

**SUSSEX COUNTY CHARTER SCHOOL  
FOR TECHNOLOGY**

**Board of Trustees  
SUSSEX COUNTY CHARTER SCHOOL  
FOR TECHNOLOGY  
Sparta, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012**

**Comprehensive Annual  
Financial Report**

**of the**

**SUSSEX COUNTY CHARTER SCHOOL  
FOR TECHNOLOGY**

**Sparta, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by  
SUSSEX COUNTY CHARTER SCHOOL  
FOR TECHNOLOGY  
Finance Department**

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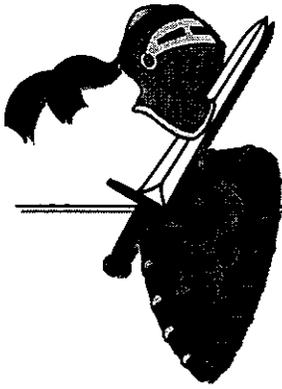
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INTRODUCTORY SECTION



# SUSSEX COUNTY

## CHARTER SCHOOL FOR TECHNOLOGY

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 Estrella M. Molinet, SBA/Board Secretary – [emolinet@sussexcharter.org](mailto:emolinet@sussexcharter.org)

October 6, 2012

The Honorable President and Members  
 of the Board of Trustees  
 Sussex County Charter School for Technology  
 Sparta, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Sussex County Charter School for Technology (the "Charter School") 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 Trustees (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 Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School'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 Charter School's organizational chart, roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the Charter School'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 Charter School, generally presented on a multi- year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

### 1) REPORTING ENTITY AND ITS SERVICES:

The Sussex County Charter School for Technology (School) is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. The Sussex County Charter School for Technology constitutes the Charter School's reporting entity.

The Honorable President and Members  
of the Board of Trustees  
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1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

The Charter School provides a full range of educational services appropriate to grade levels 6, 7 and 8. These services include enhancing the academic learning opportunities through the integrated use of available technologies. The program is structured around small class size, a dynamic and integrated curriculum which has been aligned with the New Jersey Core Curriculum Content Standards and the infusion of technology to stimulate student enthusiasm and interest in the learning process.

The Charter School completed the 2011-2012 fiscal year; its fourteenth year of operation, with an enrollment of 199.4 students.

The following table details the changes in the student enrollment of the Charter School over the last 5 years:

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2011-12	199.4	(0.45%)
2010-11	200.3	33.09%
2009-10	150.5	20.50%
2008-09	124.9	25.40%
2007-08	99.6	(0.40%)

2) ECONOMIC CONDITION AND OUTLOOK:

Enrollment remained our full 200 students in the 2011-12 school year which is consistent with the Charter School's enrollment expansion plan. Our final expansion phase will be in the upcoming year, when we add 25 more students to our 6<sup>th</sup> grade class for a total of 225 students, 75 students per grade level. We continue to monitor legislation in Trenton through the Charter Public School Association that would affect Charter funding – specifically facilities cost aid and health and pension reforms.

3) MAJOR INITIATIVES:

To stand out in the community, the Charter School must strive to provide a unique educational experience for students. To this end, differentiation of instruction continues to be a major priority at the Charter School. Changing pace, level, or kind of instruction provided to student in response to individual learning needs, styles, or interests is a major avenue of educational change. This instruction is both rigorous and challenging to motivate students to push themselves forward academically. Learning at the Charter School is relevant, in that it focuses on essential learning while still incorporating the new Common Core Standards. Instruction is both flexible and varied, which allows students, where appropriate to make choices about how they will learn and how they will demonstrate learning. Finally, differentiated instruction at the Charter School focuses on depth rather than breadth of knowledge, thus providing a higher quality of learning to the students.

The Charter School also continues to develop a reflective, school-wide portfolio culture based on eight key learning objectives essential to academic growth. The reflective portfolio system allows the Charter School to more fully integrate academic subjects, as well as more fully link these academic subjects with the technology emphasis of the School. Not only does this culture help to more fully integrate the curricula, it

The Honorable President and Members  
of the Board of Trustees  
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### 3) MAJOR INITIATIVES: (Cont'd)

facilitates ensuring curricula that addresses the life skills students need. Through the portfolio process, students come to understand that learning does not take place in isolated academic segments, but rather, true learning is integrated across all disciplines and throughout a lifetime.

In addition, the School has begun work with the Charter Foundation for the Arts and Sciences to develop three new initiatives to include in the 2012-13 curriculum: 1<sup>st</sup> Lego League is a competitive Robotics Program designed to get students excited about science and technology and teaches them valuable employment and life skills. Destination Imagination is an educational program where student teams solve open-ended challenges and present their solutions at tournaments. In working to solve these Challenges, students learn important life skills like time management, collaboration, conflict resolution, and creative and critical thinking. Finally, the Charter School plans to develop a talent identification and development plan which offers students opportunities to explore and gain understanding of their own interests, talents, and strengths and to empower and enable them to become creatively productive individuals in those areas.

*Caring Community*, an integrated character education initiative of the Charter School continues to support the emotional development of young adolescents as well as the development of leadership abilities. This initiative teaches responsibility and self-discipline, respect, citizenship, patience and fairness, honesty and trustworthiness, diligence, courage, cooperation and sportsmanship, integrity and dependability. Students learn to accept both the rights and responsibilities of citizenship in a democratic society and to develop the skills necessary to live safe, humane and productive lives in a democratic society.

Sussex Charter began work this year to integrate the new Common Core Standards into the School's curricula. These standards will help staff provide a clear understanding of what students are expected to learn. The standards are designed to be robust and relevant to the real world, reflecting the knowledge and skills that students will need for success in life.

Finally, the Board of Trustees and the staff successfully rewrote the staff Work Agreement and negotiated a three year contract for 2012 – 2015.

### 4) INTERNAL ACCOUNTING CONTROLS:

Management of the Charter School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Charter School 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 Charter School 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 Charter School's management.

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

The Honorable President and Members  
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Sussex County Charter School for Technology  
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#### 5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the General, Special Revenue and Debt Service Funds. 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 Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

#### 7) DEBT ADMINISTRATION:

At June 30, 2012, the Charter School had \$5,230,886 in outstanding mortgage loans payable which were obtained in order to purchase land and buildings for the Charter School's facilities. Principal payments on the loans were \$120,521 during the fiscal year. Other details about the Charter School's debt are included in Note 5 to the Basic Financial Statements.

#### 8) CASH MANAGEMENT:

The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The Charter School 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 Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of the Charter School's 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 was selected by the Board of Trustees at its organization meeting.

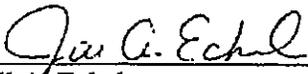
The Honorable President and Members  
of the Board of Trustees  
Sussex County Charter School for Technology  
Page 5  
October 6, 2012

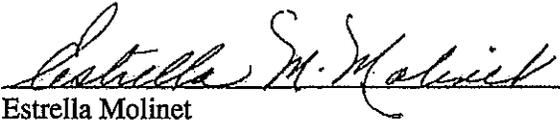
10) OTHER INFORMATION:

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

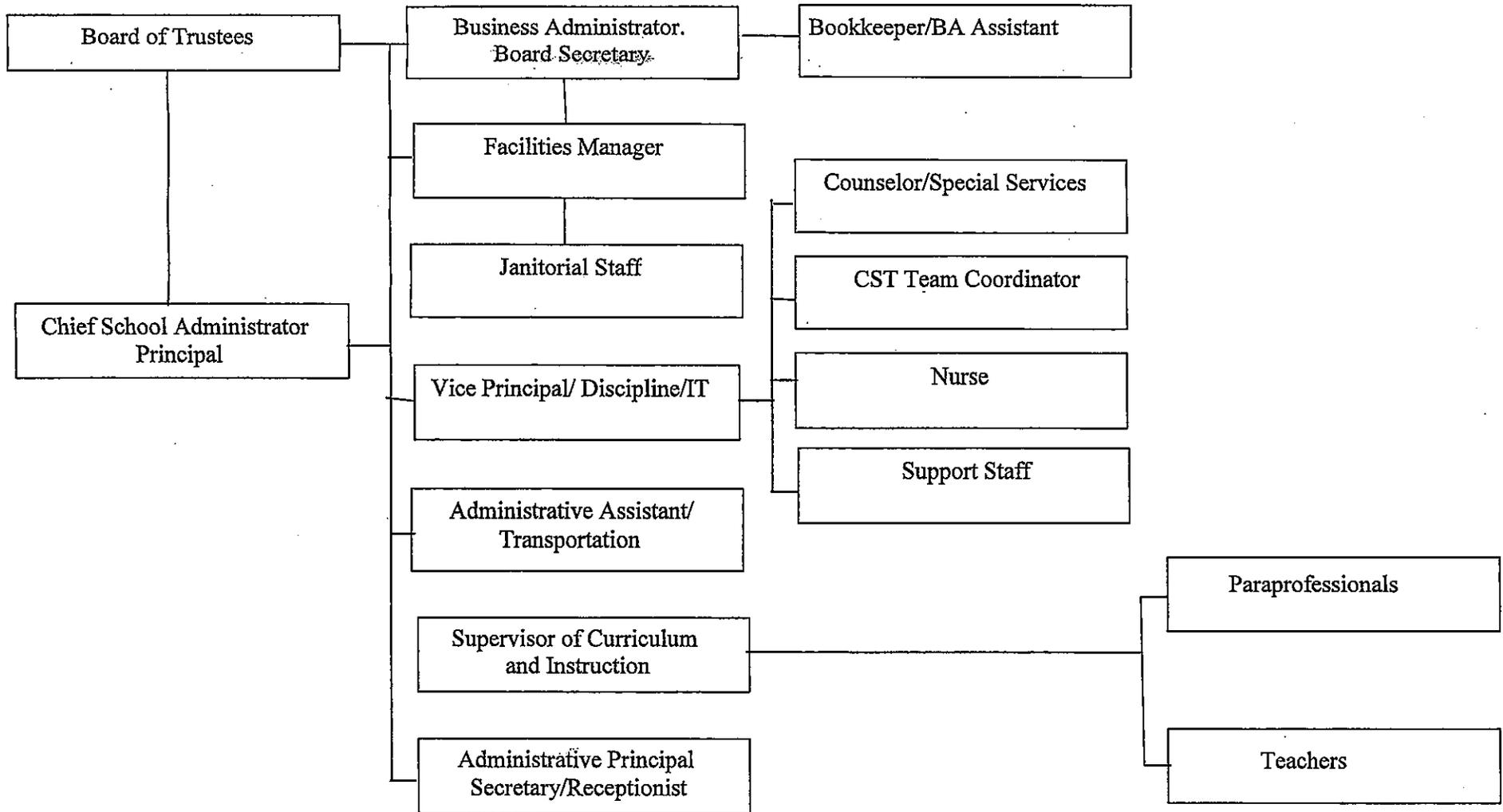
11) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Board of Trustees of the Sussex County Charter School for Technology for their concern in providing fiscal accountability to the citizens and participating districts of the Charter School 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.

  
\_\_\_\_\_  
Jill A. Eckel  
Administrative Principal

  
\_\_\_\_\_  
Estrella Molinet  
Business Administrator/Board Secretary

Organizational Chart For Sussex County Charter School for Technology



**SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
 ROSTER OF OFFICIALS  
 JUNE 30, 2012**

<u>Members of the Board of Trustees:</u>	<u>Expiration of Term</u>
Dr. Edwin Selby, President	2014
Charles Teufert, Vice President	2013
Wendie Blanchard	2013
Mary Rapuano	2014
Michael Nelms, Esq.	2015

<u>Other Officials</u>	<u>Title</u>
Jill E. Eckel	Administrative Principal
Estrella M. Molinet	Business Administrator/Board Secretary
Candace Leatham	Treasurer

**SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY**  
Consultants and Advisors

**Audit Firm**

**Nisivoccia, LLP**  
Mount Arlington Corporate Center  
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**Attorney**

**Weiner Lesniak LLP**  
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**Official Depository**

**PNC Bank**  
Two Tower Center Boulevard, 21<sup>st</sup> Floor  
East Brunswick, New Jersey 08816

FINANCIAL SECTION



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Lawrence Business Center  
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973-383-6699 | 973-383-6555 Fax

### Independent Auditors' Report

The Honorable President and Members  
of the Board of Trustees  
Sussex County Charter School for Technology  
Sparta, New Jersey

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sussex County Charter School for Technology as of and for the fiscal year ended June 30, 2012 which collectively comprise the Charter School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund and the aggregate remaining fund information of the Board of Trustees of the Sussex County Charter School for Technology as of June 30, 2012, and the respective changes in financial position, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2012 on our consideration of the Board of Trustees of the Sussex County Charter School for Technology'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 Trustees  
Sussex County Charter School for Technology  
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 Trustees of the Sussex County Charter School for Technology's financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor 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 Non-profit 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 nonmajor 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*

October 6, 2012  
Mount Arlington, New Jersey

NISIVOCCIA, LLP

*Kathryn L. Mantell*

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

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**Sussex County Charter School for Technology  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

This section of Sussex County Charter School for Technology’s annual financial report presents its discussion and analysis of the Charter School’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 Charter School’s financial statements, which immediately follow this section.

**Financial Highlights**

- Total Net Assets \$910,319 as of June 30, 2012.
- Overall revenue was \$2,964,181 for the current fiscal year.
- Overall expenses were \$2,678,032 for the current fiscal year.
- Mortgage loans to finance the School’s facilities were \$5,230,886 as of June 30,2012.

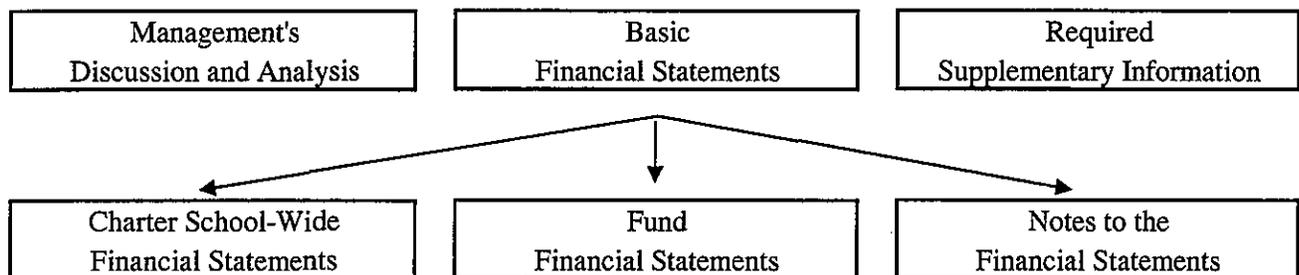
**Overview of the Financial Statements**

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 Charter School:

- The first two statements are *Charter School-wide financial statements* that provide both *short-term* and *long-term* information about the Charter School’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the School’s operations in *more* detail than the Charter School-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.
- The *proprietary funds statements* offer short- and long-term financial information about the activities the School operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the Charter School 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 Charter School’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Organization of the Sussex County Charter School for Technology's Financial Report**



**Sussex County Charter School for Technology  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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

**Figure A-2**

***Major Features of the Charter School-wide and Fund Financial Statements***

	Charter School-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: food services and other similar programs	Instances in which the School administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenue, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used 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

**Sussex County Charter School for Technology  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

***Charter School-wide Statements***

The Charter School-wide statements report information about the Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Charter School'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 Charter School-wide statements report the Charter School's *net assets* and how they have changed. Net assets – the difference between the Charter School's assets and liabilities – is one way to measure the Charter School's financial health or *position*.

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

In the Charter School-wide financial statements, the School's activities are in the following category:

- *Governmental activities*: Most of the Charter School'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.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Charter School's funds, focusing on its most significant or "major" funds – not the Charter School as a whole. Funds are accounting devices the School 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 Charter School 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 School has two kinds of funds:

- *Governmental funds*: Most of the Charter School'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 Charter School's programs. Because this information does not encompass the additional long-term focus of the Charter School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**Sussex County Charter School for Technology  
Management's Discussion and Analysis  
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(Unaudited)**

***Fund Financial Statements***

- *Fiduciary funds:* The Charter School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The Charter School 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 Charter School excludes these activities from the Charter School-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 Charter School-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 School as a Whole**

*Net Assets.* The Charter School's *combined* net assets were \$910,319 on June 30, 2012, \$286,149 or 45.84% more than they were the year before. (See Figure A-3).

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

	Governmental Activities		Percentage
	2012	2011	Change 2011-2012
Current/Other Assets	\$ 390,102	\$ 312,461	24.85%
Capital Assets	5,867,451	5,881,339	-0.24%
Total Assets	<u>6,257,553</u>	<u>6,193,800</u>	1.03%
Long-term Liabilities	5,340,611	5,495,996	-2.83%
Other Liabilities	6,623	73,634	-91.01%
Total Liabilities	<u>5,347,234</u>	<u>5,569,630</u>	-3.99%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	636,565	529,932	20.12%
Restricted for Other Purposes	60,010	10,000	500.10%
Unrestricted	<u>213,744</u>	<u>84,238</u>	153.74%
Total Net Assets	<u>\$ 910,319</u>	<u>\$ 624,170</u>	45.84%

*Changes in Net Assets.* The Charter School's net assets for governmental activities increased \$286,149 over the course of the year. Net assets invested in capital assets, net of related debt increased \$106,633 due to \$120,521 of retirement of long term liabilities related to capital assets, and additions of \$60,189 of capital assets offset by \$69,208 in current year depreciation and \$4,869 of capital asset deletions. Restricted net assets increased \$50,010 due to the deposit into and interest earned on the Maintenance Reserve Account. Unrestricted net assets increased \$129,506 primarily due to excess revenue and unexpended budget appropriations offset by fund balance used to support the 2011-2012 budget.

**Sussex County Charter School for Technology  
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(Unaudited)**

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

	Governmental Activities		Percentage Change 2011-2012
	2012	2011	
Revenue:			
Program Revenue:			
Operating Grants and Contributions	\$ 374,417	\$ 329,956	13.47%
General Revenue:			
Local Property Taxes - Charter School Aid	1,817,171	1,690,763	7.48%
Unrestricted Federal and State Aid	769,788	778,247	-1.09%
Other	2,805	485	478.35%
Total Revenue	<u>2,964,181</u>	<u>2,799,451</u>	5.88%
Expenses:			
Instruction	1,482,791	1,542,765	-3.89%
Administration and Business	945,648	914,720	3.38%
Other	249,593	135,380	84.36%
Total Expenses	<u>2,678,032</u>	<u>2,592,865</u>	3.28%
Increase/(Decrease) in Net Assets	<u>\$ 286,149</u>	<u>\$ 206,586</u>	38.51%

*Revenue Sources.* The Charter School's total revenue for the 2011-2012 school year was \$2,964,181. (See Figure A-5). Charter School Aid (Local and State) accounted for most of the Charter School's revenue (87.28%) (See Figure A-5). Another 12.63 percent came from state and federal aid for specific programs and the remaining .09% came from miscellaneous sources.

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

Sources of Income	2012	Percentage	2011	Percentage
Local Property Taxes - Charter School Aid	\$ 1,817,171	61.31%	\$ 1,690,763	60.39%
Unrestricted State Aid - Charter School Aid	769,788	25.97%	778,247	27.80%
Federal and State Categorical Grants	374,417	12.63%	329,956	11.79%
Other	2,805	0.09%	485	0.02%
	<u>\$ 2,964,181</u>	<u>100.00%</u>	<u>\$ 2,799,451</u>	<u>99.99%</u>

*Expenses.* The total cost of all programs and services was \$2,678,032. The Charter School's expenses are predominantly related to student instruction (55.37%). (See Figure A-6). The Charter School's administrative and business expenses accounted for 35.31% of total costs. The remaining 9.32% of expenses were related to interest on long-term debt.

**Sussex County Charter School for Technology  
Management's Discussion and Analysis  
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**Figure A-6  
Expenses for Fiscal Year 2012 and 2011**

Expense Category	2012	Percentage	2011	Percentage
Instruction	\$ 1,482,791	55.37%	\$ 1,542,765	59.50%
Administration and Business	945,648	35.31%	914,720	35.28%
Other	249,593	9.32%	135,380	5.22%
	<u>\$ 2,678,032</u>	<u>100.00%</u>	<u>\$ 2,592,865</u>	<u>100.00%</u>

***Governmental Activities***

The financial position of the Charter School improved significantly over the course of the year, primarily due to a \$90,727 net increase in capital assets and \$160,281 net increase in operations (excess revenue and unspent budget appropriations offset by surplus used to fund the current year budget). Through careful budgeting, the Charter School has managed to maintain programs. Careful management of expenses remains essential for the Charter School to sustain its financial health.

Figure A-7 presents the cost of three major Charter School activities: instruction, administration and business, 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):

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

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 1,482,791	\$ 1,542,765	\$ 1,176,455	\$ 1,255,779
Administration and Business	945,648	914,720	877,567	871,750
Other	249,593	135,380	249,593	135,380
Total	<u>\$ 2,678,032</u>	<u>\$ 2,592,865</u>	<u>\$ 2,303,615</u>	<u>\$ 2,262,909</u>

- The cost of all governmental activities this year was \$2,713,173.
- A significant portion - \$1,817,171 - of the Charter School's activities was financed through amounts raised by local school district tax levies and transferred to the Charter School in the form of Charter School Aid.
- The federal and state governments subsidized certain programs with \$374,417 in grants and contributions.
- A portion of the governmental activities was financed with \$769,788 in State Charter School Aid.

**Financial Analysis of the Charter School's Funds**

The financial position of the Charter School declined on a fund basis during the year. Faculty costs have increased slightly with the addition of new staff. Fringe benefit costs for all staff continue to increase.

**Sussex County Charter School for Technology  
Management's Discussion and Analysis  
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(Unaudited)**

**General Fund Budgetary Highlights**

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

**Capital Asset and Debt Administration**

*Capital Assets*

Capital assets of governmental activities decreased \$13,888 as a result of the acquisition of \$8,005 in buildings and building improvements associated with the School's new facilities and \$52,184 in equipment, offset by current year depreciation of \$69,208 and capital asset deletions of \$4,869. (More detailed information about the Charter School's capital assets is presented in the Notes to the Basic Financial Statements, Note 4.)

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

	<u>Governmental Activities</u>		Percentage Change 2011-2012
	2012	2011	
Sites (Land)	\$ 500,000	\$ 500,000	0.00%
Buildings and Building Improvements	5,028,656	5,075,110	-0.92%
Machinery and Equipment	<u>338,795</u>	<u>306,229</u>	10.63%
Total Capital Assets, Net of Depreciation	<u>\$ 5,867,451</u>	<u>\$ 5,881,339</u>	-0.24%

*Long-term Liabilities*

At year-end, the Charter School had \$5,230,886 in mortgage loans payable, \$62,103 in a Loan Brokering Agreement Payable and \$47,622 in compensated absences – as shown in Figure A-9. (More detailed information about the Charter School's long-term liabilities is presented in the Notes to the Basic Financial Statements, Note 5.)

**Figure A-9  
Outstanding Long-Term Liabilities**

	<u>Total School District</u>		Percentage Change 2011-2012
	2012	2011	
Mortgage Loans Payable	\$ 5,230,886	\$ 5,351,407	-2.25%
Loan Brokering Agreement Payable	62,103	81,338	-23.65%
Compensated Absences Payable	<u>47,622</u>	<u>63,251</u>	-24.71%
	<u>\$ 5,340,611</u>	<u>\$ 5,495,996</u>	-2.83%

- The Charter School retired \$104,615 of Mortgage Loans Payable, \$19,235 of the Loan Brokering Agreement Payable and \$15,629 of Compensated Absences Payable during the fiscal year.

**Sussex County Charter School for Technology  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Factors Bearing on the Charter School's Future**

At this time these financial statements were prepared and audited, the Sussex County Charter School for Technology was aware of existing circumstances that could significantly affect its financial health in the future:

- The completion of the School's expansion plan in 2012-13 school year raises the total student population to 225. This necessitates the new hire of at least 3 new teachers and two part-time paraprofessionals for the 2012-13 school year. Staff salaries have been set through 2015 with the new work agreement, but health benefits, possible pension law changes and the rising cost of special education program costs continue to be a significant factor in planning future budgets. Increased revenue will offset the additional expenses necessary to serve the additional students, but the School must be mindful about keeping the student body at maximum capacity.
- As our new campus was built with several older modular units, the School has created a maintenance reserve and will create a long range financial plan for the scheduled or emergency upkeep of the buildings and property.
- The School is also preparing to address the refinancing or accelerated payment of one of our mortgages in the future.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide the Charter School's citizens, taxpayers, customers and investors and creditors with a general overview of the School's finances and to demonstrate the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter School Office, 385 North Church Road, Sparta, New Jersey 07871.

**BASIC FINANCIAL STATEMENTS**

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

Exhibit A-1

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 264,225
Receivable from Local Governments	28,359
Receivable from State Government	10,172
Receivable from Federal Government	29,127
Other Accounts Receivable	1,071
Restricted Cash - Maintenance Reserve	60,010
Capital Assets:	
Site (Land)	500,000
Depreciable Buildings and Building Improvements and Machinery and Equipment, Net	<u>5,367,451</u>
Total Assets	<u>6,260,415</u>
<b>LIABILITIES</b>	
Accounts Payable - Vendors	6,623
Payable to State Government	2,862
Noncurrent Liabilities:	
Due Within One Year	147,494
Due Beyond One Year	<u>5,193,117</u>
Total Liabilities	<u>5,350,096</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	636,565
Restricted for:	
Other Purposes	60,010
Unrestricted	<u>213,744</u>
Total Net Assets	<u>\$ 910,319</u>

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

Exhibit A-2

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>  <u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Instruction:			
Regular	\$ 1,240,304	\$ 257,433	\$ (982,871)
Special Education	242,487	48,903	(193,584)
Support Services:			
General Administration Services	500,725	68,081	(432,644)
School Administration Services	444,923		(444,923)
Interest and Other Charges	249,593		(249,593)
<b>Total Governmental Activities</b>	<u>2,678,032</u>	<u>374,417</u>	<u>(2,303,615)</u>
<b>Total Primary Government</b>	<u>\$ 2,678,032</u>	<u>\$ 374,417</u>	<u>(2,303,615)</u>
<b>General Revenue:</b>			
Taxes:			
Local Property Taxes - Charter School Aid			1,817,171
Unrestricted Federal and State Aid			769,788
Investment Earnings			1,340
Miscellaneous Income			1,465
<b>Total General Revenue</b>			<u>2,589,764</u>
<b>Change in Net Assets</b>			286,149
<b>Net Assets - Beginning</b>			<u>624,170</u>
<b>Net Assets - Ending</b>			<u>\$ 910,319</u>

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

FUND FINANCIAL STATEMENTS

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGYBALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 264,225			\$ 264,225
Interfund Receivable:				
Special Revenue Fund	28,698			28,698
Intergovernmental Receivable:				
Local	28,359			28,359
Federal		\$ 29,127		29,127
State	10,172			10,172
Other Accounts Receivable	1,071			1,071
Restricted Cash Maintenance Reserve	60,010			60,010
<b>Total Assets</b>	<u>\$ 392,535</u>	<u>\$ 29,127</u>	<u>\$ - 0 -</u>	<u>\$ 421,662</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable - Vendors	\$ 6,194	\$ 429		\$ 6,623
Intergovernmental Payable - State	2,862			2,862
Interfund Payable - General Fund		28,698		28,698
<b>Total Liabilities</b>	<u>9,056</u>	<u>29,127</u>	<u>- 0 -</u>	<u>38,183</u>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Maintenance Reserve	60,010			60,010
<b>Assigned to:</b>				
Encumbrances	19,305			19,305
Mortgage Repayment	150,000			150,000
Unassigned	154,164			154,164
<b>Total Fund Balances</b>	<u>383,479</u>			<u>383,479</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 392,535</u>	<u>\$ 29,127</u>	<u>\$ - 0 -</u>	<u>\$ 421,662</u>

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

Total Fund Balances - Governmental Funds (Above)	\$ 383,479
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$6,107,796 and the accumulated depreciation is \$240,345.	5,867,451
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(5,340,611)
Net Assets of Governmental Activities	<u>\$ 910,319</u>

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

Exhibit B-2

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUE:</b>				
Local Sources:				
Charter School Aid	\$ 1,817,171			\$ 1,817,171
Interest	1,330			1,330
Interest - Maintenance Reserve	10			10
Miscellaneous	1,465			1,465
Total - Local Sources	1,819,976			1,819,976
State Sources	1,054,982			1,054,982
Federal Sources		\$ 89,223		89,223
Total Revenue	2,874,958	89,223		2,964,181
<b>EXPENDITURES:</b>				
Instruction:				
Regular Instruction	865,161			865,161
Special Education Instruction	153,264	89,223		242,487
Support Services and Undistributed Costs:				
General Administration Services	298,748			298,748
School Administration Services	460,552			460,552
Unallocated Benefits	539,993			539,993
Capital Outlay	42,474			42,474
Debt Service:				
Principal			\$ 120,521	120,521
Interest and Other Charges			249,593	249,593
Total Expenditures	2,360,192	89,223	370,114	2,819,529
Excess/(Deficiency) of Revenue over/(under)				
Expenditures	514,766		(370,114)	144,652
<b>OTHER FINANCING SOURCES/(USES):</b>				
Transfers	(370,114)		370,114	
Net Change in Fund Balances	144,652			144,652
Fund Balance—July 1	238,827			238,827
Fund Balance—June 30	\$ 383,479	\$ - 0 -	\$ - 0 -	\$ 383,479

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
RECONCILIATION OF THE STATEMENT OF REVENUE, 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) \$ 144,652

Amounts Reported for *Governmental Activities* in the *Statement of Activities* (Exhibit A-2) are Different Because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the *Statement of Activities*, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differs from depreciation and deletions in the current period.

Depreciation Expense	\$ (69,208)	
Capital Asset Deletions	(4,869)	
Capital Outlays	<u>60,189</u>	(13,888)

Repayment of Mortgage Loans 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*. 120,521

Payment of the Loan Brokering Agreement is an expenditure in the Governmental Funds, but the payment reduces Long-term Liabilities in the *Statement of Net Assets* and is not reported in the *Statement of Activities*. 19,235

In the *Statement of Activities*, certain operating expenses, e.g., compensated absences (vacations) 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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

	<u>15,629</u>
Change in Net Assets (from Exhibit A-2)	<u>\$ 286,149</u>

Exhibit B-4

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 30,231	\$ 35,919
Total Assets	<u>30,231</u>	<u>35,919</u>
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings	14,578	
Due to Student Groups	<u>15,653</u>	
Total Liabilities	<u>30,231</u>	<u>- 0 -</u>
<u>NET ASSETS:</u>		
Restricted for Unemployment Claims		<u>35,919</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 35,919</u>

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

Exhibit B-5

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employer	\$ 10,000
Employee	<u>2,626</u>
Total Contributions	<u>12,626</u>
Investment Earnings:	
Interest	<u>24</u>
Net Investment Earnings	<u>24</u>
Total Additions	<u>12,650</u>
Change in Net Assets	12,650
Net Assets—Beginning of the Year	<u>23,269</u>
Net Assets—End of the Year	<u><u>\$ 35,919</u></u>

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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 Trustees (the "Board") of the Sussex County Charter School for Technology (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. An Administrative Principal is appointed by the Board and is responsible for the administrative control of the Charter School.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and schools by the primary government. The exercise of 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 significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. The operations of the Charter School include the Charter School which is situated in the Township of 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 Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the Charter School's Governmental activities. These statements include the financial activities of the overall Charter School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Charter School'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 is self-financing or draws from the general revenues of the Charter School.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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 Charter School segregates transactions related to certain Charter School 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 Charter School'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 schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among school financial reporting models.

The Charter School reports the following Governmental Funds:

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

As required by NJDOE, the Charter School 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, school 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 or debt service funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

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 Charter School does not report any proprietary funds where the stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes the Payroll Agency, Student Activities and Unemployment Trust Fund.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

C. Measurement Focus and Basis of Accounting

The Charter School-Wide financial statements 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 Charter School gives or receives value without directly receiving or giving equal value in exchange, 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.

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 Charter School 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 general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the Charter School'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 Charter School'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 Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. 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 Charter 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 budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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(Continued)

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

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

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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 2,874,958	\$ 90,073
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(850)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 2,874,958</u>	<u>\$ 89,223</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 2,360,192	\$ 90,073
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.		(850)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,360,192</u>	<u>\$ 89,223</u>

E. Cash and Cash Equivalents and Investments:

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

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 Charter School 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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

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

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 Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds. 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.

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 of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the Charter School 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 Charter School 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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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:

During the Charter School's initial year of operation, a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. 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 Charter School does not possess any infrastructure. The Charter School has reviewed capital assets 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 Charter School-Wide statements are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 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 the Governmental Fund operations are accounted for as capital outlay expenditures in the Governmental Funds upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the Fund financial statements.

L. Long Term Liabilities:

In the Charter School-Wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in Governmental activities.

In the Charter School-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.

M. Accrued Salaries and Wages:

The Charter School does not allow employees, who provide services to the Charter School over the ten-month academic year, the option to have their salaries evenly disbursed during the entire twelve-month year. Therefore, there are no accrued salaries and wages for this purpose at June 30, 2012.

N. Compensated Absences:

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

Employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's policies and employee contracts. Upon separation, certain employees are paid for accrued vacation. Employees can also accumulate unused sick leave which will be paid, with certain limits, upon the employee's retirement or separation pursuant to the Charter School's policy or employee contracts.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (Continued)

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

N. Compensated Absences: (Cont'd)

In the Charter School-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 after one year.

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$383,479 General Fund balance at June 30, 2012, \$19,305 is assigned for encumbrances, \$150,000 is assigned for mortgage repayment, \$60,010 is restricted for a maintenance reserve, and \$154,164 is unassigned.

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 Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School'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.

R. Fund Balance Restrictions, Commitments and Assignments:

The Charter School 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 Charter School'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 Charter School'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 has been restricted, committed or assigned.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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

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

A fund balance restrictions has been established for a maintenance reserve.

The Charter School Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2012.

The assignment of resources is generally made by the Charter School Board of Trustees through a motion or a resolution passed by a majority of the Members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has assigned resources of \$19,305 for year-end encumbrances and \$150,000 for accelerated mortgage repayment at June 30, 2012.

S. Revenue - Exchange and Non-exchange 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 Charter School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Charter School 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 Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange 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. 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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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 (Continued)

**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and Charter School-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 Charter School 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 Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Charter School 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 Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

**Deposits:**

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.

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, and

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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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)

Investments:

New Jersey statutes permit the Charter School 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.

As of June 30, 2012, cash and cash equivalents and investments of the Charter School consisted of the following:

	Cash and Cash <u>Equivalents</u>
Checking & Savings Accounts	\$ <u>390,385</u>

During the period ended June 30, 2012, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents and investments at June 30, 2012, was \$390,385 and the bank balance was \$430,406.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 4. CAPITAL ASSETS

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

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 500,000			\$ 500,000
Total Capital Assets not Being Depreciated	500,000			500,000
Capital Assets Being Depreciated:				
Buildings and Building Improvements	5,176,651	\$ 8,005		5,184,656
Machinery and Equipment	375,825	52,184	\$ (4,869)	423,140
Total Capital Assets Being Depreciated	5,552,476	60,189	(4,869)	5,607,796
Governmental Activities Capital Assets	6,052,476	60,189	(4,869)	6,107,796
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(101,541)	(54,459)		(156,000)
Machinery and Equipment	(69,596)	(14,749)		(84,345)
Total Accumulated Depreciation	(171,137)	(69,208)		(240,345)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 5,881,339	\$ (9,019)	\$ (4,869)	\$ 5,867,451

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 53,596
General and School Administration Services	15,612
	<u>\$ 69,208</u>

NOTE 5. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the Charter School-Wide financial statements:

	Balance June 30, 2011	Accrued	Retired	Balance June 30, 2012
Mortgage Loans Payable	\$ 5,351,407		\$ 120,521	\$ 5,230,886
Loan Brokering Agreement	81,338		19,235	62,103
Compensated Absences Payable	63,251	\$ 1,040	16,669	47,622
	<u>\$ 5,495,996</u>	<u>\$ 1,040</u>	<u>\$ 156,425</u>	<u>\$ 5,340,611</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

A. Mortgage Loans Payable:

On December 27, 2010, the Charter School obtained four mortgage loans totaling \$5,424,787 for the acquisition of land and buildings for the School's new facilities. These loans will be liquidated through the General Fund (but are reflected for reporting purposes through the Debt Service Fund).

The details of the mortgage loans payable outstanding as of June 30, 2012 are as follows:

\$3,000,000 Sussex Bank Loan

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
6/30/2013	5.50%	\$ 61,881
6/30/2014	5.50%	65,422
6/30/2015	5.50%	69,164
6/30/2016	3.86%	80,380
6/30/2017	3.86%	84,236
6/30/2018	3.86%	103,705
6/30/2019	3.86%	99,484
6/30/2020	3.86%	103,201
6/30/2021	3.86%	107,560
6/30/2022	3.86%	111,846
6/30/2023	3.86%	116,302
6/30/2024	3.86%	120,738
6/30/2025	3.86%	125,748
6/30/2026	3.86%	130,758
6/30/2027	3.86%	135,968
6/30/2028	3.86%	141,245
6/30/2029	3.86%	147,014
6/30/2030	3.86%	152,872
6/30/2031	3.86%	158,963
6/30/2032	3.86%	165,223
6/30/2033	3.86%	171,881
6/30/2034	3.86%	178,729
6/30/2035	3.86%	185,851
6/30/2036	3.86%	95,682
		<u>2,913,853</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

A. Mortgage Loans Payable: (Cont'd)

\$1,870,000 USDA Loan

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
6/30/2013	3.75%	\$ 36,581
6/30/2014	3.75%	37,977
6/30/2015	3.75%	39,426
6/30/2016	3.75%	40,755
6/30/2017	3.75%	42,485
6/30/2018	3.75%	44,105
6/30/2019	3.75%	45,788
6/30/2020	3.75%	47,380
6/30/2021	3.75%	49,342
6/30/2022	3.75%	51,225
6/30/2023	3.75%	53,180
6/30/2024	3.75%	55,074
6/30/2025	3.75%	57,309
6/30/2026	3.75%	59,496
6/30/2027	3.75%	61,765
6/30/2028	3.75%	64,013
6/30/2029	3.75%	66,564
6/30/2030	3.75%	69,104
6/30/2031	3.75%	71,740
6/30/2032	3.75%	74,397
6/30/2033	3.75%	77,315
6/30/2034	3.75%	80,265
6/30/2035	3.75%	83,327
6/30/2036	3.75%	86,460
6/30/2037	3.75%	89,804
6/30/2038	3.75%	93,231
6/30/2039	3.75%	96,788
6/30/2040	3.75%	100,473
6/30/2041	3.75%	42,348
		<u>1,817,717</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

A. Mortgage Loans Payable: (Cont'd)

\$430,000 New Jersey Community Capital Loan

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
6/30/2013	8.00%	\$ 10,131
6/30/2014	8.00%	10,972
6/30/2015	8.00%	11,883
6/30/2016	8.00%	384,992
		<u>417,978</u>

\$125,000 READS Sparta, LLC Loan

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
6/30/2013	8.00%	\$ 19,235
6/30/2014	8.00%	19,666
6/30/2015	8.00%	21,298
6/30/2016	8.00%	21,139
		<u>81,338</u>

Total Mortgage Loans Payable

\$ 5,230,886

Principal and interest on the mortgage loans is as follows:

<u>Due Date</u>	<u>Loan Principal</u>	<u>Loan Interest</u>	<u>Total</u>
6/30/2013	\$ 127,828	\$ 267,255	\$ 395,083
6/30/2014	134,037	261,045	395,082
6/30/2015	141,771	253,312	395,083
6/30/2016	527,266	213,390	740,656
6/30/2017	126,721	170,968	297,689
6/30/18-6/30/22	763,636	724,808	1,488,444
6/30/23-6/30/27	916,338	572,106	1,488,444
6/30/28-6/30/32	1,111,135	377,309	1,488,444
6/30/33-6/30/37	1,049,314	148,783	1,198,097
6/30/38-6/30/41	332,840	31,595	364,435
	<u>\$ 5,230,886</u>	<u>\$ 3,020,571</u>	<u>\$ 8,251,457</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

B. Loan Brokering Agreement:

The Charter School entered a Loan Brokering Agreement with READS, LLC in the amount of \$125,000 for assistance in obtaining financing for the School's facilities. The remaining payments under the agreement are as follows:

<u>Due Date</u>	<u>Amount</u>
6/30/2013	\$ 25,000
6/30/2014	25,000
6/30/2015	<u>23,227</u>
Total Payments Due	73,227
Amount Representing Interest	<u>(11,124)</u>
Principal Amount Due	<u>\$ 62,103</u>

C. Compensated Absences:

The Charter School's compensated absences payable of its Governmental activities will be liquidated through the General Fund. There is no current portion payable; therefore, the entire balance of \$47,622 as of June 30, 2012 is included in the long-term portion of long-term liabilities.

NOTE 6. 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 Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding 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 of Public Laws 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$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 Charter School were \$68,635, \$62,090, and \$49,884 for 2012, 2011, and 2010, respectively.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 7. PENSION PLANS

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

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 credible service. Vesting occurs after 8 to 10 years of service.

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

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 contribution for PERS and TPAF went from 5.5% to 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District contributions to PERS amounted to \$18,870, \$14,945, and \$17,073 for the fiscal years ended June 30, 2012, 2011, and 2010, respectively.

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$34,143 to the TPAF for normal pension benefits on-behalf of the Charter School. During the fiscal years ended June 30, 2011 and 2010, the State of New Jersey made no contributions to the TPAF for normal pension benefits on-behalf of the Charter School.

NOTE 8. DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable Financial Companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 9. ECONOMIC DEPENDENCY

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 10. RISK MANAGEMENT

The Charter School 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 benefits coverage is provided through the State of New Jersey Health Benefits Program.

Property and Liability Insurance

The Charter School is a member of the New Jersey School Boards Association Insurance Group (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

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

The financial statements for the Group for the fiscal year ended June 30, 2012 was not available as of the date of this report.

Selected, summarized financial information for the Group as of June 30, 2011 is as follows:

	<u>NJ School Board's Association Insurance Group</u>
Total Assets	\$ 253,890,161
Net Assets	\$ 62,802,257
Total Revenue	\$ 83,993,678
Total Expenses	\$ 79,175,491
Change in Net Assets	\$ 4,818,187
Net Assets Distribution to Participating Members	\$ -0-

Financial statements for the Group are available at the Group's Executive Director's Office:

New Jersey School Boards Association Insurance Group  
450 Veterans Drive  
Burlington, NJ 08016  
(609) 386-6060  
www.njsbaig.org

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School 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 Charter School is billed quarterly for amounts due to the State. The following is a summary of the Charter School contributions, employees' contributions, interest earnings, reimbursements to the State for benefits paid and the ending balance of the Charter School's expendable trust fund for the current year and previous two years.

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 12,626	\$ 24		\$ 35,919
2010-2011	2,601	34		23,269
2009-2010	43,234	32	\$ 25,243	20,634

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 28,698	
Special Revenue Fund		\$ 28,698
	<u>\$ 28,698</u>	<u>\$ 28,698</u>

The interfund payable in the Special Revenue Fund is the amount of the cash deficit advanced from the General Fund while awaiting federal grant reimbursements.

NOTE 12. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by Board resolution. Those funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping the warranties valid, but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by Board resolution to meet the required maintenance of the Charter School by transferring unassigned General Fund balance or by transferring excess unassigned General Fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the Maintenance Reserve Account and appropriated into the required maintenance account lines at budget time or any time during the year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 12. MAINTENANCE RESERVE ACCOUNT (Cont'd)

plan. Funds withdrawn from the Maintenance Reserve Account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that Maintenance Reserve Account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of Maintenance Reserve Account funds withdrawn, shall be restored to the Maintenance Reserve Account at year-end.

At no time, shall the Maintenance Reserve Account have a balance that exceeds four percent of the replacement cost of the current year of the Charter School's facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget.

The Maintenance Reserve Account is maintained in the General Fund, and its activity is included in the General Fund annual budget. The activity of the Maintenance Reserve Account for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance at July 1, 2011		\$	10,000
Increased by:			
Deposit by Board Resolution June 12, 2012	\$		50,000
Interest Earned			10
			50,010
Ending Balance at June 30, 2012		\$	60,010

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School 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 Charter School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the Charter School.

Encumbrances

At June 30, 2012, there were encumbrances in the amount of \$19,305 and \$850 in the General and Special Revenue Funds, respectively.

In the District's Governmental Funds Balance Sheet as of June 30, 2012, no amount is assigned for encumbrances in the Special Revenue Fund since encumbrances are not recognized on the GAAP basis until they are paid. Actual encumbrances of \$850 on the budgetary basis are instead reflected as either a reduction of grants receivable or an increase in deferred revenue on the GAAP basis in the Special Revenue Fund.

BUDGETARY COMPARISON SCHEDULES

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2012

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 1,818,660		\$ 1,818,660	\$ 1,817,171	(1,489)
Interest				1,330	\$ 1,330
Interest on Maintenance Reserve				10	10
Miscellaneous				1,465	1,465
<b>Total - Local Sources</b>	<b>1,818,660</b>		<b>1,818,660</b>	<b>1,819,976</b>	<b>1,316</b>
State Sources:					
Special Education Aid - Charter School Aid	105,711		105,711	135,366	29,655
Security Aid	22,098		22,098	19,413	(2,685)
Non-Public Aid				88,281	88,281
Local Levy - Charter School Aid - State Share	617,622		617,622	615,009	(2,613)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				34,143	34,143
On-Behalf TPAF Post-Retirement Medical Benefits (Non-Budgeted)				68,635	68,635
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				94,135	94,135
<b>Total State Sources</b>	<b>745,431</b>		<b>745,431</b>	<b>1,054,982</b>	<b>309,551</b>
<b>Total Revenues</b>	<b>2,564,091</b>		<b>2,564,091</b>	<b>2,874,958</b>	<b>310,867</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	995,169	\$ (40,294)	954,875	952,102	2,773
Other Salaries for Instruction	46,098	(7,401)	38,697	36,825	1,872
Purchased Professional/Technical Services	1,100		1,100		1,100
General Supplies	50,183	(20,678)	29,505	29,478	27
Textbooks	1,000	(796)	204		204
Miscellaneous Expenses	1,500		1,500	20	1,480
<b>Total Instructional Expenditures</b>	<b>1,095,050</b>	<b>(69,169)</b>	<b>1,025,881</b>	<b>1,018,425</b>	<b>7,456</b>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2012

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>Administrative:</b>					
Salaries - Administration	\$ 158,218	\$ 40,367	\$ 198,585	\$ 198,218	\$ 367
Salaries of Secretarial and Clerical Assistants	77,402	(41,260)	36,142	35,768	374
Total Benefit Costs	333,617	13,874	347,491	343,080	4,411
Purchased Professional/Technical Services	22,100	3,408	25,508	23,709	1,799
Other Purchased Services	7,257	7,457	14,714	14,276	438
Communications	22,026	(1,060)	20,966	17,730	3,236
Supplies and Materials	2,985	(159)	2,826	2,228	598
Miscellaneous Expenses	7,737	(777)	6,960	6,819	141
<b>Total Administrative Expense</b>	<b>631,342</b>	<b>21,850</b>	<b>653,192</b>	<b>641,828</b>	<b>11,364</b>
<b>Support Services:</b>					
Salaries	244,243	49,160	293,403	288,605	4,798
Purchased Professional/Technical Services	45,500	(29,535)	15,965	12,608	3,357
Other Purchased Services	16,284	(3,116)	13,168	12,317	851
Insurance for Property, Liability and Fidelity	25,608	1,558	27,166	27,166	
Supplies and Materials	47,950	(30,683)	17,267	15,508	1,759
Transportation - Other than To/From School	20,000		20,000	15,976	4,024
Energy (Electricity)	48,000	(9,453)	38,547	38,153	394
Energy (Natural Gas)	20,000	(10,000)	10,000	9,752	248
Miscellaneous Expenses		44,333	44,333	40,467	3,866
<b>Total Support Services</b>	<b>467,585</b>	<b>12,264</b>	<b>479,849</b>	<b>460,552</b>	<b>19,297</b>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
On Behalf Contributions (Non-Budgeted):					
TPAF Pension Contribution				\$ 34,143	\$ (34,143)
TPAF Post-Retirement Medical Benefits				68,635	(68,635)
Reimbursed TPAF Social Security Contributions				94,135	(94,135)
<b>Total On-Behalf Contributions</b>				<b>196,913</b>	<b>(196,913)</b>
Capital Outlay:					
Equipment:					
Non Instructional		\$ 35,055	\$ 35,055	17,474	17,581
<b>Total Equipment</b>		<b>35,055</b>	<b>35,055</b>	<b>17,474</b>	<b>17,581</b>
Facilities Acquisition and Construction:					
Professional Technical Services	\$ 75,000		75,000		75,000
Lease Purchase Agreements - Principal	25,000		25,000		25,000
Miscellaneous	25,000		25,000	25,000	
<b>Total Facilities Acquisition and Construction</b>	<b>125,000</b>		<b>125,000</b>	<b>25,000</b>	<b>100,000</b>
<b>Total Capital Outlay</b>	<b>125,000</b>	<b>35,055</b>	<b>160,055</b>	<b>42,474</b>	<b>117,581</b>
<b>Total Expenditures</b>	<b>2,318,977</b>		<b>2,318,977</b>	<b>2,360,192</b>	<b>(41,215)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer to Debt Service Fund	(370,114)		(370,114)	(370,114)	
<b>Total Other Financing Sources (Uses)</b>	<b>(370,114)</b>		<b>(370,114)</b>	<b>(370,114)</b>	

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

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>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$ (125,000)	\$ - 0 -	\$ (125,000)	\$ 144,652	\$ 269,652
Fund Balance, July 1	<u>238,827</u>		<u>238,827</u>	<u>238,827</u>	
Fund Balance, June 30	<u>\$ 113,827</u>	<u>\$ - 0 -</u>	<u>\$ 113,827</u>	<u>\$ 383,479</u>	<u>\$ 269,652</u>
Recapitulation:					
Restricted for Maintenance Reserve				\$ 60,010	
Assigned to Year-end Encumbrances				19,305	
Assigned to Mortgage Repayment				150,000	
Unassigned Fund Balance				<u>154,164</u>	
Fund Balance per Governmental Funds Budgetary/(GAAP) Basis				<u>\$ 383,479</u>	

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE 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>
Revenue:					
Federal Sources	\$ 57,320	\$ 42,224	\$ 99,544	\$ 90,073	\$ (9,471)
Total Revenue	<u>57,320</u>	<u>42,224</u>	<u>99,544</u>	<u>90,073</u>	<u>(9,471)</u>
Expenditures:					
Instruction:					
Purchased Professional/Technical Services		2,000	2,000	2,000	
General Supplies	24,900	10,781	35,681	31,451	4,230
Total Instruction	<u>24,900</u>	<u>12,781</u>	<u>37,681</u>	<u>33,451</u>	<u>4,230</u>
Support Services:					
Purchased Professional/Educational Services	27,920	27,768	55,688	51,688	4,000
Purchased Property Services		148	148	148	
Other Purchased Services	3,500	1,527	5,027	3,786	1,241
Supplies and Materials	1,000		1,000	1,000	
Total Support Services	<u>32,420</u>	<u>29,443</u>	<u>61,863</u>	<u>56,622</u>	<u>5,241</u>
Total Expenditures	<u>57,320</u>	<u>42,224</u>	<u>99,544</u>	<u>90,073</u>	<u>9,471</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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" from the Budgetary Comparison Schedule	\$ 2,874,958	\$ 90,073
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(850)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,874,958	\$ 89,223
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 2,360,192	\$ 90,073
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.		(850)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,360,192	\$ 89,223

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. 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 budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>No Child Left Behind</u>					<u>Totals</u> <u>June 30, 2012</u>
	<u>Title I</u>	<u>Title I</u> <u>ARRA</u> <u>Carryover</u>	<u>Title II</u> <u>Part A</u>	<u>IDEA</u> <u>Part B</u> <u>Basic</u>	<u>REAP</u> <u>Grant</u>	
<b>REVENUE:</b>						
Federal Sources	\$ 14,339	\$ 136	\$ 2,546	\$ 49,753	\$ 23,299	\$ 90,073
<b>Total Revenue</b>	<u>14,339</u>	<u>136</u>	<u>2,546</u>	<u>49,753</u>	<u>23,299</u>	<u>90,073</u>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Purchased Professional/Technical Services	2,000					2,000
General Supplies	8,152				23,299	31,451
<b>Total Instruction</b>	<u>10,152</u>				<u>23,299</u>	<u>33,451</u>
<b>Support Services:</b>						
Purchased Professional/Educational Services	1,799	136		49,753		51,688
Purchased Property Services	148					148
Other Purchased Services (400-500 Series)	2,240		1,546			3,786
Supplies and Materials			1,000			1,000
<b>Total Support Services</b>	<u>4,187</u>	<u>136</u>	<u>2,546</u>	<u>49,753</u>		<u>56,622</u>
<b>Total Expenditures</b>	<u>\$ 14,339</u>	<u>\$ 136</u>	<u>\$ 2,546</u>	<u>\$ 49,753</u>	<u>\$ 23,299</u>	<u>\$ 90,073</u>

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS  
(NOT APPLICABLE)

FIDUCIARY FUNDS

Exhibit H-1

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Student Activities</u>	<u>Agency Payroll Agency</u>	<u>Total</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 15,653	\$ 14,578	\$ 30,231	\$ 35,919
Total Assets	<u>15,653</u>	<u>14,578</u>	<u>30,231</u>	<u>35,919</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings Due to Student Groups	15,653	14,578	14,578	
	<u>15,653</u>	<u>14,578</u>	<u>15,653</u>	
Total Liabilities	<u>15,653</u>	<u>14,578</u>	<u>30,231</u>	
<u>NET ASSETS:</u>				
Held in Trust for Unemployment Claims				<u>35,919</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 35,919</u>

## Exhibit H-2

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employer	\$ 10,000
Employee	2,626
Total Contributions	<u>12,626</u>
Investment Earnings:	
Interest	<u>24</u>
Net Investment Earnings	<u>24</u>
Total Additions	<u>12,650</u>
Change in Net Assets	12,650
Net Assets - Beginning of the Year	<u>23,269</u>
Net Assets - End of the Year	<u><u>\$ 35,919</u></u>

Exhibit H-3

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 9,813	\$ 80,288	\$ 74,448	\$ 15,653
Total Assets	<u>\$ 9,813</u>	<u>\$ 80,288</u>	<u>\$ 74,448</u>	<u>\$ 15,653</u>
 <b><u>LIABILITIES:</u></b>				
Liabilities:				
Due to Student Groups	\$ 9,813	\$ 80,288	\$ 74,448	\$ 15,653
Total Liabilities	<u>\$ 9,813</u>	<u>\$ 80,288</u>	<u>\$ 74,448</u>	<u>\$ 15,653</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Sussex County Charter School for Technology	<u>\$ 9,813</u>	<u>\$ 80,288</u>	<u>\$ 74,448</u>	<u>\$ 15,653</u>
	<u><u>\$ 9,813</u></u>	<u><u>\$ 80,288</u></u>	<u><u>\$ 74,448</u></u>	<u><u>\$ 15,653</u></u>

Exhibit H-5

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 11,517	\$ 1,665,718	\$ 1,662,657	\$ 14,578
Total Assets	<u>\$ 11,517</u>	<u>\$ 1,665,718</u>	<u>\$ 1,662,657</u>	<u>\$ 14,578</u>
 <b><u>LIABILITIES:</u></b>				
Payroll Deductions and Withholdings	\$ 11,517	\$ 1,665,718	1,662,657	\$ 14,578
Total Liabilities	<u>\$ 11,517</u>	<u>\$ 1,665,718</u>	<u>\$ 1,662,657</u>	<u>\$ 14,578</u>

LONG-TERM DEBT

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
LONG-TERM DEBT  
SCHEDULE OF MORTGAGE LOANS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Loan Payable		Int. Rate	Balance June 30, 2011	Matured	Balance June 30, 2012
			Date	Principal				
New Jersey Community Capital	12/27/10	\$ 430,000	06/30/13	\$ 10,131	8.00%	\$ 426,680	\$ 8,702	\$ 417,978
			06/30/14	10,972	8.00%			
			06/30/15	11,883	8.00%			
			06/30/16	384,992	8.00%			
READS Sparta, LLC	12/27/10	124,787	06/30/13	19,235	8.00%	100,000	18,662	81,338
			06/30/14	19,666	8.00%			
			06/30/15	21,298	8.00%			
			06/30/16	21,139	8.00%			
USDA Loan	12/27/10	1,870,000	06/30/13	\$ 36,581	3.75%	\$ 1,852,771	\$ 35,054	\$ 1,817,717
			06/30/14	37,977	3.75%			
			06/30/15	39,426	3.75%			
			06/30/16	40,755	3.75%			
			06/30/17	42,485	3.75%			
			06/30/18	44,105	3.75%			
			06/30/19	45,788	3.75%			
			06/30/20	47,380	3.75%			
			06/30/21	49,342	3.75%			
			06/30/22	51,225	3.75%			

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
LONG-TERM DEBT  
SCHEDULE OF MORTGAGE LOANS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Loan		Int. Rate	Balance June 30, 2011	Matured	Balance June 30, 2012
			Date	Principal				
USDA Loan	12/27/10	\$ 1,870,000	06/30/23	53,180	3.75%			
			06/30/24	55,074	3.75%			
			06/30/25	57,309	3.75%			
			06/30/26	59,496	3.75%			
			06/30/27	61,765	3.75%			
			06/30/28	64,013	3.75%			
			06/30/29	66,564	3.75%			
			06/30/30	69,104	3.75%			
			06/30/31	71,740	3.75%			
			06/30/32	74,397	3.75%			
			06/30/33	\$ 77,315	3.75%			
			06/30/34	80,265	3.75%			
			06/30/35	83,327	3.75%			
			06/30/36	86,460	3.75%			
			06/30/37	89,804	3.75%			
			06/30/38	93,231	3.75%			
			06/30/39	96,788	3.75%			
			06/30/40	100,473	3.75%			
			06/30/41	42,348	3.75%			

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
LONG-TERM DEBT  
SCHEDULE OF MORTGAGE LOANS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Loan Payable		Int. Rate	Balance June 30, 2011	Matured	Balance June 30, 2012
			Date	Principal				
Sussex Bank	12/27/2010	\$ 3,000,000	06/30/13	61,881	5.50%	\$ 2,971,956	\$ 58,103	\$ 2,913,853
			06/30/14	65,422	5.50%			
			06/30/15	69,164	5.50%			
			06/30/16	80,380	3.86%			
			06/30/17	84,236	3.86%			
			06/30/18	103,705	3.86%			
			06/30/19	99,484	3.86%			
			06/30/20	103,201	3.86%			
			06/30/21	107,560	3.86%			
			06/30/22	111,846	3.86%			
			06/30/23	116,302	3.86%			
			06/30/24	120,738	3.86%			
			06/30/25	125,748	3.86%			
			06/30/26	130,758	3.86%			
			06/30/27	135,968	3.86%			
			06/30/28	141,245	3.86%			
			06/30/29	147,014	3.86%			
			06/30/30	152,872	3.86%			
			06/30/31	158,963	3.86%			
			06/30/32	165,223	3.86%			
06/30/33	171,881	3.86%						

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
LONG-TERM DEBT  
SCHEDULE OF MORTGAGE LOANS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Loan Payable		Int. Rate	Balance June 30, 2011	Matured	Balance June 30, 2012
			Date	Principal				
Sussex Bank	12/27/2010	\$ 3,000,000	06/30/34	\$ 178,729	3.86%			
			06/30/35	185,851	3.86%			
			06/30/36	95,682	3.86%			
						<u>\$ 5,351,407</u>	<u>\$ 120,521</u>	<u>\$ 5,230,886</u>

Exhibit I-2

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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>
EXPENDITURES:					
Regular Debt Service:					
Interest	\$ 269,927	\$ (20,334)	\$ 249,593	\$ 249,593	
Redemption of Principal	100,187	20,334	120,521	120,521	
Total Regular Debt Service	<u>370,114</u>		<u>370,114</u>	<u>370,114</u>	
Total Expenditures	<u>370,114</u>		<u>370,114</u>	<u>370,114</u>	
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(370,114)</u>		<u>(370,114)</u>	<u>(370,114)</u>	
Other Financing Sources:					
Operating Transfer In	<u>370,114</u>		<u>370,114</u>	<u>370,114</u>	
Total Other Financing Sources	<u>370,114</u>		<u>370,114</u>	<u>370,114</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	\$ - 0 -	- 0 -	- 0 -	- 0 -	\$ - 0 -
Fund Balance, July 1	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Fund Balance, June 30	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.</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 School implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2006.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS  
 (UNAUDITED)  
 (Accrual Basis of Accounting)

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:							
Invested in Capital Assets, Net of Related Debt	\$ 23,419	\$ 24,017	\$ 33,291	\$ 33,369	\$ 33,325	\$ 529,932	\$ 636,565
Restricted	4,250			294,399	390,387	10,000	60,010
Unrestricted	267,219	271,440	230,187	26,997	51,507	84,238	213,744
Total Governmental Activities Net Assets	<u>\$ 294,888</u>	<u>\$ 295,457</u>	<u>\$ 263,478</u>	<u>\$ 354,765</u>	<u>\$ 475,219</u>	<u>\$ 624,170</u>	<u>\$ 910,319</u>

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

Source: Sussex County Charter School for Technology Financial Reports.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
(UNAUDITED)  
*(Accrual Basis of Accounting)*

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
Expenses:							
Governmental Activities:							
Instruction:							
Regular	\$ 455,414	\$ 758,928	\$ 911,644	\$ 1,211,350	\$ 1,447,747	\$ 1,249,043	\$ 1,240,304
Special Education		18,549	19,633	19,486	31,463	293,722	242,487
Support Services:							
General Administration Services	284,954	259,015	193,948	257,667	310,835	467,923	500,725
School Administration Services	273,741	173,088	233,335	263,336	302,178	446,797	444,923
Interest on Long-Term Debt						135,380	249,593
Total Governmental Activities Expenses	<u>1,014,109</u>	<u>1,209,580</u>	<u>1,358,560</u>	<u>1,751,839</u>	<u>2,092,223</u>	<u>2,592,865</u>	<u>2,678,032</u>
Total Charter School-Wide Expenses	<u>1,014,109</u>	<u>1,209,580</u>	<u>1,358,560</u>	<u>1,751,839</u>	<u>2,092,223</u>	<u>2,592,865</u>	<u>2,678,032</u>
Program Revenues:							
Governmental Activities:							
Operating Grants and Contributions	268,548	203,838	246,568	205,607	287,165	329,956	374,417
Total Governmental Activities Program Revenues	<u>268,548</u>	<u>203,838</u>	<u>246,568</u>	<u>205,607</u>	<u>287,165</u>	<u>329,956</u>	<u>374,417</u>
Total Charter School-Wide Program Revenues	<u>268,548</u>	<u>203,838</u>	<u>246,568</u>	<u>205,607</u>	<u>287,165</u>	<u>329,956</u>	<u>374,417</u>
Net (Expenses)/Revenues							
Governmental Activities	<u>(745,561)</u>	<u>(1,005,742)</u>	<u>(1,111,992)</u>	<u>(1,546,232)</u>	<u>(1,805,058)</u>	<u>(2,262,909)</u>	<u>(2,303,615)</u>
Total Charter School-Wide Net (Expenses)/Revenues	<u>(745,561)</u>	<u>(1,005,742)</u>	<u>(1,111,992)</u>	<u>(1,546,232)</u>	<u>(1,805,058)</u>	<u>(2,262,909)</u>	<u>(2,303,615)</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Local Property Taxes - Charter School Aid	\$ 594,484	\$ 649,812	\$ 660,244	\$ 1,146,671	\$ 1,316,539	\$ 1,690,763	\$ 1,817,171
Unrestricted Federal and State Aid	239,385	349,526	401,478	487,908	604,182	778,247	769,788
Investment Earnings	5,143	5,556	7,279	2,852	1,045	485	1,340
Miscellaneous Income	3,752	1,417	11,012	88	3,746		1,465
Total Governmental Activities General Revenues & Other Changes	<u>842,764</u>	<u>1,006,311</u>	<u>1,080,013</u>	<u>1,637,519</u>	<u>1,925,512</u>	<u>2,469,495</u>	<u>2,589,764</u>
Total Charter School-Wide General Revenues and Other Changes in Net Assets	<u>842,764</u>	<u>1,006,311</u>	<u>1,080,013</u>	<u>1,637,519</u>	<u>1,925,512</u>	<u>2,469,495</u>	<u>2,589,764</u>
Change in Net Assets:							
Governmental Activities	<u>97,203</u>	<u>569</u>	<u>(31,979)</u>	<u>91,287</u>	<u>120,454</u>	<u>206,586</u>	<u>286,149</u>
Total Charter School-Wide Change in Net Assets	<u>\$ 97,203</u>	<u>\$ 569</u>	<u>\$ (31,979)</u>	<u>\$ 91,287</u>	<u>\$ 120,454</u>	<u>\$ 206,586</u>	<u>\$ 286,149</u>

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

Source: Sussex County Charter School for Technology Financial Reports.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS  
 (UNAUDITED)  
 (Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
General Fund:							
Reserved	\$ 4,250			\$ 294,399	\$ 390,387		
Unreserved	301,432	\$ 310,397	\$ 267,230	71,698	104,601		
Restricted						\$ 10,000	\$ 60,010
Assigned						75,000	169,305
Unassigned						153,827	154,164
Total General Fund	305,682	310,397	267,230	366,097	494,988	238,827	383,479
Total Governmental Funds	\$ 305,682	\$ 310,397	\$ 267,230	\$ 366,097	\$ 494,988	\$ 238,827	\$ 383,479

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

Source: Sussex County Charter School for Technology Financial Reports.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST SEVEN FISCAL YEARS

(UNAUDITED)

*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>							
Tax Levy	\$ 594,484	\$ 649,812	\$ 660,244	\$ 1,146,671	\$ 1,316,539	\$ 1,690,763	\$ 1,817,171
Miscellaneous	8,895	6,973	18,291	2,940	4,791	485	2,805
State Sources	429,247	491,633	587,969	650,625	827,066	1,024,359	1,054,982
Federal Sources	78,687	61,731	60,077	42,890	64,281	83,844	89,223
<b>Total Revenue</b>	<b>1,111,313</b>	<b>1,210,149</b>	<b>1,326,581</b>	<b>1,843,126</b>	<b>2,212,677</b>	<b>2,799,451</b>	<b>2,964,181</b>
<b>Expenditures:</b>							
<b>Instruction:</b>							
Regular Instruction	465,029	611,355	716,076	893,600	1,107,666	845,525	865,161
Special Education Instruction		17,530	19,633	19,486	31,463	293,722	242,487
<b>Support Services:</b>							
General Administration Services	321,610	328,550	161,578	175,933	200,637	313,396	298,748
School Administration Services	231,732	168,344	235,249	255,678	293,785	436,640	460,552
Unallocated Benefits		79,655	237,212	328,694	450,235	444,925	539,993
Capital Outlay				70,868		536,347	42,474
<b>Debt Service:</b>							
Principal						49,677	120,521
Interest and Other Charges						135,380	249,593
<b>Total Expenditures</b>	<b>1,018,371</b>	<b>1,205,434</b>	<b>1,369,748</b>	<b>1,744,259</b>	<b>2,083,786</b>	<b>3,055,612</b>	<b>2,819,529</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>92,942</b>	<b>4,715</b>	<b>(43,167)</b>	<b>98,867</b>	<b>128,891</b>	<b>(256,161)</b>	<b>144,652</b>
<b>Net Change In Fund Balances</b>	<b>\$ 92,942</b>	<b>\$ 4,715</b>	<b>\$ (43,167)</b>	<b>\$ 98,867</b>	<b>\$ 128,891</b>	<b>\$ (256,161)</b>	<b>\$ 144,652</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>7.35%</b>	<b>13.33%</b>

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

Source: Sussex County Charter School for Technology Financial Reports.

## Exhibit J-5

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
(UNAUDITED)  
*(Modified Accrual Basis of Accounting)*

Fiscal Year Ended June 30,	Interest on Investments	Local Levy - Charter School Aid	Other	Total
2003	\$ 662	\$ 378,545	\$ 5,295	\$ 384,502
2004	1,498	507,577	3,159	512,234
2005	3,178	565,666	18	568,862
2006	5,144	594,484	2,131	601,759
2007	5,556	649,812	1,417	656,785
2008	7,279	660,244	11,012	678,535
2009	2,852	1,146,671	88	1,149,611
2010	1,045	1,326,434	3,746	1,331,225
2011	485	1,690,763		1,691,248
2012	1,340	1,817,171	1,465	1,819,976

Source: Sussex County Charter School for Technology Financial Reports.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS  
(UNAUDITED)

Year	Sussex County Population <sup>a</sup>	Sussex County Per Capita Personal Income <sup>b</sup>	Sussex County Personal Income <sup>c</sup>	Sussex County Unemployment Rate <sup>d</sup>
2003	149,553	\$ 39,336	\$ 5,882,816,808	3.80%
2004	150,360	40,819	6,137,544,840	3.80%
2005	150,764	42,450	6,399,931,800	3.80%
2006	151,250	45,448	6,874,010,000	4.10%
2007	151,632	47,873	7,259,078,736	4.10%
2008	151,431	48,828	7,394,072,868	3.90%
2009	151,118	47,497	7,177,651,646	3.90%
2010	149,198	49,207	7,341,585,986	8.70%
2011	148,517	49,207	7,308,076,019	9.30%
2012	148,517 *	49,207 *	7,308,076,019 *	N/A

N/A - Information is not available.

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

Sources:

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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	2.63%	Selective Insurance	954	1.24%
Newton Memorial Hospital	1,200	1.58%	Andover Subacute and Rehab Center	900	1.17%
Selective Insurance	900	1.18%	County of Sussex	800	1.04%
County of Sussex	830	1.09%	Mountain Creek Resort	800	1.04%
Mountain Creek Resort	800	1.05%	Newton Memorial Hospital	757	0.98%
Shop Rite (Ronetco)	445	0.58%	Vernon Board of Education	629	0.81%
Andover Subacute and Rehab Center	301	0.40%	F.O. Phoenix, Inc.	600	0.78%
Sussex County Community College	300	0.39%	Hopatcong Board of Education	450	0.58%
SCARC, Inc.	300	0.39%	Walmart	380	0.49%
Raider Express	287	0.38%	Saint Claire's Hospital	300	0.39%
			Sparta Board of Education	300	0.39%
			Ames Rubber Corp.	300	0.39%
			SCARC, Inc.	296	0.38%
	<u>7,363</u>	<u>9.68%</u>		<u>7,466</u>	<u>9.67%</u>
Total Employment - Sussex County	<u>76,076</u>		Total Employment - Sussex County	<u>77,178</u>	

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

## Exhibit J-16

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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>
<b>Instruction:</b>							
Regular	12.0	12.0	14.0	14.0	18.0	18.0	18.0
Other Instruction						2.0	2.5
<b>Support Services:</b>							
General Administration Services	3.0	3.0	3.0	3.0	3.5	3.5	3.5
School Administration Services						2.0	2.0
Central Services	1.0	2.0	2.0	2.0	2.0	1.5	1.5
Administrative Information Technology						1.0	2.0
Plant Operations and Maintenance						2.0	2.0
<b>Total</b>	<u>16.0</u>	<u>17.0</u>	<u>19.0</u>	<u>19.0</u>	<u>23.5</u>	<u>30.0</u>	<u>31.5</u>

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

Source: Sussex County Charter School for Technology Business Office.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil<sup>b</sup></u>	<u>Percent Change</u>	<u>Teaching Staff<sup>c</sup></u>	<u>Pupil/Teacher Ratio Middle</u>	<u>Average Daily Enrollment (ADE)<sup>d</sup></u>	<u>Average Daily Attendance (ADA)<sup>d</sup></u>	<u>% Change Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2003	94.0	\$ 745,225	\$ 7,928	-23.31%	8.0	9.4	80.8	77.7	0.12%	96.16%
2004	96.0	741,900	7,728	-2.52%	8.0	9.6	93.8	88.6	16.09%	94.46%
2005	98.0	880,850	8,988	16.31%	12.0	12.0	99.2	93.7	5.76%	94.46%
2006	98.0	1,018,371	10,392	6.23%	12.0	12.0	98.4	93.1	-0.81%	94.61%
2007	100.0	1,205,434	12,054	16.00%	12.0	8.3	100.0	95.0	1.63%	95.00%
2008	99.6	1,369,748	13,752	14.09%	14.0	14.0	99.6	94.3	-0.40%	94.68%
2009	125.0	1,673,391	13,387	-2.66%	14.0	8.9	124.9	119.0	25.40%	95.28%
2010	150.0	2,083,786	13,892	3.77%	18.0	8.3	150.5	142.4	20.50%	94.62%
2011	200.0	2,334,208	11,671	-15.99%	20.0	10.0	200.3	190.1	33.09%	94.91%
2012	200.0	2,406,941	12,035	3.12%	18.0	9.0	199.4	182.7	-0.45%	91.62%

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

- <sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.
- <sup>b</sup> Cost per pupil is calculated based upon enrollment and operating expenditures presented and may not be the same as other cost per pupil calculations.
- <sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.
- <sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Sussex County Charter School for Technology Business Office.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
SCHOOL BUILDING INFORMATION  
LAST TEN YEARS  
(UNAUDITED)

<u>District Building</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Sussex County Charter School (2011)</u>										
Square Feet	N/A	20,000	20,000							
Capacity (Students)	N/A	200	200							
Enrollment	94	96	98	98	100	99	125	150	200	200

Number of Schools at June 30, 2012:

    Other = 1

N/A - The Charter School did not own its facilities until 2011.

Note: Year of original construction is shown in parenthesis. Enrollment is based on the annual October District count.

Source: Sussex County Charter School for Technology Business Office.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Undistributed Expenditures - Required Maintenance for School Facilities\*  
(Account #11-000-261-XXX)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Sussex County</u> <u>Charter School</u> <u>for Technology</u>	<u>Total</u> <u>School</u> <u>Facilities</u>
2003	\$ - 0 -	\$ - 0 -
2004	- 0 -	- 0 -
2005	- 0 -	- 0 -
2006	- 0 -	- 0 -
2007	- 0 -	- 0 -
2008	- 0 -	- 0 -
2009	- 0 -	- 0 -
2010	- 0 -	- 0 -
2011	1,600	1,600
2012	4,377	4,377

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
INSURANCE SCHEDULE  
JUNE 30, 2012  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG:		
Blanket Building and Contents:		
Each Occurrence	\$ 106,900	\$ 1,000
Blanket Hardware and Software:		
Each Occurrence	86,520	1,000
Boiler and Machinery:		
Each Occurrence	100,000,000	1,000
Crime/Faithful Performance:		
Each Occurrence	100,000	500
Comprehensive General Liability:		
Each Occurrence	6,000,000	
Comprehensive Automobile Liability:		
Combined single limit (each accident)	1,000,000	
Employee Benefits Liability:		
Each Occurrence	6,000,000	1,000
Environmental Liability:		
Each Occurrence	1,000,000	10,000
School Board Legal Liability:		
Each Occurrence	1,000,000	5,000
Workers Compensation:		
Each Occurrence	2,000,000	
Student Accident:		
Each Occurrence	1,000,000	
Public Official Bond - Selective Insurance Company of America:		
School Business Administrator	125,000	
Treasurer	125,000	

Source: Sussex County Charter School for Technology Business Office.

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 Trustees  
 Sussex County Charter School for Technology  
 Sparta, New Jersey

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Sussex County Charter School for Technology in the County of Sussex (the "Charter School") as of, and for the fiscal year ended, June 30, 2012, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated October 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School'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 Charter School's financial statements will not be prevented, or detected and corrected on a timely basis.

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

The Honorable President and Members  
of the Board of Trustees  
Sussex County Charter School for Technology  
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.

This report is intended solely for the information and use of management, the members of the Board of Trustees, 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*

October 6, 2012  
Mount Arlington, New Jersey

NISIVOCCIA, LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
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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 Trustees  
Sussex County Charter School for Technology  
Sparta, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the Sussex County Charter School for Technology in the County of Sussex (the "Charter School") 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 its major state program for the fiscal year ended June 30, 2012. The Charter School's major state program is 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 its major state program is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School'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; New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards, Federal 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 state program occurred. An audit includes examining, on a test basis, evidence about the Charter School'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 of the Charter School's compliance with those requirements.

In our opinion, the Charter School complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2012.

The Honorable President and Members  
of the Board of Trustees  
Sussex County Charter School for Technology  
Page 2

Internal Control Over Compliance

The management of the Charter School 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 Charter School's internal control over compliance with requirements that could have a direct and material effect on a major 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 Charter School'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 Trustees, 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

October 6, 2012  
Mount Arlington, New Jersey

*Kathryn L. Mantell*

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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, June 30, 2011			Cash Received	Budgetary Expenditures	Balance, June 30, 2012					
					Budgetary					Deferred Revenue	Accounts Receivable	Due to Grantor	Budgetary		
					Deferred Revenue	Accounts Receivable	Due to Grantor						Deferred Revenue	Accounts Receivable	Due to Grantor
<b>Special Revenue Fund:</b>															
US Department of Education Passed-through State of New Jersey Department of Education Special Education Cluster:															
IDEA- B, Basic	84.027	IDEA7850-11	9/1/10-8/31/11	\$ 26,965		\$ (838)		\$ 838							
IDEA- B, Basic	84.027	IDEA7850-12	9/1/11-8/31/12	49,753				34,375	\$ 49,753		\$ (15,378)				
IDEA- B, Basic - ARRA	84.391	IDEA7850-10	7/1/09-8/31/11	27,509		(12,484)		12,484							
<b>Total Special Education Cluster</b>						<b>(13,322)</b>		<b>47,697</b>	<b>49,753</b>		<b>(15,378)</b>				
<b>No Child Left Behind:</b>															
Title I - Part A	84.010A	NCLB7850-12	9/1/11-8/31/12	19,382				1,663	14,339		(12,676)				
Title I - Part A	84.010A	NCLB7850-11	9/1/10-8/31/11	13,983		(10,796)		10,753			(43)				
Title I - Part A - ARRA	84.389	NCLB7850-10	7/1/09-8/31/11	2,720				136	136						
Title II - Part A	84.367A	NCLB7850-12	9/1/11-8/31/12	2,723				1,095	2,546		(1,451)				
Title II - Part A	84.367A	NCLB7850-11	9/1/10-8/31/11	3,114		(386)		386							
Rural Education (REAP)	84.358B	S358A083261	9/1/10-8/31/11	23,419		(4,617)		4,617							
Rural Education (REAP)	84.358B	S358A083261	9/1/11-8/31/12	23,299				22,870	23,299		(429)				
<b>Total U.S. Department of Education</b>						<b>(29,121)</b>		<b>89,217</b>	<b>90,073</b>		<b>(29,977)</b>				
<b>Total Federal Awards</b>						<b>\$ - 0 -</b>	<b>\$ (29,121)</b>	<b>\$ - 0 -</b>	<b>\$ 89,217</b>	<b>\$ 90,073</b>	<b>\$ - 0 -</b>	<b>\$ (29,977)</b>	<b>\$ - 0 -</b>		

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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	June 30, 2011			Cash Received	Budgetary Expenditures	June 30, 2012			MEMO		
				Deferred Revenue	(Accounts Receivable)	Due to Grantor			Deferred Revenue	GAAP Receivable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:														
General Fund:														
"Local Levy" State Share -														
Charter School Aid	11-495-034-5068-003	7/01/10-6/30/11	\$ 651,799		\$ (42,014)		\$ 42,014						\$ 651,799	
Charter School Aid	12-495-034-5068-003	7/01/11-6/30/12	615,023				615,023	\$ 615,009			\$ 14		615,009	
Special Education Aid	11-495-034-5120-011	7/01/10-6/30/11	106,360		(2,025)		2,025						106,360	
Special Education Aid	12-495-034-5120-011	7/01/11-6/30/12	135,366				129,874	135,366	\$ (5,492)			\$ (5,492)	135,366	
Security Aid	11-495-034-5120-078	7/01/10-6/30/11	23,085		(1,199)		1,199						23,085	
Security Aid	12-495-034-5120-078	7/01/11-6/30/12	19,413				19,424	19,413			11		19,413	
Other Categorical Aid:														
Nonpublic Aid	12-999-999-9999-960	7/01/11-6/30/12	91,119				91,118	88,281			2,837		88,281	
Reimbursed TPAF														
Social Security Contributions	11-495-034-5095-002	7/01/10-6/30/11	86,617		(4,268)		4,268						86,617	
Reimbursed TPAF														
Social Security Contributions	12-495-034-5095-002	7/01/11-6/30/12	94,135				89,455	94,135	(4,680)			(4,680)	94,135	
<b>Total General Fund</b>					<b>(49,506)</b>		<b>994,400</b>	<b>952,204</b>	<b>(10,172)</b>	<b>2,862</b>	<b>(10,172)</b>	<b>(10,172)</b>	<b>1,820,065</b>	
<b>Total State Awards</b>					<b>\$ - 0 -</b>	<b>\$ (49,506)</b>	<b>\$ - 0 -</b>	<b>\$ 994,400</b>	<b>\$ 952,204</b>	<b>\$ - 0 -</b>	<b>\$ (10,172)</b>	<b>\$ 2,862</b>	<b>\$ (10,172)</b>	<b>\$ 1,820,065</b>

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards include federal and state grant activity of the Board of Trustees, Sussex County Charter School for Technology 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 Charter School, they are not intended to and do not present the financial position, changes in net assets or cash flows of the Charter School.

NOTE 2. BASIS OF ACCOUNTING

Expenditures reported in the accompanying Schedules of Expenditures of Federal and State Awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Charter School'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 and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The Special Revenue Fund 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 revenue from the budgetary basis to the GAAP basis is \$-0- for the General Fund and \$(850) for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of revenue from the budgetary basis to the GAAP basis of accounting for the General and Special Revenue. Additionally, the schedule of expenditures of state awards does not include the On-Behalf TPAF Pension and Post Retirement Medical Benefits contributions in the amount of \$34,143 and \$68,635, respectively. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,054,982	\$ 1,054,982
Special Revenue Fund	\$ 89,223		89,223
	<u>\$ 89,223</u>	<u>\$ 1,054,982</u>	<u>\$ 1,144,205</u>

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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 Charter School's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the Charter School's internal controls.
- The audit did not disclose any noncompliance which is material to the Charter School's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the Charter School's major State program.
- An unqualified report was issued on the Charter School's compliance for its major State program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04 or Federal OMB Circular A-133.
- The Charter School was not subject to the single audit provisions of Federal OMB Circular A-133 for the fiscal year ended June 30, 2012 as Federal grant expenditures were less than the \$500,000 single audit threshold identified in the Circular.
- The Charter School's major State program for the current fiscal year consisted of the following State aid:

<u>Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Share - Charter School Aid	12-495-034-5068-003	7/1/11-6/30/12	\$ 615,023	\$ 615,009

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

Findings Related 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:

- Not applicable since expenditures of Federal awards were below the single audit threshold.

Findings and Questioned Costs for State Awards:

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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
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.