233</u>		<u>\$ 2,688,449</u>	<u>\$ 49</u>	<u>8,975,731</u>
Total Liabilities and Fund Balances	<u>\$ 7,139,693</u>	<u>\$ 285,674</u>	<u>\$ 3,912,129</u>	<u>\$ 49</u>	<u>\$ 11,337,545</u>

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

Total Fund Balances - Governmental Funds (Above)	\$ 8,975,731
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 \$108,873,707 and the accumulated depreciation is \$25,340,370.	83,533,337
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.	(83,131,538)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(472,096)
Bond issuance premiums are reported as revenue in the Governmental Funds in the year of receipt. The original premium is \$639,960 and accumulated amortization is \$111,297.	(528,663)
Bond issuance costs are reported as expenditures in the Governmental Funds in the year of expenditure. The costs are \$227,869 and accumulated amortization is \$39,629.	188,240
Net Assets of Governmental Activities (Exhibit A-1)	<u>\$ 8,565,011</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, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 48,733,462			\$ 5,317,433	\$ 54,050,895
Miscellaneous	386,014	\$ 82,186	\$ 6,722		474,922
Total - Local Sources	49,119,476	82,186	6,722	5,317,433	54,525,817
State Sources	10,317,083	490,022		606,895	11,414,000
Federal Sources	31,610	1,231,964			1,263,574
Total Revenues	59,468,169	1,804,172	6,722	5,924,328	67,203,391
EXPENDITURES:					
Current:					
Instruction:					
Regular Education Instruction	18,730,089	942,578			19,672,667
Special Education Instruction	4,209,822	552,184			4,762,006
Other Special Instruction	509,442				509,442
Other Instruction	929,625				929,625
Support Services and Undistributed Costs:					
Tuition	1,816,743	309,410			2,126,153
Student & Instruction Related Services	5,053,625				5,053,625
General Administration Services	974,761				974,761
School Administration Services	2,284,969				2,284,969
Central Services	515,781				515,781
Administrative Information Technology	369,096				369,096
Plant Operations and Maintenance	4,915,682				4,915,682
Pupil Transportation	3,445,356				3,445,356
Unallocated Benefits	14,237,095				14,237,095

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Capital Outlay	\$ 2,001,368		\$ 2,144,242		\$ 4,145,610
Charter School	297,638				297,638
Debt Service:					
Principal				\$ 2,305,000	2,305,000
Interest and Other Charges				3,619,328	3,619,328
Total Expenditures	<u>60,291,092</u>	<u>\$ 1,804,172</u>	<u>2,144,242</u>	<u>5,924,328</u>	<u>70,163,834</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(822,923)</u>		<u>(2,137,520)</u>		<u>(2,960,443)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In	6,722				6,722
Transfers Out			(6,722)		(6,722)
Total Other Financing Sources/(Uses)	<u>6,722</u>		<u>(6,722)</u>		
Net Change in Fund Balances	<u>(816,201)</u>		<u>(2,144,242)</u>		<u>(2,960,443)</u>
Fund Balance - July 1	7,103,434		4,832,691	49	11,936,174
Fund Balance - June 30	<u>\$ 6,287,233</u>	<u>\$ - 0 -</u>	<u>\$ 2,688,449</u>	<u>\$ 49</u>	<u>\$ 8,975,731</u>

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

Exhibit B-3

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, 2012

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$ (2,960,443)
Amounts reported for Governmental Activities in the Statement of Activities (A-2) are different because:	
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 and disposals of capital assets in the current period.	
Depreciation Expense	\$ (3,128,725)
Disposal of Capital Assets	(5,748)
Capital Outlays	<u>4,914,789</u>
	1,780,316
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.	2,305,000
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	51,943
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.	693,648
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 (+).	<u>91,236</u>
Change in Net Assets of Governmental Activities (Exhibit A-2)	<u>\$ 1,961,700</u>

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

Exhibit B-4

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u> <u>Food</u> <u>Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 127,999
Accounts Receivable - State	321
Accounts Receivable - Federal	3,668
Inventories	<u>8,303</u>
Total Current Assets	<u>140,291</u>
Non-Current Assets:	
Capital Assets:	
Machinery and Equipment	1,113,509
Less: Accumulated Depreciation	<u>(701,000)</u>
Total Non-Current Assets	<u>412,509</u>
Total Assets	<u>552,800</u>
LIABILITIES:	
Deferred Revenue	<u>3,421</u>
Total Liabilities	<u>3,421</u>
NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	412,509
Unrestricted	<u>136,870</u>
Total Net Assets	<u><u>\$ 549,379</u></u>

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

Exhibit B-5

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 400,547
Daily Sales - Non-Reimbursable Programs	337,429
Special Events	<u>31,977</u>
Total Operating Revenue	<u>769,953</u>
Operating Expenses:	
Cost of Sales	301,148
Salaries and Benefits	338,995
Purchased Services	82,981
Management Fee	68,593
Resident Director Fee	50,070
Supplies and Materials	59,557
Other	155
Depreciation Expense	<u>60,178</u>
Total Operating Expenses	<u>961,677</u>
Operating Loss	<u>(191,724)</u>
Non-Operating Revenue:	
State Sources:	
School Lunch Program	6,958
Federal Sources:	
National School Breakfast Program	746
National School Lunch Program	80,313
Food Distribution Program	55,494
Local Sources:	
Interest Income	<u>560</u>
Total Non-Operating Revenue	<u>144,071</u>
Change in Net Assets	(47,653)
Net Assets - Beginning of Year (As Restated)	<u>597,032</u>
Net Assets - End of Year	<u>\$ 549,379</u>

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

Exhibit B-6

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 769,953
Payments to Employees	(338,995)
Payments to Suppliers	<u>(633,911)</u>
Net Cash Used for by Operating Activities	<u>(202,953)</u>
Cash Flows from Capital Financing Activities:	
Acquisition of Equipment	<u>(28,945)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(28,945)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	7,010
Federal Sources	<u>80,660</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>87,670</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>560</u>
Net Cash Provided by Investing Activities	<u>560</u>
Net Decrease in Cash and Cash Equivalents	(143,668)
Cash and Cash Equivalents, July 1	<u>271,667</u>
Cash and Cash Equivalents, June 30	<u>\$ 127,999</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (191,724)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	60,178
Federal Food Distribution Program	55,494
Changes in Assets and Liabilities:	
Decrease in Inventory	3,301
(Decrease) in Accounts Payable	(5,694)
(Decrease) in Deferred Revenue	<u>(124,508)</u>
Net Cash Used for Operating Activities	<u>\$ (202,953)</u>

Non-Cash Investing, Capital and Financing Activities:

The District had \$9,115 in USDA donated commodities at June 30, 2011, received commodities valued at \$49,800, used commodities valued at \$55,494, and had \$3,421 in commodities at June 30, 2012.

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

Exhibit B-7

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 230,283	\$ 269,836
Total Assets	<u>230,283</u>	<u>269,836</u>
LIABILITIES:		
Payroll Deductions and Withholdings	42,794	
Due to Student Groups	<u>187,489</u>	
Total Liabilities	<u>230,283</u>	
NET ASSETS:		
Held in Trust for Unemployment Claims		<u>269,836</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 269,836</u>

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

Exhibit B-8

SPARTA TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Employee	\$ 201,547
Total Contributions	<u>201,547</u>
Investment Earnings:	
Interest	<u>585</u>
Net Investment Earnings	<u>585</u>
Total Additions	<u>202,132</u>
DEDUCTIONS:	
Paid to State of New Jersey	<u>629,268</u>
Total Deductions	<u>629,268</u>
Change in Net Assets	(427,136)
Net Assets - July 1	<u>696,972</u>
Net Assets - June 30	<u>\$ 269,836</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, 2012

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 nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

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

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 governmental funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

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

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

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

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

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

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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

B. Basis of Presentation: (Cont'd)

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.

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net 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, 2012
(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 budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday in April, 2011. 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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 59,558,471	\$ 1,686,194
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.		117,978
Prior Year State Aid Payments Recognized for GAAP Statements, not recognized for Budgetary Basis	403,711	
Current Year State Aid Payments Recognized for Budgetary Purposes, not recognized for GAAP Statements	<u>(494,013)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 59,468,169</u>	<u>\$ 1,804,172</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Uses/Outflows of Resources:	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 60,291,092	\$ 1,686,194
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.		<u>117,978</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 60,291,092</u>	<u>\$ 1,804,172</u>

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.

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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as 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 expenditures 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, 2012.

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:

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

K. Capital Assets:

	<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, 2012.

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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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 \$6,287,233 General Fund balance at June 30, 2012, \$1,753,161 is assigned to year-end encumbrances; \$424,355 is restricted in the capital reserve account; \$70,496 is assigned for subsequent year's expenditures; \$1,015,753 is current year excess surplus which will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2014; \$2,278,968 is restricted for prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013; and \$744,500 is unassigned on the GAAP basis (which is \$494,013 less than the calculated maximum unassigned fund balance on the budgetary basis), due to the June state aid payments which are not recognized until the following fiscal year.

Capital Projects Fund: Of the District's \$2,688,449 Capital Projects Fund balance at June 30, 2012, \$2,644,337 is restricted and \$44,112 is committed.

Debt Service Fund: The District's \$49 Debt Service Fund balance at June 30, 2012 is restricted and has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013.

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 Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. Excess surplus was calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state payments.

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.

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. 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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

Fund balance restrictions have been established for excess surplus, a capital reserve, the Capital Projects funds and Debt Service funds.

The District has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Board members at a public meeting of that governing body. The Board must also utilize a formal motion or a resolution passed by a majority of the Board members at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$44,112 of committed resources in the Capital Projects Fund at June 30, 2012.

The assignment of resources is generally made by the District through a motion or a resolution passed by a majority of the Board members. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board may allow an official of the District to assign resources through policies adopted by the Board. The District has assigned resources in the amount of \$1,753,161 for year-end encumbrances and \$70,496 for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2012.

S. Revenue – Exchange and Nonexchange Transactions:

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

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

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

S. Revenue – Exchange and Nonexchange Transactions:

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.

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. In the 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.

U. 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.

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 as follows:

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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
- (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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

As of June 30, 2012, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking and Savings Accounts	\$ 7,802,251	\$ 424,355	\$ 8,226,606
Temporary Deposits with Insurance Company	1,700,662		1,700,662
	<u>\$ 9,502,913</u>	<u>\$ 424,355</u>	<u>\$ 9,927,268</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$10,359,121 and the bank balances were \$12,101,895. 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, 2012, the District transferred \$726,207 to capital outlay for equipment which did not require approval of the County Superintendent. The District also transferred \$154,702 to capital outlay for facilities acquisition which was approved by 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.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance July 1, 2011	\$ 423,333
Interest Earnings	1,022
Ending Balance June 30, 2012	<u>\$ 424,355</u>

The balance in the capital reserve account at June 30, 2012 does not exceed the local support costs of uncompleted Capital projects in the District's approved LRFP.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	(Restated) Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 649,333			\$ 649,333
Construction in Progress	67,129,723	\$ 2,144,242	\$ (69,273,965)	
Total Capital Assets Not Being Depreciated	67,779,056	2,144,242	(69,273,965)	649,333
Capital Assets Being Depreciated:				
Site Improvements	2,501,802		277,085	2,778,887
Buildings and Building Improvements	24,805,665	89,432	68,996,880	93,891,977
Machinery and Equipment	8,947,986	2,681,115	(75,591)	11,553,510
Total Capital Assets Being Depreciated	36,255,453	2,770,547	69,198,374	108,224,374
Governmental Activities Capital Assets	104,034,509	4,914,789	(75,591)	108,873,707
Less Accumulated Depreciation for:				
Site Improvements	(1,450,316)	(110,369)		(1,560,685)
Buildings and Building Improvements	(14,377,996)	(2,319,657)		(16,697,653)
Machinery and Equipment	(6,453,176)	(698,699)	69,843	(7,082,032)
	(22,281,488)	(3,128,725)	69,843	(25,340,370)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 81,753,021	\$ 1,786,064	\$ (5,748)	\$ 83,533,337
Business-Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 1,088,657	\$ 28,945	\$ (4,093)	\$ 1,113,509
Less Accumulated Depreciation	(644,915)	(60,178)	4,093	(701,000)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 443,742	\$ (31,233)	\$ - 0 -	\$ 412,509
Total Governmental and Business-Type Activities Capital Assets, Net of Depreciation	\$ 82,196,763	\$ 1,754,831	\$ (5,748)	\$ 83,945,846

Capital acquisitions consisted of \$2,144,242 of ongoing construction of the new high school and \$2,799,492 of equipment purchases and building improvements (\$2,770,547 from Governmental Funds and \$28,945 from the Food Service Enterprise Fund). Current year depreciation was \$3,188,903 (\$3,128,725 from Governmental Funds and \$60,178 from the Food Service Enterprise Fund). More detailed information regarding the restatement of the District's capital assets is explained in Note 17.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 331,613
Special Education Instruction	1,250
Other Special Instruction	108,822
General Administration	1,509
School Administrative Services	31,128
Central Services	895
Administration Information Technology	140,677
Operations and Maintenance of Plant	20,166
Student Transportation	54,026
Unallocated	2,438,639
	<u>\$ 3,128,725</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the District-wide financial statements:

	(Restated) Balance 6/30/2011	Increased	Decreased	Balance 6/30/2012
Serial Bonds Payable	\$ 84,953,000		\$ 2,305,000	\$ 82,648,000
Less: Deferred Interest	(358,340)		(17,917)	(340,423)
Net Bonds Payable	84,594,660		2,287,083	82,307,577
Compensated Absences Payable	812,062	\$ 13,066	104,302	720,826
Capital Leases Payable	155,078		51,943	103,135
	<u>\$ 85,561,800</u>	<u>\$ 13,066</u>	<u>\$ 2,443,328</u>	<u>\$ 83,131,538</u>

A. Bonds Payable:

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

On 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 paid the debt service requirements of the refunded bonds on September 1, 2008 and redeemed the refunded bonds, at a redemption price equal to 100% of par, on September 1, 2008, which was 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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

A. Bonds Payable: (Cont'd)

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, 2012 as follows:

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

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
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>66,263,000</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

A. Bonds Payable: (Cont'd)

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

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
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>16,385,000</u>
Total Bonds Payable		<u>\$ 82,648,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,910,000	3,203,078	6,113,078
2017	3,040,000	3,085,641	6,125,641
2018-2022	16,915,000	13,405,053	30,320,053
2023-2027	20,280,000	9,382,442	29,662,442
2028-2032	17,750,000	5,289,645	23,039,645
2033-2036	14,013,000	1,507,237	15,520,237
	<u>\$ 82,648,000</u>	<u>\$ 46,011,110</u>	<u>\$ 128,659,110</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

B. Bonds Authorized But Not Issued:

As of June 30, 2012, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District has entered into capital leases for buses totaling \$297,025. The capital leases are for terms of five years in length and will be liquidated by the General Fund. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2012.

<u>Year</u>	<u>Amount</u>
2013	\$ 56,130
2014	26,443
2015	26,442
Total minimum lease payments	<u>109,015</u>
Less: Amount representing interest	<u>(5,880)</u>
Present value of net minimum lease payments	<u>\$ 103,135</u>

The current portion of capital leases payable is \$52,683 and the long-term portion is \$50,452.

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 \$720,826 represents the long-term portion of compensated absences liability at June 30, 2012.

There was no liability for compensated absences payable in the District's Enterprise Funds at June 30, 2012.

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,703,064, \$1,791,344 and \$1,802,945 for 2012, 2011 and 2010, respectively.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) and the Public Employee's Retirement System (PERS) of New Jersey. However, if an employee is ineligible to enroll in the TPAF or the PERS, the employee may be eligible to enroll in the Defined Contribution Retirement Program (DCRP). The TPAF and the PERS are sponsored and administered by the State of New Jersey. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.5% to 6.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

District contributions to PERS amounted to \$522,103, \$499,151 and \$403,986 for the fiscal years ended June 30, 2012, 2011 and 2010 respectively.

During the fiscal years ended June 30, 2012, 2011 and 2010 the State of New Jersey contributed \$847,186, \$-0- and \$-0-, respectively, to the TPAF for pension benefits on-behalf of the District.

The employer and employee contributions to DCRP for the fiscal years ended June 30, 2012, 2011 and 2010 were \$6,594, \$-0- and \$-0-, 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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10. RISK MANAGEMENT (Cont' d)

Property, Liability and Health Benefits (Cont' d)

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 distributions are declared.

The SAIF's June 30, 2012 audited financial statements were not available as of the date of our report; however, selected, summarized financial information as of June 30, 2011 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 36,448,099
Net Assets	\$ 12,502,179
Total Revenue	\$ 29,577,140
Total Expenses	\$ 28,589,235
Change in Net Assets	\$ 987,905
Net Assets Distribution to Participating Members	\$ 1,223,485

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

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

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.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

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:

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2012</u>
Premium Stabilization Reserve with Horizon - Beginning of Year	\$ 1,277,169	\$ 841,683
Accrued Liability for Health Benefit Claims with Horizon - Beginning of Year	<u>625,128</u>	<u>681,495</u>
Total Temporary Investments with Insurance Company - Beginning of Year	<u>1,902,297</u>	<u>1,523,178</u>
Interest Earnings	16,220	9,680
Paid Premiums	6,662,149	7,785,987
Paid Claims	(5,837,987)	(6,516,607)
Administrative Costs	<u>(1,219,501)</u>	<u>(1,101,576)</u>
Premium Stabilization Reserve - End of Year	841,683	962,663
Accrued Liability for Health Benefit Claims with Horizon - End of Year	<u>681,495</u>	<u>737,999</u>
Total Temporary Investments with Insurance Company - End of Year	<u>\$ 1,523,178</u>	<u>\$ 1,700,662</u>

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</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u> <u>and Interest</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2011-2012	\$ -0-	\$ 202,132	\$ 629,268	\$ 269,836
2010-2011	521,837	165,135	186,848	696,972
2009-2010	-0-	-0-	-0-	196,848

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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	Security First/Holden Co.
Equitable	Variable Annuity Life Insurance Co.
Fidelity Group	Siscor
First Investors	Siracusa
Kemper	Metropolitan Life Insurance Co.

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.

NOTE 13. ECONOMIC DEPENDENCY

The District 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 District's programs and activities.

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,292,814	
Special Revenue Fund		\$ 142,074
Capital Projects Fund		1,150,740
	<u>\$ 1,292,814</u>	<u>\$ 1,292,814</u>

The General Fund advanced \$142,074 to the Special Revenue Fund as an interfund loan for cash flow purposes while awaiting federal grant reimbursements. The interfund payable in the Capital Projects Fund represents amounts owed for capital projects expenditures which were made by the General Fund and interest earned in Capital Projects Fund to date which have not been remitted to the General Fund at June 30, 2012.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 15. ACCOUNTS PAYABLE

At June 30, 2012, accounts payable consisted of the following:

	<u>Governmental Activities</u>			<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	
Vendors	\$ 114,461	\$ 61,584	\$ 72,940	248,985
Due to Other Governmental Units		25,391		25,391
	<u>\$ 114,461</u>	<u>\$ 86,975</u>	<u>\$ 72,940</u>	<u>\$ 274,376</u>

NOTE 16. CONTINGENT LIABILITIESGrant Programs

The District participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The 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.

Encumbrances

At June 30, 2012, there were encumbrances as detailed below in the Governmental Funds.

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Activities</u>
<u>\$ 1,753,161</u>	<u>\$ 9,599</u>	<u>\$ 981,639</u>	<u>\$ 2,744,399</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2012, \$-0- is assigned for year-end encumbrances in the Special Revenue and Capital Projects Funds. The \$9,599 encumbrances in the Special Revenue Fund are not recognized on the GAAP basis and are reflected as a reduction in grants receivables or an increase in deferred revenue. The \$981,639 encumbrances in the Capital Projects Fund are not recognized on the GAAP basis and are reflected as fund balance restricted for capital projects.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 17. PRIOR PERIOD ADJUSTMENTS

The District made prior year adjustments in the District Wide Financial Statements to correct the value of Capital Assets and Net Assets – Invested in Capital Assets, Net of Related Debt reported in its Governmental and Business-type activities as of June 30, 2011 due to the recent asset reappraisal and to account for capital leases previously not reported. The financial statements for June 30, 2011 have been restated as follows:

	<u>Balance 6/30/11</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/11</u> <u>as</u> <u>Restated</u>
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Assets:			
Capital Assets being Depreciated:			
Site Improvements	\$ 2,506,273	\$ (4,471)	\$ 2,501,802
Buildings and Building Improvements	26,209,100	(1,403,435)	24,805,665
Machinery and Equipment	8,943,515	4,471	8,947,986
Total Capital Assets being Depreciated	<u>37,658,888</u>	<u>(1,403,435)</u>	<u>36,255,453</u>
Governmental Activities Capital Assets	105,437,944	(1,403,435)	104,034,509
Less Accumulated Depreciation for:			
Site Improvements	(1,450,238)	(78)	(1,450,316)
Buildings and Building Improvements	(14,376,821)	(1,175)	(14,377,996)
Machinery and Equipment	(6,443,743)	(9,433)	(6,453,176)
Total Accumulated Depreciation	<u>(22,270,802)</u>	<u>(10,686)</u>	<u>(22,281,488)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	83,167,142	(1,414,121)	81,753,021
Liabilities:			
Non-Current Liabilities:			
Due Within One Year	2,305,000	51,943	2,356,943
Due Beyond One Year	83,101,722	103,135	83,204,857
Net Assets:			
Invested in Capital Assets, Net of Related Debt	3,002,721	(1,569,199)	1,433,522
Total Net Assets - Governmental Activities	8,172,510	(1,569,199)	6,603,311
<u>Business-type Activities:</u>			
Capital Assets, Net	384,544	59,198	443,742
Total Assets	671,457	59,198	730,655
Net Assets:			
Investment in Capital Assets Net of Related Debt	384,544	59,198	443,742
Total Net Assets - Business-type Activities	537,834	59,198	597,032

These corrections had no impact on the District's operations or statement of activities for the fiscal year ended June 30, 2011.

SUPPLEMENTARY SCHEDULES

**BUDGETARY COMPARISON SCHEDULES
(UNAUDITED)**

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<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	\$ 48,733,462		\$ 48,733,462	\$ 48,733,462	
Tuition	54,000		54,000	84,288	\$ 30,288
Interest on Capital Reserve	12,000		12,000	1,022	(10,978)
Miscellaneous	90,000		90,000	300,704	210,704
Total - Local Sources	48,889,462		48,889,462	49,119,476	230,014
State Sources:					
Transportation Aid	918,605		918,605	918,605	
Special Education Aid	1,901,698		1,901,698	1,901,698	
Equalization Aid	2,540,642		2,540,642	2,540,642	
Security Aid	251,044		251,044	251,044	
Extraordinary Aid	200,523		200,523	305,010	104,487
Non-Public Transportation Aid				17,659	17,659
Reimbursed TPAF FICA Contributions (Non-budgeted)				1,922,477	1,922,477
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				847,186	847,186
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,703,064	1,703,064
Total State Sources	5,812,512		5,812,512	10,407,385	4,594,873
Federal Sources:					
Education Jobs Fund				31,610	31,610
Total Federal Sources				31,610	31,610
TOTAL REVENUES	54,701,974		54,701,974	59,558,471	4,856,497

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 198,351	\$ 44,632	\$ 242,983	\$ 242,964	\$ 19
Kindergarten - Salaries of Teachers	369,295	(2,187)	367,108	367,059	49
Grades 1-5 - Salaries of Teachers	5,508,437	(185,905)	5,322,532	5,256,444	66,088
Grades 6-8 - Salaries of Teachers	5,432,933	(225,419)	5,207,514	5,200,330	7,184
Grades 9-12 - Salaries of Teachers	6,822,626	(401,560)	6,421,066	6,337,124	83,942
Regular Programs - Home Instruction:					
Other Salaries for Instruction	55,000	13,186	68,186	68,186	
Purchased Professional - Educational Services	38,000	(7,186)	30,814	26,749	4,065
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	26,000		26,000	24,568	1,432
Purchased Professional - Educational Services	975	3,670	4,645	4,620	25
Purchased Technical Services	510	2,450	2,960	2,950	10
Other Purchased Services (400-500 series)	32,060	(14,977)	17,083	14,513	2,570
General Supplies	1,052,043	938,692	1,990,735	1,023,904	966,831
Textbooks	159,517	85,230	244,747	160,145	84,602
Other Objects	1,610	(225)	1,385	533	852
Total Regular Programs - Instruction	<u>19,697,357</u>	<u>250,401</u>	<u>19,947,758</u>	<u>18,730,089</u>	<u>1,217,669</u>
Special Education - Instruction:					
Cognitive Mild:					
Other Salaries for Instruction	10,400	23,000	33,400	27,731	5,669
Total Cognitive Mild	<u>10,400</u>	<u>23,000</u>	<u>33,400</u>	<u>27,731</u>	<u>5,669</u>
Multiple Disabilities:					
Salaries of Teachers	682,079	67,936	750,015	750,015	
Total Multiple Disabilities	<u>682,079</u>	<u>67,936</u>	<u>750,015</u>	<u>750,015</u>	

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	\$ 376,210	\$ (191,867)	\$ 184,343	\$ 184,305	\$ 38
Other Salaries for Instruction	204,106	(98,200)	105,906	104,875	1,031
General Supplies	5,855		5,855	3,652	2,203
Total Learning and/or Language Disabilities	<u>586,171</u>	<u>(290,067)</u>	<u>296,104</u>	<u>292,832</u>	<u>3,272</u>
Resource Room/Resource Center:					
Salaries of Teachers	1,901,799	285,858	2,187,657	2,187,657	
Other Salaries for Instruction	462,685	338,511	801,196	766,465	34,731
Other Purchased Services	360	(360)			
General Supplies	10,370	594	10,964	10,725	239
Total Resource Room/Resource Center	<u>2,375,214</u>	<u>624,603</u>	<u>2,999,817</u>	<u>2,964,847</u>	<u>34,970</u>
Autism:					
Salaries of Teachers	52,813		52,813	52,013	800
Other Salaries for Instruction	47,019	(47,019)			
General Supplies	1,405		1,405	1,329	76
Total Autism	<u>101,237</u>	<u>(47,019)</u>	<u>54,218</u>	<u>53,342</u>	<u>876</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	67,411	(26,757)	40,654	40,654	
Other Salaries for Instruction	48,495	30,623	79,118	78,908	210
General Supplies	1,927		1,927	1,493	434
Total Preschool Disabilities - Part-Time	<u>117,833</u>	<u>3,866</u>	<u>121,699</u>	<u>121,055</u>	<u>644</u>
Total Special Education - Instruction	<u>3,872,934</u>	<u>382,319</u>	<u>4,255,253</u>	<u>4,209,822</u>	<u>45,431</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 387,687	\$ 21,530	\$ 409,217	\$ 409,171	\$ 46
General Supplies	5,220		5,220	4,918	302
Total Basic Skills/Remedial - Instruction	<u>392,907</u>	<u>21,530</u>	<u>414,437</u>	<u>414,089</u>	<u>348</u>
Bilingual Education - Instruction:					
Salaries of Teachers	90,108	5,245	95,353	95,353	
Total Bilingual Education - Instruction	<u>90,108</u>	<u>5,245</u>	<u>95,353</u>	<u>95,353</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	110,240	94,763	205,003	204,553	450
Purchased Services (300-500 series)	11,375	(5,800)	5,575	4,653	922
Supplies and Materials	4,650		4,650	4,420	230
Transfer to Cover Deficit	32,255		32,255	32,255	
Total School-Sponsored Cocurricular Activities - Instruction	<u>158,520</u>	<u>88,963</u>	<u>247,483</u>	<u>245,881</u>	<u>1,602</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	432,942	(13,793)	419,149	419,149	
Purchased Services (300-500 series)	59,775	4,300	64,075	63,628	447
Supplies and Materials	61,015	56,497	117,512	99,180	18,332
Other Objects	9,940	9	9,949	9,949	
Transfer to Cover Deficit	62,790		62,790	62,790	
Total School-Sponsored Cocurricular Athletics - Instruction	<u>626,462</u>	<u>47,013</u>	<u>673,475</u>	<u>654,696</u>	<u>18,779</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Other Instructional Programs - Instruction:					
Salaries	\$ 156,489	\$ (126,057)	\$ 30,432	\$ 27,282	\$ 3,150
Purchased Services (300-500 series)	320	665	985	785	200
Supplies and Materials	1,080		1,080	981	99
Total Other Instructional Programs - Instruction	<u>157,889</u>	<u>(125,392)</u>	<u>32,497</u>	<u>29,048</u>	<u>3,449</u>
Total Instruction	<u>24,996,177</u>	<u>670,079</u>	<u>25,666,256</u>	<u>24,378,978</u>	<u>1,287,278</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	682,819	(192,760)	490,059	482,170	7,889
Tuition to County Vocational School District - Regular	49,400	(5,000)	44,400	42,845	1,555
Tuition to County Vocational School District - Special	23,224	(13,724)	9,500	9,500	
Tuition to Private Schools for the Disabled - Within the State	1,520,919	(359,891)	1,161,028	1,155,982	5,046
Tuition to Private Schools for the Disabled - Outside the State	94,239	8,325	102,564	95,496	7,068
Tuition - State Facilities	30,750		30,750	30,750	
Total Undistributed Expenditures - Instruction	<u>2,401,351</u>	<u>(563,050)</u>	<u>1,838,301</u>	<u>1,816,743</u>	<u>21,558</u>
Health Services:					
Salaries	444,673	(90,211)	354,462	354,462	
Purchased Professional and Technical Services	7,000	2,172	9,172	8,652	520
Other Purchased Services (400-500 series)	750	226	976	976	
Supplies and Materials	7,517	6,216	13,733	13,639	94
Other Objects	884	(309)	575	569	6
Total Health Services	<u>460,824</u>	<u>(81,906)</u>	<u>378,918</u>	<u>378,298</u>	<u>620</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Speech, OT, PT and Other Related Services:					
Salaries	\$ 268,114	\$ 120,059	\$ 388,173	\$ 388,173	
Purchased Professional-Educational Services	713,927	(162,080)	551,847	496,474	\$ 55,373
Supplies and Materials	31,553	(6,273)	25,280	23,303	1,977
Speech, OT, PT, and Other Related Services	<u>1,013,594</u>	<u>(48,294)</u>	<u>965,300</u>	<u>907,950</u>	<u>57,350</u>
Other Support Services - Students - Extraordinary					
Salaries	161,362	(122,570)	38,792	38,086	706
Total Other Support Services - Students - Extraordinary	<u>161,362</u>	<u>(122,570)</u>	<u>38,792</u>	<u>38,086</u>	<u>706</u>
Guidance:					
Salaries of Other Professional Staff	693,747	80,723	774,470	774,470	
Salaries of Secretarial and Clerical Assistants	156,197	1,414	157,611	157,023	588
Other Purchased Professional and Technical Services	6,800	(2,650)	4,150	4,150	
Other Purchased Services (400-500 series)	9,225	(3,513)	5,712	5,618	94
Supplies and Materials	33,373	(9,320)	24,053	22,719	1,334
Other Objects	670	(270)	400	260	140
Total Guidance	<u>900,012</u>	<u>66,384</u>	<u>966,396</u>	<u>964,240</u>	<u>2,156</u>
Child Study Team:					
Salaries of Other Professional Staff	1,268,911	22,155	1,291,066	1,288,564	2,502
Salaries of Secretarial and Clerical Assistants	106,295	(2,138)	104,157	103,610	547
Purchased Professional - Educational Services	9,200	73,410	82,610	82,610	
Miscellaneous Purchased Services (400-500 Series)	13,724	(5,801)	7,923	6,754	1,169
Supplies and Materials	20,192	13,781	33,973	33,671	302
Other Objects	2,065	479	2,544	2,544	
Total Child Study Team	<u>1,420,387</u>	<u>101,886</u>	<u>1,522,273</u>	<u>1,517,753</u>	<u>4,520</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 169,830	\$ (3,330)	\$ 166,500	\$ 166,500	
Salaries of Other Professional Staff	347,311	19,840	367,151	367,151	
Salaries of Secretarial and Clerical Assistants	45,900		45,900	45,000	\$ 900
Other Salaries	10,000		10,000	10,000	
Other Purchased Services (400-500)	1,900	(1,000)	900	116	784
Supplies and Materials	21,099	(8,202)	12,897	11,906	991
Other Objects	2,579		2,579	2,468	111
Total Improvement of Instructional Services	598,619	7,308	605,927	603,141	2,786
Educational Media Services/School Library:					
Salaries	294,536	25,538	320,074	319,273	801
Salaries of Technology Coordinators	147,091	39,000	186,091	183,625	2,466
Salaries of Secretarial and Clerical Assistants		32,578	32,578	32,578	
Other Purchased Professional and Technical Services	250	(250)			
Other Purchased Services (400-500 series)	31,824	1,945	33,769	32,696	1,073
Supplies and Materials	39,306	(1,710)	37,596	35,895	1,701
Total Educational Media Services/School Library	513,007	97,101	610,108	604,067	6,041
Instructional Staff Training Services:					
Other Salaries	10,000	(7,580)	2,420	2,420	
Other Purchased Services (400-500 series)	60,530	(15,470)	45,060	36,402	8,658
Supplies and Materials	5,425		5,425	957	4,468
Other Objects	500		500	311	189
Total Instructional Staff Training Services	76,455	(23,050)	53,405	40,090	13,315

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
General Administration:					
Salaries	\$ 318,035	\$ (6,407)	\$ 311,628	\$ 311,628	
Legal Services	90,000	100,905	190,905	183,825	\$ 7,080
Audit Fees	45,000	37,319	82,319	82,319	
Other Purchased Professional Services	12,000	(6,506)	5,494	5,494	
Purchased Technical Services	65,816	(25,796)	40,020	35,115	4,905
Communications/Telephone	144,942	(18,668)	126,274	89,485	36,789
Board of Education Other Purchased Services	3,000	(1,221)	1,779	718	1,061
Other Purchased Services (400-500 series)	94,207	2,568	96,775	92,619	4,156
General Supplies	32,855	(21,278)	11,577	9,431	2,146
BOE In-house Training/Meeting Supplies	500		500		500
Judgements Against the School District		120,320	120,320	120,320	
Miscellaneous Expenditures	20,000	(381)	19,619	19,426	193
Board of Education Membership Dues and Fees	24,000	381	24,381	24,381	
Total General Administration	850,355	181,236	1,031,591	974,761	56,830
School Administration:					
Salaries of Principals/Assistant Principals	1,529,954	(15,765)	1,514,189	1,514,189	
Salaries of Secretarial and Clerical Assistants	558,623	70,245	628,868	628,868	
Other Salaries	10,400	(10,400)			
Other Purchased Services (400-500 series)	71,083	(12,369)	58,714	47,762	10,952
Supplies and Materials	79,038	2,811	81,849	75,335	6,514
Other Objects	16,660	2,314	18,974	18,815	159
Total School Administration	2,265,758	36,836	2,302,594	2,284,969	17,625

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 443,385	\$ 35,805	\$ 479,190	\$ 479,190	
Purchased Technical Services	1,500	(1,026)	474	250	\$ 224
Other Purchased Services (400-500 series)	38,153	(15,063)	23,090	23,090	
Supplies and Materials	10,234	5,343	15,577	10,018	5,559
Micellaneous Expenditures	31,375	(28,142)	3,233	3,233	
Total Central Services	524,647	(3,083)	521,564	515,781	5,783
Administrative Information Technology:					
Salaries	98,909	(1,837)	97,072	93,504	3,568
Purchased Technical Services	22,100	(797)	21,303	21,295	8
Other Purchased Services (400-500 series)	200,200	37,653	237,853	210,975	26,878
Supplies and Materials	9,500	35,830	45,330	43,322	2,008
Total Administrative Information Technology	330,709	70,849	401,558	369,096	32,462
Required Maintenance of School Facilities:					
Salaries	399,753	59,960	459,713	459,684	29
Cleaning, Repair and Maintenance Services	205,654	110,640	316,294	240,241	76,053
General Supplies	122,066	(15,484)	106,582	95,098	11,484
Other Objects	250	3,750	4,000	3,975	25
Total Required Maintenance of School Facilities	727,723	158,866	886,589	798,998	87,591
Security:					
Salaries	48,379	6,597	54,976	44,245	10,731
Total Security	48,379	6,597	54,976	44,245	10,731

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 1,739,399	\$ (126,525)	\$ 1,612,874	\$ 1,612,378	\$ 496
Purchased Professional and Technical Services	6,300	1,172	7,472	7,447	25
Cleaning, Repair and Maintenance Services	413,587	23,514	437,101	420,029	17,072
Other Purchased Property Services	180,500	1,738	182,238	167,888	14,350
Insurance	190,088	10,296	200,384	200,384	
Miscellaneous Purchased Services	4,334	(150)	4,184	3,167	1,017
General Supplies	191,523	19,752	211,275	187,013	24,262
Energy (Electricity)	1,209,680	(118,178)	1,091,502	1,070,721	20,781
Energy (Natural Gas)	40,000	(21,950)	18,050	18,043	7
Energy (Oil)	540,558	(150,946)	389,612	385,369	4,243
Total Custodial Services	<u>4,515,969</u>	<u>(361,277)</u>	<u>4,154,692</u>	<u>4,072,439</u>	<u>82,253</u>
Total Operations & Maintenance of Plant	<u>5,292,071</u>	<u>(195,814)</u>	<u>5,096,257</u>	<u>4,915,682</u>	<u>180,575</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	543,640	(92,969)	450,671	450,574	97
Between Home and School - Special Education	170,824	13,000	183,824	183,812	12
Other Than Between Home and School	35,000	12,596	47,596	39,002	8,594
Management Fee - ESC & CTSA Trans. Program	29,395	(29,395)			
Other Purchased Professional and Technical Services	7,745	6,521	14,266	13,665	601
Cleaning, Repair and Maintenance Services	148,465	(56,000)	92,465	82,034	10,431
Lease Purchase Payments - School Buses	56,130	(33,695)	22,435	22,242	193
Contracted Services:					
Between Home and School - Vendors	1,525,680	(47,512)	1,478,168	1,473,735	4,433

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Student Transportation Services: (Cont'd)					
Contracted Services:					
Between Home and School - Joint Agreements	\$ 170,830	\$ 18,170	\$ 189,000	\$ 189,000	
Other Than Between Home and School - Vendors	145,085	(29,672)	115,413	108,803	\$ 6,610
Special Education Students - Vendors	64,345	(39,698)	24,647	24,548	99
Special Education Students - Joint Agreements	121,780	(44,000)	77,780	76,315	1,465
Regular Students - ESCs & CTSA's	3,695	13,302	16,997	16,800	197
Special Education Students - ESCs & CTSA's	643,370	(183,305)	460,065	460,064	1
Aid in Lieu of Payments - Non-Public Schools	104,312	(38,160)	66,152	66,152	
Miscellaneous Purchased Services - Transportation	21,050	(3,983)	17,067	17,067	
Supplies and Materials	4,698	(1,060)	3,638	2,383	1,255
Transportation Supplies	283,562	(65,033)	218,529	218,040	489
Miscellaneous Expenditures	2,050		2,050	1,120	930
Total Student Transportation Services	<u>4,081,656</u>	<u>(600,893)</u>	<u>3,480,763</u>	<u>3,445,356</u>	<u>35,407</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	559,400	41,110	600,510	600,510	
Other Retirement Contributions - PERS	557,821	(35,718)	522,103	522,103	
Unemployment Compensation	528,290	(452,106)	76,184	28,291	47,893
Workmen's Compensation	311,082	222	311,304	311,304	
Health Benefits	8,256,978	(27,020)	8,229,958	8,032,602	197,356
Tuition Reimbursement	205,000	(36,332)	168,668	168,668	
Other Employee Benefits	85,000	26,510	111,510	100,890	10,620
Total Unallocated Benefits	<u>10,503,571</u>	<u>(483,334)</u>	<u>10,020,237</u>	<u>9,764,368</u>	<u>255,869</u>
Reimbursed TPAF FICA Contributions (Non-budgeted)				1,922,477	(1,922,477)
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				847,186	(847,186)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,703,064	(1,703,064)
Total Personal Services - Employee Benefits	<u>10,503,571</u>	<u>(483,334)</u>	<u>10,020,237</u>	<u>14,237,095</u>	<u>(4,216,858)</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Total Undistributed Expenditures	\$ 31,394,378	\$ (1,560,394)	\$ 29,833,984	\$ 33,613,108	\$ (3,779,124)
TOTAL GENERAL CURRENT EXPENSE	56,390,555	(890,315)	55,500,240	57,992,086	(2,491,846)
CAPITAL OUTLAY:					
Equipment:					
Preschool		8,447	8,447	8,447	
Grades 1-5		7,883	7,883	7,106	777
Grades 6-8		3,619	3,619	3,619	
Grades 9-12	60,850	20,733	81,583	81,583	
Undistributed Expenditures:					
Health Services		2,600	2,600	2,467	133
Child Study Team		9,160	9,160	9,160	
Administrative Information Technology	1,256,080	9,029	1,265,109	1,264,914	195
Required Maintenance for School Facilities	10,000	263,895	273,895	78,027	195,868
Student Transportation		51,000	51,000		51,000
Custodial Services	35,489	229,841	265,330	172,135	93,195
School Buses - Regular Education	170,400		170,400	170,400	
School Buses - Special Education	53,895	120,000	173,895	53,895	120,000
Total Equipment	1,586,714	726,207	2,312,921	1,851,753	461,168
Facilities Acquisition and Construction Services:					
ther Purchased Professional and Technical Services	8,249	154,702	162,951	143,673	19,278
Other Objects	5,942		5,942	5,942	
Total Facilities Acquisition and Construction Services	14,191	154,702	168,893	149,615	19,278
TOTAL CAPITAL OUTLAY	1,600,905	880,909	2,481,814	2,001,368	480,446
Transfer of Funds to Charter Schools	311,447	(13,809)	297,638	297,638	

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
TOTAL EXPENDITURES	\$ 58,302,907	\$ (23,215)	\$ 58,279,692	\$ 60,291,092	\$ (2,011,400)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(3,600,933)	23,215	(3,577,718)	(732,621)	2,845,097
Other Financing Sources:					
Transfer from Capital Projects Fund - Interest				6,722	6,722
Total Other Financing Sources				6,722	6,722
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(3,600,933)	23,215	(3,577,718)	(725,899)	2,851,819
Fund Balance, July 1	7,507,145		7,507,145	7,507,145	
Fund Balance, June 30	<u>\$ 3,906,212</u>	<u>\$ 23,215</u>	<u>\$ 3,929,427</u>	<u>\$ 6,781,246</u>	<u>\$ 2,851,819</u>
Analysis of Balance:					
Restricted for:					
Capital Reserve Account				\$ 424,355	
Excess Surplus				1,015,753	
Excess Surplus - Designated for Subsequent Year's Expenditures				2,278,968	
Assigned:					
Year-end Encumbrances				1,753,161	
Designated for Subsequent Year's Expenditures				70,496	
Unassigned				1,238,513	
Fund Balance per Governmental Funds (Budgetary Basis)				6,781,246	
Less: June state aid payments not recognized on a GAAP basis				(494,013)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 6,287,233</u>	

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources		\$ 110,362	\$ 110,362	\$ 47,687	\$ (62,675)
State Sources	\$ 625,488	(117,908)	507,580	488,769	(18,811)
Federal Sources	910,175	491,719	1,401,894	1,149,773	(252,121)
Total Revenues	1,535,663	484,173	2,019,836	1,686,229	(333,607)
EXPENDITURES:					
Instruction:					
Salaries of Teachers		36,004	36,004	26,260	9,744
Purchased Professional and Technical Services		7,297	7,297	7,297	
Other Purchased Services	239,032	(84,305)	154,727	133,979	20,748
Tuition	837,980	(280,284)	557,696	543,882	13,814
General Supplies	72,195	274,628	346,823	164,844	181,979
Textbooks	98,845	(14,249)	84,596	82,955	1,641
Other Objects		8,780	8,780	8,780	
Total Instruction	1,248,052	(52,129)	1,195,923	967,997	227,926
Support Services:					
Personal Services - Salaries		13,120	13,120	13,120	
Purchased Professional/Educational Services		468,689	468,689	411,436	57,253
Purchased Technical Services		1,300	1,300		1,300
Tuition	287,611	15,562	303,173	278,706	24,467
Other Purchased Services		6,853	6,853	6,318	535
Supplies and Materials		26,572	26,572	4,446	22,126
Other Objects		4,206	4,206	4,206	
Total Support Services	287,611	536,302	823,913	718,232	105,681
Total Expenditures	1,535,663	484,173	2,019,836	1,686,229	333,607
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

SPARTA TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"	\$ 59,558,471	\$ 1,686,229
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.		117,943
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	403,711	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(494,013)	
	<u>\$ 59,468,169</u>	<u>\$ 1,804,172</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 60,291,092	\$ 1,686,229
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.		117,943
	<u>\$ 60,291,092</u>	<u>\$ 1,804,172</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		

SPARTA TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service Funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday in April 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual 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.

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, 2012

REVENUE:	No Child Left Behind				Perkins Grant
	Title II A	Title II A Carryover	Title III	Title III Immigrant	
State Sources					
Federal Sources	\$ 64,583	\$ 17,632	\$ 4,266	\$ 8,205	\$ 46,506
Local Sources					
Total Revenue	\$ 64,583	\$ 17,632	\$ 4,266	\$ 8,205	\$ 46,506
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 18,500			\$ 7,760	
Purchased Professional/Technical Services					
Other Purchased Services					
Tuition					
General Supplies	42,668		\$ 4,266	445	\$ 31,367
Textbooks					
Other Objects					5,280
Total Instruction	61,168		4,266	8,205	36,647
Support Services:					
Salaries of Program Directors		\$ 13,120			
Purchased Professional/Educational Services	2,750	1,300			
Tuition					
Other Purchased Services	665				5,653
Supplies and Materials		3,212			
Other Objects					4,206
Total Support Services	3,415	17,632			9,859
Total Expenditures	64,583	17,632	4,266	8,205	46,506
Total Expenditures	\$ 64,583	\$ 17,632	\$ 4,266	\$ 8,205	\$ 46,506

SPARTA TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2012

	IDEA Part B					
	IDEA Preschool	Preschool Carryover	Part B Basic	Basic Carryover	Preschool ARRA	Basic ARRA
REVENUE:						
State Sources						
Federal Sources	\$ 32,619	\$ 7,870	\$ 827,594	\$ 129,450	\$ 5,140	\$ 5,908
Local Sources						
Total Revenue	<u>\$ 32,619</u>	<u>\$ 7,870</u>	<u>\$ 827,594</u>	<u>\$ 129,450</u>	<u>\$ 5,140</u>	<u>\$ 5,908</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Purchased Professional/Technical Services						
Other Purchased Services		\$ 7,870			\$ 5,140	\$ 263
Tuition	\$ 32,619		\$ 510,339	\$ 924		
General Supplies			41,807	797		202
Textbooks						
Other Objects						
Total Instruction	<u>32,619</u>	<u>7,870</u>	<u>552,146</u>	<u>1,721</u>	<u>5,140</u>	<u>465</u>
Support Services:						
Salaries of Program Directors						
Purchased Professional/Educational Services			275,448	127,729		4,209
Tuition						
Other Purchased Services						
Supplies and Materials						1,234
Other Objects						
Total Support Services			<u>275,448</u>	<u>127,729</u>		<u>5,443</u>
Total Expenditures	<u>\$ 32,619</u>	<u>\$ 7,870</u>	<u>\$ 827,594</u>	<u>\$ 129,450</u>	<u>\$ 5,140</u>	<u>\$ 5,908</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2012

REVENUE:	Chapter 192 (Auxiliary Services)		Chapter 193 (Handicapped Services)		
	Compensatory Education	ESL	Corrective Speech	Supplemental Instruction	Examination & Classification
State Sources	\$ 75,823	\$ 12,758	\$ 41,941	\$ 49,807	\$ 98,377
Federal Sources					
Local Sources					
Total Revenue	\$ 75,823	\$ 12,758	\$ 41,941	\$ 49,807	\$ 98,377
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional/Technical Services					
Other Purchased Services					
Tuition					
General Supplies					
Textbooks					
Other Objects					
Total Instruction					
Support Services:					
Salaries of Program Directors					
Purchased Professional/Educational Services					
Tuition	\$ 75,823	\$ 12,758	\$ 41,941	\$ 49,807	\$ 98,377
Other Purchased Services					
Supplies and Materials					
Other Objects					
Total Support Services	75,823	12,758	41,941	49,807	98,377
Total Expenditures	\$ 75,823	\$ 12,758	\$ 41,941	\$ 49,807	\$ 98,377

SPARTA TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2012

REVENUE:	Nonpublic Textbooks	Nonpublic Nursing	Home Instruction	Misc. Local Grants	Totals June 30, 2012
State Sources	\$ 82,955	\$ 119,811	\$ 7,297		\$ 488,769
Federal Sources					1,149,773
Local Sources				\$ 47,687	47,687
Total Revenue	\$ 82,955	\$ 119,811	\$ 7,297	\$ 47,687	\$ 1,686,229
EXPENDITURES:					
Instruction:					
Salaries of Teachers					\$ 26,260
Purchased Professional/Technical Services			\$ 7,297		7,297
Other Purchased Services		\$ 119,811		\$ 895	133,979
Tuition					543,882
General Supplies				43,292	164,844
Textbooks	\$ 82,955				82,955
Other Objects				3,500	8,780
Total Instruction	82,955	119,811	7,297	47,687	967,997
Support Services:					
Salaries of Program Directors					13,120
Purchased Professional/Educational Services					411,436
Tuition					278,706
Other Purchased Services					6,318
Supplies and Materials					4,446
Other Objects					4,206
Total Support Services					718,232
Total Expenditures	\$ 82,955	\$ 119,811	\$ 7,297	\$ 47,687	\$ 1,686,229

CAPITAL PROJECTS FUND

Exhibit F-1

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, 2012

Revenue:	
Interest Earned	\$ <u>6,722</u>
Total Revenue	<u>6,722</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	382,109
Site Improvements	1,221
Construction Services	1,627,047
Miscellaneous Expenditures	42,851
Equipment Purchases	91,014
Transfer to General Fund - Interest	<u>6,722</u>
Total Expenditures and Other Financing Uses	<u>2,150,964</u>
Excess/(Deficiency) of Revenue	
Over/(Under) Expenditures and Other Financing (Uses)	(2,144,242)
Fund Balance - July 1	<u>4,832,691</u>
Fund Balance - June 30	<u>\$ 2,688,449</u>
<u>Recapitulation:</u>	
Committed	\$ 44,112
Restricted	<u>2,644,337</u>
Total Fund Balances (Budgetary/GAAP Basis)	<u>\$ 2,688,449</u>

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, 2012

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 164,001		\$ 164,001	\$ 164,001
Transfer from Capital Outlay	285,413		285,413	285,413
Total Revenues and Other Financing Sources	449,414		449,414	449,414
Expenditures:				
Purchased Professional and Technical Services	24,828		24,828	31,096
Construction Services	380,474		380,474	418,318
Total Expenditures	405,302		405,302	449,414
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 44,112	\$ - 0 -	\$ 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)
Revised Authorized Cost:	\$ 449,414
Percentage Increase over Original Authorized Cost:	0%
Percentage Completion:	100.00%
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 HIGH SCHOOL PROJECT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Bond Proceeds and Transfers	\$ 71,513,000		\$ 71,513,000	\$ 71,513,000
Total Revenues and Other Financing Sources	71,513,000		71,513,000	71,513,000
Expenditures:				
Purchased Professional and Technical Services	5,756,338	\$ 382,109	6,138,447	6,035,680
Land and Improvements	998,751	1,221	999,972	3,750,000
Construction Services	56,050,819	1,627,047	57,677,866	56,389,140
Miscellaneous Expenditures	1,724,152	42,851	1,767,003	4,736,180
Equipment Purchases	2,194,361	91,014	2,285,375	602,000
Total Expenditures	66,724,421	2,144,242	68,868,663	71,513,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 4,788,579	\$ (2,144,242)	\$ 2,644,337	\$ - 0 -

Additional Project Information:

Project Number:	N/A
Grant Date:	N/A
Bond Authorization Date:	N/A
Bonds Authorized:	N/A
Bonds Issued:	N/A
Original Authorized Cost:	\$ 71,513,000
Revised Authorized Cost:	\$ 71,513,000
Percentage Increase over Original Authorized Cost:	0%
Percentage Completion:	96.30%
Original Target Completion Date:	December 2010
Revised Target Completion Date:	September 2012

PROPRIETARY FUNDS

Exhibit G-1

SPARTA TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 127,999
Accounts Receivable - State	321
Accounts Receivable - Federal	3,668
Inventories	8,303
	<hr/>

Total Current Assets	<hr/> 140,291 <hr/>
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Non-Current Assets:

Capital Assets	1,113,509
Less: Accumulated Depreciation	(701,000)
	<hr/>

Total Non-Current Assets	<hr/> 412,509 <hr/>
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Total Assets	<hr/> 552,800 <hr/>
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LIABILITIES:

Deferred Revenue	<hr/> 3,421 <hr/>
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Total Liabilities	<hr/> 3,421 <hr/>
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NET ASSETS:

Investment in Capital Assets, Net of Related Debt	412,509
Unrestricted	136,870
	<hr/>

Total Net Assets	<hr/> \$ 549,379 <hr/>
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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, 2012

Operating Revenue:	
Daily Sales - Reimbursable Programs	\$ 400,547
Daily Sales - Non-Reimbursable Programs	337,429
Special Events	31,977
	<hr/>
Total Operating Revenue	769,953
	<hr/>
Operating Expenses:	
Cost of Sales	301,148
Salaries and Benefits	338,995
Purchased Services	82,981
Management Fee	68,593
Resident Director Fee	50,070
Supplies and Materials	59,557
Other	155
Depreciation Expense	60,178
	<hr/>
Total Operating Expenses	961,677
	<hr/>
Operating Loss	(191,724)
	<hr/>
Non-Operating Revenue:	
State Sources:	
School Lunch Program	6,958
Federal Sources:	
National School Breakfast Program	746
National School Lunch Program	80,313
Food Distribution Program	55,494
Interest Revenue	560
	<hr/>
Total Non-Operating Revenue	144,071
	<hr/>
Change in Net Assets	(47,653)
	<hr/>
Net Assets - Beginning of Year (As Restated)	597,032
	<hr/>
Net Assets - End of Year	\$ 549,379
	<hr/> <hr/>

Exhibit G-3

SPARTA TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 769,953
Payments to Employees	(338,995)
Payments to Suppliers	(633,911)
	<hr/>
Net Cash Used for Operating Activities	(202,953)
	<hr/>
Cash Flows Used for Capital Financing Activities:	
Acquisition of Equipment	(28,945)
	<hr/>
Net Cash Used for Capital Financing Activities	(28,945)
	<hr/>
Cash Flows from Noncapital and Related Financing Activities:	
State Sources	7,010
Federal Sources	80,660
	<hr/>
Net Cash Provided by Noncapital and Related Financing Activities	87,670
	<hr/>
Cash Flows from Investing Activities:	
Interest Revenue	560
	<hr/>
Net Cash Provided by Investing Activities	560
	<hr/>
Net Decrease in Cash and Cash Equivalents	(143,668)
	<hr/>
Cash and Cash Equivalents, July 1	271,667
	<hr/>
Cash and Cash Equivalents, June 30	\$ 127,999
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (191,724)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	60,178
Food Distribution Program	55,494
Changes in Assets and Liabilities:	
Decrease in Inventory	3,301
(Decrease) in Deferred Revenue	(5,694)
(Decrease) in Accounts Payable	(124,508)
	<hr/>
Net Cash Used for Operating Activities	\$ (202,953)
	<hr/> <hr/>

Non-Cash Investing, Capital and Financing Activities:

The District had \$9,115 in USDA donated commodities at June 30, 2011, received commodities valued at \$49,800, used commodities valued at \$55,494, and had \$3,421 in commodities at June 30, 2012.

FIDUCIARY FUNDS

SPARTA TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency</u>			<u>Unemployment Compensation Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 187,489	\$ 42,794	\$ 230,283	\$ 269,836
Total Assets	<u>187,489</u>	<u>42,794</u>	<u>230,283</u>	<u>269,836</u>
LIABILITIES:				
Payroll Deductions and Withholdings		42,794	42,794	
Due to Student Groups	187,489		187,489	
Total Liabilities	<u>187,489</u>	<u>42,794</u>	<u>230,283</u>	
NET ASSETS:				
Held in Trust for Unemployment Claims				<u>269,836</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 269,836</u>

Exhibit H-2

SPARTA TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Employee	\$ 201,547
Total Contributions	<u>201,547</u>
Investment Earnings:	
Interest	<u>585</u>
Net Investment Earnings	<u>585</u>
Total Additions	<u>202,132</u>
DEDUCTIONS:	
Paid to State of New Jersey	<u>629,268</u>
Total Deductions	<u>629,268</u>
Change in Net Assets	(427,136)
Net Assets - July 1	<u>696,972</u>
Net Assets - June 30	<u>\$ 269,836</u>

Exhibit H-3

SPARTA TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 206,685	\$ 653,755	\$ 672,951	\$ 187,489
Total Assets	<u>\$ 206,685</u>	<u>\$ 653,755</u>	<u>\$ 672,951</u>	<u>\$ 187,489</u>
 LIABILITIES:				
Due to Student Groups	\$ 206,685	\$ 653,755	\$ 672,951	\$ 187,489
Total Liabilities	<u>\$ 206,685</u>	<u>\$ 653,755</u>	<u>\$ 672,951</u>	<u>\$ 187,489</u>

Exhibit H-4

SPARTA TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> July 1, 2011	<u>Cash</u> Receipts	<u>Cash</u> Disbursements	<u>Balance</u> June 30, 2012
High School	\$ 149,599	\$ 539,755	\$ 544,283	\$ 145,071
Middle School	24,333	76,534	72,397	28,470
Helen Morgan School	16,438	16,132	24,404	8,166
Alpine School	16,315	21,334	31,867	5,782
	<hr/>	<hr/>	<hr/>	<hr/>
Total All Schools	<u>\$ 206,685</u>	<u>\$ 653,755</u>	<u>\$ 672,951</u>	<u>\$ 187,489</u>

Exhibit H-5

SPARTA TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 714,720	\$ 36,671,860	\$ 37,343,786	\$ 42,794
Total Assets	<u>\$ 714,720</u>	<u>\$ 36,671,860</u>	<u>\$ 37,343,786</u>	<u>\$ 42,794</u>
LIABILITIES:				
Interfund Payable	\$ 498,354		\$ 498,354	
Payroll Deductions and Withholdings	216,366	\$ 36,671,860	36,845,432	\$ 42,794
Total Liabilities	<u>\$ 714,720</u>	<u>\$ 36,671,860</u>	<u>\$ 37,343,786</u>	<u>\$ 42,794</u>

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, 2011	Retired or Matured	Balance June 30, 2012
			Date	Outstanding June 30, 2012 Amount				
School Refunding Bonds	7/1/2008	\$ 19,830,000	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	02/15/13	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%			
			02/15/17	1,900,000	4.250%			

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2011	Retired or Matured	Balance June 30, 2012
			Date	Amount				
School Bonds	12/5/2006	\$ 71,513,000	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%			
						\$ 84,953,000	\$ 2,305,000	\$ 82,648,000

Exhibit I-2

SPARTA TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>(Restated) Balance June 30, 2011</u>	<u>Matured</u>	<u>Balance June 30, 2012</u>
Buses	3.72%	\$ 138,168	\$ 56,221	\$ 27,597	\$ 28,624
Buses	3.20%	158,857	<u>98,857</u>	<u>24,346</u>	<u>74,511</u>
			<u>\$ 155,078</u>	<u>\$ 51,943</u>	<u>\$ 103,135</u>

SPARTA TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<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	\$ 5,317,433		\$ 5,317,433	\$ 5,317,433	
State Sources:					
Debt Service State Aid Support	606,895		606,895	606,895	
Total Revenues	<u>5,924,328</u>		<u>5,924,328</u>	<u>5,924,328</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	3,619,328		3,619,328	3,619,328	
Redemption of Principal	2,305,000		2,305,000	2,305,000	
Total Expenditures	<u>5,924,328</u>		<u>5,924,328</u>	<u>5,924,328</u>	
Excess/(Deficiency) of Revenues Over/(Under)					
Expenditures	- 0 -		- 0 -	- 0 -	
Fund Balance, July 1	49		49	49	
Fund Balance, June 30	<u>\$ 49</u>	<u>\$ - 0 -</u>	<u>\$ 49</u>	<u>\$ 49</u>	<u>\$ - 0 -</u>
Recapitulation of Fund Balance:					
Restricted				<u>\$ 49</u>	

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2003.

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	(Restated) 2011	2012
Governmental Activities:										
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	\$ 3,650,409	\$ 1,433,522	\$ 782,202
Restricted	780,800	3,227,228	2,004,399	4,736,543	8,772,291	6,464,397	4,755,153	2,962,744	3,888,991	6,407,574
Unrestricted (Deficit)	855,172	(506,316)	300,445	927,259	(863,744)	(269,381)	(1,104,007)	(1,265,948)	1,280,798	1,375,235
Total Governmental Activities	\$ 706,915	\$ 2,453,228	\$ 3,582,078	\$ 8,335,710	\$ 12,095,429	\$ 11,682,310	\$ 8,742,386	\$ 5,347,205	\$ 6,603,311	\$ 8,565,011
Business-Type Activities:										
Invested in Capital Assets,										
Net of Related Debt	\$ 174,824	\$ 154,126	\$ 136,354	\$ 111,946	\$ 106,840	\$ 89,787	\$ 72,847	\$ 443,742	\$ 443,742	\$ 412,509
Unrestricted	13,933	18,904	74,134	60,500	114,107	149,492	189,456	150,266	153,290	136,870
Total Business-Type Activities	\$ 188,757	\$ 173,030	\$ 210,488	\$ 172,446	\$ 220,947	\$ 239,279	\$ 262,303	\$ 594,008	\$ 597,032	\$ 549,379
District-Wide:										
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	\$ 4,094,151	\$ 1,877,264	\$ 1,194,711
Restricted	780,800	3,227,228	2,004,399	4,736,543	8,772,291	6,464,397	4,755,153	2,962,744	3,888,991	6,407,574
Unrestricted (Deficit)	869,105	(487,412)	374,579	987,759	(749,637)	(119,889)	(914,551)	(1,115,682)	1,434,088	1,512,105
Total District-Wide Net Assets	\$ 895,672	\$ 2,626,258	\$ 3,792,566	\$ 8,508,156	\$ 12,316,376	\$ 11,921,589	\$ 9,004,689	\$ 5,941,213	\$ 7,200,343	\$ 9,114,390

Source: Sparta Township School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental Activities:										
Instruction:										
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	\$ 25,359,192	\$ 26,982,553
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	5,953,024	6,763,534
Other Special Instruction	94,886	483,780	518,805	529,512	447,146	460,361	490,576	494,090	561,390	797,952
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	1,022,344	1,275,633
Total Instruction	22,939,922	24,420,276	26,818,062	28,717,429	30,938,877	34,835,782	35,648,614	36,410,438	32,895,950	35,819,672
Support Services:										
Tuition	773,482	1,005,020	1,307,512	1,102,934	1,343,510	1,281,820	1,864,626	1,627,956	2,755,755	2,126,153
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	5,748,715	6,677,779
General Administration Services	1,450,386	1,463,710	2,174,511	2,244,610	972,811	872,823	829,283	956,084	1,084,014	1,118,511
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	3,045,232	3,269,642
Central Services					492,988	528,708	555,179	621,730	660,262	696,640
Administrative Information Technology					297,561	439,191	461,334	316,874	402,242	551,213
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	5,835,195	5,869,743
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	3,452,216	3,450,381
Charter Schools	22,736	39,178	67,607	29,174	50,745	52,376	51,108	95,083	107,620	297,638
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	3,682,611	2,438,639
Unallocated Depreciation	648,956	684,157	714,978	755,227	775,995	766,914	754,972	887,613	2,316,481	2,925,681
Capital Outlay					29,224				10,218	
Total Governmental Activities Expenses	42,632,830	44,470,339	48,678,758	50,701,305	54,290,556	61,749,983	62,452,371	64,169,859	61,996,511	65,241,692
Business-Type Activities:										
Food Service	887,364	933,895	922,700	987,226	951,011	976,591	935,202	910,762	927,009	961,677
Total Business-Type Activities Expenses	887,364	933,895	922,700	987,226	951,011	976,591	935,202	910,762	927,009	961,677
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	62,923,520	66,203,369

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 10,849,692	\$ 12,121,256
Capital Grants and Contributions					41,852	108,975	87,932			
Total Governmental Activities	125,842	284,133	279,944	249,626	13,105,528	13,872,713	12,685,392	13,970,402	10,849,692	12,121,256
Business-Type Activities:										
Charges for Services:										
Food Service	784,859	805,875	855,815	847,087	865,799	829,186	802,644	746,697	750,526	769,953
Operating Grants and Contributions	109,641	112,293	104,343	108,005	113,065	140,946	131,768	129,701	119,402	143,511
Total Business Type Activities	894,500	918,168	960,158	955,092	978,864	970,132	934,412	876,398	869,928	913,464
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	11,719,620	13,034,720
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)	(51,146,819)	(53,120,436)
Business-Type Activities	7,136	(15,727)	37,458	(32,134)	27,853	(6,459)	(790)	(34,364)	(57,081)	(48,213)
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)	(51,203,900)	(53,168,649)

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Property Taxes Levied for General Purpose	\$ 30,956,530	\$ 34,390,720	\$ 35,963,401	\$ 38,988,926	\$ 39,354,680	\$ 40,828,867	\$ 42,269,637	\$ 44,514,252	\$ 48,335,153	\$ 48,733,462
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	4,326,911	5,317,433
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	803,515	638,505
Interest and Miscellaneous Income	53,464	63,391	98,341	206,371	2,513,296	3,170,210	946,923	314,993	506,545	392,736
Transfers	(74,994)	(65,594)	(69,494)	(72,676)	(64,318)	(19,950)	(19,950)			
Capital Asset Appraisal Adjustment							(2,367,337)			
Total Governmental Activities General Revenues & Other Changes in Net Assets	43,000,522	46,136,972	49,527,664	52,992,137	44,282,967	47,464,151	46,827,055	49,664,431	53,972,124	55,082,136
Business-Type Activities:										
Investment Earnings					694	4,841	3,864	1,944	907	560
Transfers				(5,908)	19,954	19,950	19,950			
Total Business-Type Activities General Revenues & Other Changes in Net Assets				(5,908)	20,648	24,791	23,814	1,944	907	560
Total District-Wide General Revenues and Other Changes in Net Assets	43,000,522	46,136,972	49,527,664	52,986,229	44,303,615	47,488,942	46,850,869	49,666,375	53,973,031	55,082,696
Change in Net Assets:										
Governmental Activities	493,534	1,950,766	1,128,850	2,540,458	3,097,939	(413,119)	(2,939,924)	(535,026)	2,825,305	1,961,700
Business-Type Activities	7,136	(15,727)	37,458	(38,042)	48,501	18,332	23,024	(32,420)	(56,174)	(47,653)
Total District-wide Change in Net Assets	\$ 500,670	\$ 1,935,039	\$ 1,166,308	\$ 2,502,416	\$ 3,146,440	\$ (394,787)	\$ (2,916,900)	\$ (567,446)	\$ 2,769,131	\$ 1,914,047

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
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		
Restricted									\$ 3,839,821	\$ 3,719,076
Assigned									2,475,413	1,823,657
Unassigned									788,200	744,500
Total General Fund	\$ 2,587,250	\$ 2,227,496	\$ 3,128,356	\$ 6,127,206	\$ 7,513,741	\$ 7,255,263	\$ 3,929,851	\$ 2,670,762	\$ 7,103,434	\$ 6,287,233
Other Governmental Funds:										
Reserved	\$ 4,539	\$ 1,084,735		\$ 298,435	\$ 3,764,610	\$ 47,337,793	\$ 16,265,625	\$ 3,165,485		
Unreserved (Deficit):										
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		
Restricted									\$ 4,788,628	\$ 2,644,386
Committed									44,112	44,112
Total Other Governmental Funds	\$ (5,210)	\$ 1,311,616	\$ 3,093	\$ 300,057	\$ 70,150,201	\$ 58,882,475	\$ 24,719,118	\$ 8,508,898	\$ 4,832,740	\$ 2,688,498
Total Government Funds	\$ 2,582,040	\$ 3,539,112	\$ 3,131,449	\$ 6,427,263	\$ 77,663,942	\$ 66,137,738	\$ 28,648,969	\$ 11,179,660	\$ 11,936,174	\$ 8,975,731

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)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Tax Levy	\$ 32,790,758	\$ 36,233,084	\$ 37,812,603	\$ 40,841,400	\$ 41,168,078	\$ 42,845,495	\$ 47,553,445	\$ 48,662,864	\$ 52,662,064	\$ 54,050,895
Tuition Charges	55,660	90,066	34,513	35,350		12,200	13,500	21,031	26,650	
Interest Earnings	30,538	29,827	74,219	180,178	442,535	3,101,204	746,100	244,035	46,336	
Transportation Fees		24,825	16,920	33,521	14,603				89,589	
Shared Services										
Sparta Township		64,340	128,768	80,560						
Miscellaneous	93,108	35,448	24,772	31,493	2,056,158	112,130	257,046	65,545	423,853	474,922
State Sources	9,611,120	9,280,302	10,952,852	11,265,625	12,701,224	14,064,830	12,306,953	12,266,780	9,909,438	11,414,000
Federal Sources	620,174	728,808	832,455	846,312	1,070,215	1,220,955	1,022,690	2,374,578	1,663,886	1,263,574
Total Revenue	43,201,358	46,486,700	49,877,102	53,314,439	57,452,813	61,356,814	61,899,734	63,634,833	64,821,816	67,203,391
Expenditures:										
Instruction:										
Regular	14,200,832	15,515,917	16,695,950	17,502,880	17,184,732	18,908,145	19,683,498	20,524,451	17,870,334	19,672,667
Special Education	2,741,315	2,335,628	2,625,050	2,922,931	4,395,099	5,319,487	5,293,197	5,572,479	4,242,760	4,762,006
Other Special	71,970	372,745	392,317	392,715	322,682	326,178	354,814	362,734	391,834	509,442
Other	762,454	951,953	984,020	932,199	1,027,595	1,068,045	1,210,416	1,160,351	775,548	929,625
Support Services:										
Tuition	773,482	1,005,020	1,307,512	1,102,934	1,343,510	1,281,820	1,864,626	1,627,956	2,755,755	2,126,153
Student & Instruction- Related Services	5,129,428	5,207,226	5,256,957	5,136,988	4,621,702	4,813,219	5,203,923	5,015,503	4,155,382	5,053,625
General Administration	1,207,038	996,327	822,514	831,152	844,965	733,937	714,221	827,007	919,817	974,761
School Administration	1,389,389	1,871,161	1,741,714	2,030,426	2,237,081	2,129,097	2,318,691	2,476,185	2,164,359	2,284,969
Central Services			343,438	355,651	368,968	386,741	406,792	458,090	455,660	515,781
Administrative Information										
Technology			478,221	475,835	227,070	357,283	384,030	280,411	355,377	369,096
Plant Operations/ Maintenance	3,432,928	3,711,962	3,778,093	3,662,461	3,911,726	4,328,145	4,504,535	4,556,958	4,881,087	4,915,682

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenditures:										
Support Services:										
Pupil Transportation	\$ 2,589,366	\$ 2,607,599	\$ 2,843,826	\$ 2,825,544	\$ 3,411,439	\$ 3,323,035	\$ 3,624,264	\$ 3,732,745	\$ 3,306,699	\$ 3,445,356
Unallocated Benefits	7,842,175	8,066,726	9,227,646	10,488,778	11,428,644	12,869,284	12,621,495	12,375,071	12,938,530	14,237,095
Charter Schools	22,736	39,178	67,607	29,174	50,745	52,376	51,108	95,083	107,620	297,638
Capital Outlay	464,479	771,387	1,630,054	426,363	4,966,594	10,452,210	35,261,118	16,211,309	2,963,773	4,145,610
Debt Service:										
Principal	760,000	810,000	865,000	920,000	925,000	1,975,000	2,285,000	2,045,000	2,075,000	2,305,000
Interest/Other Charges	1,245,980	1,203,208	1,157,356	1,108,328	1,059,044	4,539,067	3,586,825	3,782,809	3,705,767	3,619,328
Total Expenditures	42,633,572	45,466,037	50,217,275	51,144,359	58,326,596	72,863,069	99,368,553	81,104,142	64,065,302	70,163,834
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	567,786	1,020,663	(340,173)	2,170,080	(873,783)	(11,506,255)	(37,468,819)	(17,469,309)	756,514	(2,960,443)
Other Financing Sources (Uses):										
Bond Proceeds					71,513,000					
Transfers In		1,307,189	373,139	338,442	2,038,725	2,708,504	1,022,962	207,265	8,928	6,722
Transfers Out		(1,372,783)	(442,633)	(411,118)	(2,103,043)	(2,728,454)	(1,042,912)	(207,265)	(8,928)	(6,722)
Total Other Financing Sources (Uses)		(65,594)	(69,494)	(72,676)	71,448,682	(19,950)	(19,950)			
Net Change In Fund Balance	\$ 567,786	\$ 955,069	\$ (409,667)	\$ 2,097,404	\$ 70,574,899	\$(11,526,205)	\$(37,488,769)	\$(17,469,309)	\$ 756,514	\$ (2,960,443)
Debt Service as a Percentage of Noncapital Expenditures	4.76%	4.50%	4.16%	4.00%	3.72%	10.44%	9.16%	8.98%	9.46%	8.97%

Source: Sparta Township School District Financial Reports.

Exhibit J-5

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	Tuition	Prior Year Refunds	Vending Machine Receipts	Athletic/ Co-curricular Fees	Other	Total
2003			\$ 7,495	\$ 9,147		\$ 11,826	\$ 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
2011	46,336				\$ 321,251	130,030	497,617
2012	12,369	\$ 84,288	17,353			272,004	386,014

Source: Sparta Township School District Financial Reports.

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

Year	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
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
2010	61,725,600	2,157,796,500	16,453,300	897,500	175,681,400	32,990,800	2,468,800	2,448,013,900	4,800,630	2,452,814,530	157,600,800	2.065	3,621,991,535
2011	58,052,900	2,101,515,300	18,624,800	887,800	176,076,300	32,990,800	2,774,100	2,390,922,000	4,739,437	2,395,661,437	157,692,100	2.227	3,529,937,388

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

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

^b Tax rates are per \$100 of assessed value.

Source: Sparta Township Tax Assessor.

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 ^a	Debt Service ^b	Total Direct	Sparta Township	Sussex County	
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
2010	1.895	0.170	2.065	0.649	0.557	3.271
2011	2.008	0.219	2.227	0.694	0.592	3.513

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.

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

^b Rates for Debt Service are based on each year's requirements.

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

TOWNSHIP OF SPARTA

2012			2003		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Cofrancesco/Grinnell	\$ 7,128,700	0.291%			
Sparta Builders, LLC	6,298,200	0.257%			
Limecrest Quarry Dev., LLC	6,071,300	0.248%			
Lake Mohawk Country Club	5,441,100	0.222%			
Jersey Investors Growth	4,794,400	0.195%			
Newton Memorial Hospital	4,756,000	0.194%			
United Telephone	4,750,971	0.194%			
Ashdown Forest Estates	4,090,200	0.167%			
Terry-Lynn, LLC	4,027,600	0.164%			
Heller Sparta, LLC	3,878,600	0.158%			
Total	\$ 51,237,071	2.089%			

INFORMATION NOT AVAILABLE

Source: Sparta Township Tax Assessor.

Exhibit J-9

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^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
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 -
2011	52,662,064	52,662,064	100%	- 0 -
2012	54,050,895	54,050,895	100%	- 0 -

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

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

Exhibit J-10

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 ^a	Per Capita ^a
	General Obligation Bonds ^b	Capital Leases			
2003	\$ 25,340,000	\$ - 0 -	\$ 25,340,000	3.40%	\$ 1,336
2004	24,530,000	- 0 -	24,530,000	3.17%	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	10.07%	4,855
2008	91,358,000	- 0 -	91,358,000	9.56%	4,739
2009	89,073,000	- 0 -	89,073,000	9.76%	4,632
2010	87,028,000	- 0 -	87,028,000	8.97%	4,415
2011	84,953,000	155,078	85,108,078	8.81%	4,337
2012	82,648,000	103,135	82,751,135	8.57%	4,217

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

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

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 ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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%	4,415
2011	84,953,000	- 0 -	84,953,000	3.46%	4,329
2012	82,648,000	- 0 -	82,648,000	3.45%	4,212

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

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

^b 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, 2011
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Township of Sparta	\$ 17,085,751	100.00%	\$ 17,085,751
Sussex County General Obligation Debt	77,690,095	17.38%	<u>13,500,887</u>
Subtotal, Overlapping Debt			30,586,638
Sparta School District Direct Debt			<u>83,898,000</u>
Total Direct And Overlapping Debt			<u>\$ 114,484,638</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.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 76,323,815	\$ 86,269,223	\$ 98,043,327	\$ 110,322,196	\$ 123,695,695	\$ 135,336,679	\$ 144,191,747	\$ 144,191,747	\$ 145,759,689	\$ 141,935,017
Net Debt Applicable to Limit	25,340,000	24,530,000	23,665,000	22,745,000	93,333,000	91,358,000	89,073,000	89,073,000	84,953,000	82,648,000
Legal Debt Margin	<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>\$ 55,118,747</u>	<u>\$ 60,806,689</u>	<u>\$ 59,287,017</u>
Net Debt Applicable to the Limit as a % of Debt Limit	33.20%	28.43%	24.14%	20.62%	75.45%	67.50%	61.77%	61.77%	58.28%	58.23%

Legal Debt Margin Calculation for Fiscal Year 2012

	Sparta Township
Equalized Valuation Basis	
2009	\$ 3,603,693,760
2010	3,603,730,163
2011	3,437,702,372
	<u>\$10,645,126,295</u>
Average Equalized Valuation of Taxable Property	<u>\$ 3,548,375,432</u>
Debt Limit (4% of average equalization value) ^a	\$ 141,935,017
Net Bonded School Debt as of June 30, 2012	<u>82,648,000</u>
Legal Debt Margin	<u>\$ 59,287,017</u>

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

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

Exhibit J-14

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

Year	Township Population ^a	Sussex County Per Capita Personal Income ^c	Township Personal Income ^b	Township Unemployment Rate ^d
2003	18,962	\$ 39,331	\$ 745,794,422	5.00%
2004	19,022	40,736	774,880,192	3.80%
2005	19,022	42,409	806,703,998	2.80%
2006	19,085	45,436	867,146,060	4.00%
2007	19,225	48,201	926,664,225	3.50%
2008	19,279	49,575	955,756,425	5.90%
2009	19,228	47,479	912,926,212	5.90%
2010	19,713	49,207	970,017,591	6.30%
2011	19,623	49,207 **	965,588,961	6.10%
2012	19,623 *	49,207 **	965,588,961	N/A

* - Latest Township population and Sussex County per capita personal income available (2011) was used for calculation purposes.

** - Latest Sussex County per capita personal income available (2010) was used for calculation purposes.

N/A - Information unavailable.

Sources:

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

2012			2003		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	5.05%	Selective Insurance	954	1.29%
Newton Memorial Hospital	1,200	3.03%	Andover Subacute and Rehab Center	906	1.23%
Selective Insurance	900	2.27%	County of Sussex	815	1.11%
County of Sussex	830	2.10%	Mountain Creek Resort	800	1.09%
Mountain Creek Resort	800	2.02%	Newton Memorial Hospital	757	1.03%
Ames Rubber Corp	445	1.12%	Ronetco Supermarkets	711	0.96%
Shop Rite Supermarkets (Ronetco)	301	0.76%	Vernon Township Bd. of Education	629	0.85%
Andover Subacute and Rehab Center	300	0.76%	F.O. Phoenix, Inc.	600	0.81%
Sussex County Community College	300	0.76%	Hopatcong Board of Education	450	0.61%
SCARC Inc.	287	0.72%	Walmart	380	0.52%
	<u>7,363</u>	<u>18.60%</u>	Total Employment - Sussex County	<u>7,002</u>	<u>9.50%</u>

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

Exhibit J-16

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:							
Regular	329.0	329.0	329.0	329.0	329.0	333.0	227.6
Special Education	34.0	39.0	39.0	39.0	39.0	43.0	97.6
Support Services:							
Student & Instruction Related Services	78.0	81.0	81.0	77.0	71.0	65.0	52.1
General Administrative Services	4.0	4.0	5.0	5.0	5.0	5.0	2.5
School Administrative Services	30.0	30.0	30.0	28.0	32.0	34.0	30.0
Plant Operations and Maintenance	47.0	47.0	47.0	42.0	53.0	33.0	41.0
Pupil Transportation	15.0	15.0	15.0	20.0	20.0	20.0	20.0
Business and Other Support Services	8.0	8.0	8.0	7.0	8.0	8.0	8.5
Total	545.0	553.0	554.0	547.0	557.0	541.0	479.3

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 ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percent Change	Teaching Staff ^d	Pupil/Teacher Ratio					Average Daily Enrollment ^e (ADE)	Average Daily Attendance ^e (ADA)	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary			Middle School	Senior High School				
						Helen Morgan	Alpine	Mohawk Avenue						
2003	3,874	\$ 40,161,111	10,367	4.60%	240	15.3	17.6	16.4	13.2	11.2	3,975.7	3,589	5.22%	90.27%
2004	3,985	42,679,439	10,710	3.31%	259	15.1	17.7	14.9	13.1	12.4	4,003.0	3,769	0.69%	94.16%
2005	4,012	46,562,861	11,606	8.37%	274	14.8	14.8	13.6	12.8	11.2	4,014.3	3,795	0.28%	94.54%
2006	4,027	48,687,663	12,090	4.17%	281	14.7	14.9	12.2	11.8	12.1	4,027.8	3,760	0.34%	93.36%
2007	4,058	51,375,958	12,660	4.72%	304	14.9	15.6	17.1	11.5	11.9	4,058.5	3,851	0.76%	94.89%
2008	4,096	55,896,792	13,647	7.79%	306	14.1	15.5	14.1	11.8	11.6	4,095.9	3,877	0.92%	94.66%
2009	4,004	58,235,610	14,544	6.58%	305	12.7	13.7	16.1	11.5	10.8	3,986.2	3,767	-2.68%	94.51%
2010	3,940	59,065,024	14,991	3.07%	308	13.3	12.6	14.9	11.8	11.2	3,916.8	3,749	-1.74%	95.72%
2011	3,868	55,320,762	14,302	-4.60%	307	7.3	7.5	N/A	9.2	8.7	3,862.7	3,640	-1.38%	94.23%
2012	3,708	60,093,896	16,207	13.32%	325	19.4	17.1	N/A	11.6	12.4	3,422.0	3,236	-11.41%	94.57%

Enrollment based on annual October Application for State School Aid (ASSA) district count.

^a Per annual School Report Card.

^b Operating expenditures equal total expenditures less debt service and capital outlay.

^c 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.

^d Teaching staff includes only full-time equivalents of certificated staff.

^e Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

SPARTA TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

District Building	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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)	672	672	672	672	672	672	672	672	672	672
Enrollment	663	706	691	666	670	646	627	649	739	739
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	903	825	827	813	812	850	798	709	840	840
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	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	1,003	1,056	1,022	997	997	1,008	985	1,036	937	937
<u>High School</u>										
Square Feet	153,245	153,245	153,245	153,245	153,245	153,245	153,245	153,245	153,245	260,000
Capacity (Students)	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075
Enrollment	1,063	1,081	1,177	1,201	1,207	1,223	1,220	1,205	1,192	1,192

Number of Schools at June 30, 2012

- Elementary =2
- Middle School = 1
- High School = 1
- Other = 0

Note: Enrollment is based on the annual October Application for State School Aid (ASSA) district count.

Source: Sparta Township School District Facilities Office.

SPARTA TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN 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
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
2011	70,442	93,531	58,103	150,301	292,657	665,034
2012	75,570	86,220	75,150	184,156	377,902	798,998

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

Source: Sparta Township School District records.

Exhibit J-20

SPARTA TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
<u>SCHOOL ALLIANCE INSURANCE FUND:</u>		
Building & Personal Property	\$ 250,000,000	\$ 1,000
Inland Marine - Auto Physical Damage		
General Liability including Auto, Employee Benefits	5,000,000	
Each Occurance		
General Aggregate	50,000,000	
Product Completed Operations		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses	10,000	
(Excluding Students Taking Part in Athletics)		
Automobile Coverage		
Combined Single Limit		
Hired/Non Owned		
Environmental Impairment Liability	1,000,000/25,000,000	5,000
Crime Coverage	50,000	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler and Machinery	100,000,000	1,000
Excess Liability (AL/GL)	5,000,000	
School Board Legal Liability	5,000,000/5,000,000	10,000
Excess SLPL	5,000,000/5,000,000	
Workers' Compensation	Statutory	
Employer's Liability	5,000,000	
Supplemental Indemnity	Statutory	
Security Guard	1,000,000	5,000
Surety Bond - Selective Insurance Company		
Treasurer of School Monies	500,000	
Business Administrator	500,000	
Student Accident - Bollinger Insurance (Athletes Only)	5,000,000	

Source: Sparta Township School District records.

SINGLE AUDIT SECTION



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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, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

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

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

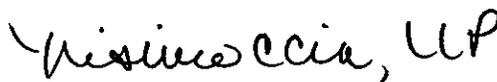
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not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

The Honorable President and Members
of the Board of Education
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 Office of School Finance, Department of Education, State of New Jersey. However, we noted certain matters which we reported to management in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance*.

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.



NISIVOCCIA, LLP

November 7, 2012
Mount Arlington, New Jersey



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's Circular 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 the Board's major federal and state programs for the fiscal year ended June 30, 2012. 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 Office of School 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; OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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, 2012.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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.

Nisivoccia, LLP

NISIVOCCIA, LLP

November 7, 2012
Mount Arlington, New Jersey

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, 2012

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, 2011			Carryover/ (Walkover) Amount	Cash Received	Repayment Cancel P/Y Accounts Receivable/ Payable	Budgetary Expenditures	Balance June 30, 2012	
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Deferred Revenue
U.S. Department of Education Passed-Through State Department of Education:													
General Fund:													
Education Jobs Fund	84.410A	N/A	8/1/10-9/30/12	\$ 247,545	\$ (25,663)				\$ 57,273		\$ (31,610)		
Total General Fund									57,273		(31,610)		
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-4960-12	9/1/11-8/31/12	1,050,107				\$ 92,932	605,354		(827,594)	\$ (129,308)	
Part B, Basic - Carryover	84.027	IDEA-4960-11	9/1/10-8/31/12	1,071,784	(412,338)			(92,932)	634,720		(129,450)		
Part B, Basic - Carryover	84.027	IDEA-4960-10	9/1/09-8/31/11	934,575	(143,256)				143,256				
Part B, Basic - Carryover	84.027	IDEA-4960-08	9/1/07-8/31/09	911,377			\$ 2,805			\$ (2,805)			
ARRA - Part B, Basic	84.391	IDEA-4960-10	7/1/09-8/31/11	1,162,820	(217,320)				223,228		(5,908)		
ARRA - Part B, Preschool	84.392	IDEA-4960-10	7/1/09-8/31/11	42,085					5,140		(5,140)		
Part B, Preschool	84.173	IDEA-4960-12	9/1/11-8/31/12	32,619				5,847	17,977		(32,619)	(8,795)	
Part B, Preschool - Carryover	84.173	IDEA-4960-11	9/1/10-8/31/12	52,178	(3,280)			(5,847)	16,997		(7,870)		
Part B, Preschool - Carryover	84.173	IDEA-4960-09	9/1/08-8/31/10	25,230	(24,865)				24,865				
Part B, Preschool - Carryover	84.173	IDEA-4960-08	9/1/07-8/31/10	27,243			1,193			(1,193)			
Total Special Education Cluster					(801,059)		3,998	(92,932)	1,671,537	(3,998)	(1,008,581)	(138,103)	
No Child Left Behind (NCLB):													
Title II, Part A	84.367A	NCLB-4960-12	9/1/11-8/31/12	82,040							(64,583)	(64,583)	
Title II, Part A - Carryover	84.367A	NCLB-4960-11	9/1/10-8/31/12	72,195	(35,722)				53,353		(17,631)		
Title II, Part A - Carryover	84.367A	NCLB-4960-10	9/1/09-8/31/11	72,966			\$ 1				(1)		
Title II, Part A	84.367A	NCLB-4960-09	9/1/08-8/31/09	72,043	(2,255)					2,255			
Title III	84.365A	NCLB-4960-12	9/1/11-8/31/12	14,139							(4,266)	(4,266)	
Title III, Immigrant	84.365A	NCLB-4960-12	9/1/11-8/31/12	19,880							(8,205)	(8,205)	
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		(324)			
Title V - Part A	84.298A	NCLB-4960-08	9/1/07-8/31/08	6,383				234		(234)			
Perkins Vocational Education	84.048A	PERK-4960-12	7/1/11-6/30/12	49,485							(46,506)	(46,506)	
Perkins Vocational Education	84.048A	PERK-4960-11	7/1/10-6/30/11	39,100	(761)					761			
Perkins Vocational Education	84.048A	PERK-4960-10	7/1/09-6/30/10	44,940				2,952		(2,952)			
Perkins Vocational Education	84.048A	PERK-4960-08	7/1/07-6/30/08	47,236				189		(189)			
Total U.S. Department of Education/Special Revenue Fund					(840,837)	1	7,697	(92,932)	1,724,890	(3,516)	(1,149,773)	(261,663)	

SPARTA TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2011			Carryover/ (Walkover) Amount	Cash Received	Repayment Cancel P/Y Accounts Receivable/ Payable	Budgetary Expenditures	Balance June 30, 2012	
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Deferred Revenue
Enterprise Fund:													
U.S. Department of Agriculture													
Passed-through State Department of Education:													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/10-6/30/11	\$ 39,304		\$ 9,115					\$ (9,115)		
Food Distribution Program	10.555	N/A	7/1/11-6/30/12	49,800				\$ 49,800			(46,379)		\$ 3,421
National School Lunch Progr	10.555	N/A	7/1/11-6/30/12	80,313				76,663			(80,313)	\$ (3,650)	
National School Lunch Progr	10.555	N/A	7/1/10-6/30/11	66,830	\$ (3,244)			3,244					
School Breakfast Program	10.553	N/A	7/1/11-6/30/12	746				728			(746)	(18)	
School Breakfast Program	10.553	N/A	7/1/10-6/30/11	449	(25)			25					
Child Nutrition Cluster Subtotal					(3,269)	9,115		130,460			(136,553)	(3,668)	3,421
Total Enterprise Fund and U.S. Department of Agriculture					(844,106)	9,115		\$ (92,932)	130,460		(136,553)	(3,668)	3,421
Total Federal Awards					\$ (1,684,943)	\$ 9,116	\$ 7,697	\$ (185,864)	\$ 1,912,623	\$ (3,516)	\$ (1,317,936)	\$ (265,331)	\$ 3,421

N/A - Not Applicable

SPARTA TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2012		MEMO	
				Budgetary (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	\$ 918,605			\$ 837,742	\$ (918,605)				\$ (80,863)	\$ 918,605
Special Education Aid	12-495-034-5120-011	7/1/11-6/30/12	1,901,698			1,734,295	(1,901,698)				(167,403)	1,901,698
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	2,540,642			2,316,994	(2,540,642)				(223,648)	2,540,642
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	251,044			228,945	(251,044)				(22,099)	251,044
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	305,010				(305,010)		\$ (305,010)		(305,010)	305,010
Nonpublic Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	17,659				(17,659)		(17,659)		(17,659)	17,659
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/10-6/30/11	1,922,477			1,826,271	(1,922,477)		(96,206)		(96,206)	1,922,477
Special Education Aid	11-495-034-5120-011	7/1/10-6/30/11	1,901,698	\$ (169,749)		169,749						1,901,698
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	2,540,642	(226,783)		226,783						2,540,642
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	80,427	(7,179)		7,179						80,427
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	383,091	(383,091)		383,091						383,091
Nonpublic Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	12,918	(12,918)		12,918						12,918
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/11-6/30/12	1,764,463	(87,003)		87,003						1,764,463
Total General Fund State Aid				(886,723)		7,830,970	(7,857,135)		(418,875)		(912,888)	14,540,374
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Textbook Aid	12-100-034-5120-064	7/1/11 - 6/30/12	83,879			83,879	(82,955)			\$ 924		82,955
Textbook Aid	11-100-034-5120-064	7/1/10 - 6/30/11	98,845		\$ 1,849			\$ (1,849)				96,996
Textbook Aid	10-100-034-5120-064	7/1/09 - 6/30/10	114,576		48			(48)				114,528
Nursing Aid	12-100-034-5120-070	7/1/11 - 6/30/12	119,811			119,811	(119,811)					119,811
New Jersey Nonpublic Auxiliary Services:												
Compensatory Education	12-100-034-5120-067	7/1/11 - 6/30/12	94,677			94,677	(75,823)			18,854		75,823
Compensatory Education	11-100-034-5120-067	7/1/10 - 6/30/11	135,638		60,448			(60,448)				75,190
English as a Second Language	12-100-034-5120-067	7/1/11 - 6/30/12	12,758			862	(12,758)		(11,896)		(11,896)	12,758
English as a Second Language	11-100-034-5120-067	7/1/10 - 6/30/11	35,861		21,773			(21,773)				14,088
Home Instruction	12-100-034-5120-067	7/1/11 - 6/30/12	7,297				(7,297)		(7,297)		(7,297)	7,297
Home Instruction	11-100-034-5120-067	7/1/10 - 6/30/11	11,950	(11,950)		11,950						11,950

SPARTA TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2012		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
Special Revenue Fund: - Cont'd												
New Jersey Nonpublic Handicapped:												
Supplemental Instruction	12-100-034-5120-066	7/1/11 - 6/30/12	\$ 55,420			\$ 55,420	\$ (49,807)			\$ 5,613		\$ 49,807
Supplemental Instruction	11-100-034-5120-066	7/1/10 - 6/30/11	55,586		\$ 13,967			\$ (13,967)				41,619
Corrective Speech	12-100-034-5120-066	7/1/11 - 6/30/12	41,941			37,123	(41,941)		\$ (4,818)		\$ (4,818)	41,941
Corrective Speech	11-100-034-5120-066	7/1/10 - 6/30/11	50,929		16,899			(16,899)				34,030
Exam & Classification	12-100-034-5120-066	7/1/11 - 6/30/12	98,377			98,377	(98,377)					98,377
Exam & Classification	11-100-034-5120-066	7/1/10 - 6/30/11	132,517		73,014			(73,014)				59,503
Total Special Revenue Fund				\$ (11,950)	187,998	502,099	(488,769)	(187,998)	(24,011)	25,391	(24,011)	936,673
Debt Service Fund:												
Debt Service State Aid Support	12-100-034-5120-125	7/1/11-6/30/12	606,895			606,895	(606,895)					606,895
Total Debt Service Fund						606,895	(606,895)					606,895
Enterprise Fund:												
State Department of Agriculture:												
State School Lunch	11-100-010-3350-023	7/1/10-6/30/11	7,079	(373)		373						7,079
State School Lunch	12-100-010-3350-023	7/1/11-6/30/12	6,958			6,637	(6,958)		(321)		(321)	6,958
Total Enterprise Fund				(373)		7,010	(6,958)		(321)		(321)	14,037
Total State Awards				\$ (899,046)	\$ 187,998	\$ 8,946,974	\$ (8,959,757)	\$ (187,998)	\$ (443,207)	\$ 25,391	\$ (937,220)	\$16,097,979

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES 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, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Sparta Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$90,302) for the general fund and \$117,943 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$847,186 and \$1,703,064, respectively.

SPARTA TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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	\$ 31,610	\$ 10,317,083	\$ 10,348,693
Special Revenue Fund	1,231,964	490,022	1,721,986
Debt Service Fund		606,895	606,895
Food Service Fund	<u>136,553</u>	<u>6,958</u>	<u>143,511</u>
Total Awards	<u>\$ 1,400,127</u>	<u>\$ 11,420,958</u>	<u>\$ 12,821,085</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. 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, 2012. 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, 2012

Summary of Auditors' Results:

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

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 Part B Basic	84.027	9/1/11-8/31/12	\$1,050,107	\$ 827,594
IDEA Part B Basic - ARRA	84.391	7/1/09-8/31/11	1,162,820	7,236
IDEA Part B - Preschool - ARRA	84.392	7/1/09-8/31/11	42,085	5,140
IDEA Part B Basic - Carryover	84.027	9/1/10-8/31/12	1,071,784	148,471
IDEA Part B Preschool	84.173	9/1/11-8/31/12	32,619	32,619
IDEA Part B Preschool - Carryover	84.173	9/1/10-8/31/12	52,178	7,870

<u>State Program</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Special Education Aid	12-495-034-5120-011	7/1/11-6/30/12	\$1,901,698	\$1,901,698
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	2,540,642	2,540,642
Security Aid	12-495-034-5120-008	7/1/11-6/30/12	251,044	251,044
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	1,922,477	1,922,477
Debt Service Aid	12-100-034-5120-125	7/1/11-6/30/12	606,895	606,895

- The threshold for distinguishing Type A and Type B programs was \$300,000 for federal and 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, 2012
(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's Circular 04-04.

SPARTA TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

There were no prior year audit findings.