

**SCHOOL DISTRICT  
OF  
STERLING  
HIGH**



**Sterling High School District  
Somerdale, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**Sterling High Board of Education**

**Somerdale, New Jersey**

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

**Prepared by  
Sterling High Board of Education  
Finance Department**

# STERLING HIGH SCHOOL DISTRICT

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**Introductory Section**

**STERLING HIGH SCHOOL DISTRICT**  
801 PRESTON AVENUE, SUITE B • SOMERDALE, NEW JERSEY 08083-2149  
Phone: 856-784-3545    Fax: 856-784-7823

October 26, 2012

Honorable President and  
Members of the Board of Education  
Sterling High School District  
Somerdale, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Sterling High School District for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. 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 financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and as supplemented and amended in 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

- 1. REPORTING ENTITY AND ITS SERVICES:** Sterling High School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Sterling High School Board of Education and its school constitute the District's reporting entity.

The District provides the following services:

- 9 - 12 regular education
- Remedial services for at risk students
- Special Education programs and related services as indicated in the Ind. Ed Plan (IEP) and required by N.J.A.C. 6:28
- Transportation services for Vocational and Special Education students
- Tuition for the out of district special education students 9 – 12
- Pride Program for students in grades 9-12
- Choice School Program for ROTC students
- Shared Services – technology, construction and business administration

2. **ECONOMIC CONDITION AND OUTLOOK:** The Sterling High School area is experiencing little development in housing and should not have any significant impact on the school.

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

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

4. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

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

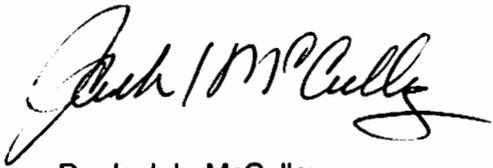
6. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, student accident insurance, worker's compensation and fidelity bonds. The majority of our insurance is through the School Alliance Insurance Fund, a joint insurance fund.

7. **OTHER INFORMATION: Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso and Stewart was appointed by the Board during our re-organization meeting. 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 of 1984 as supplemented and amended in 1996, and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

- 8. ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Sterling High School Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

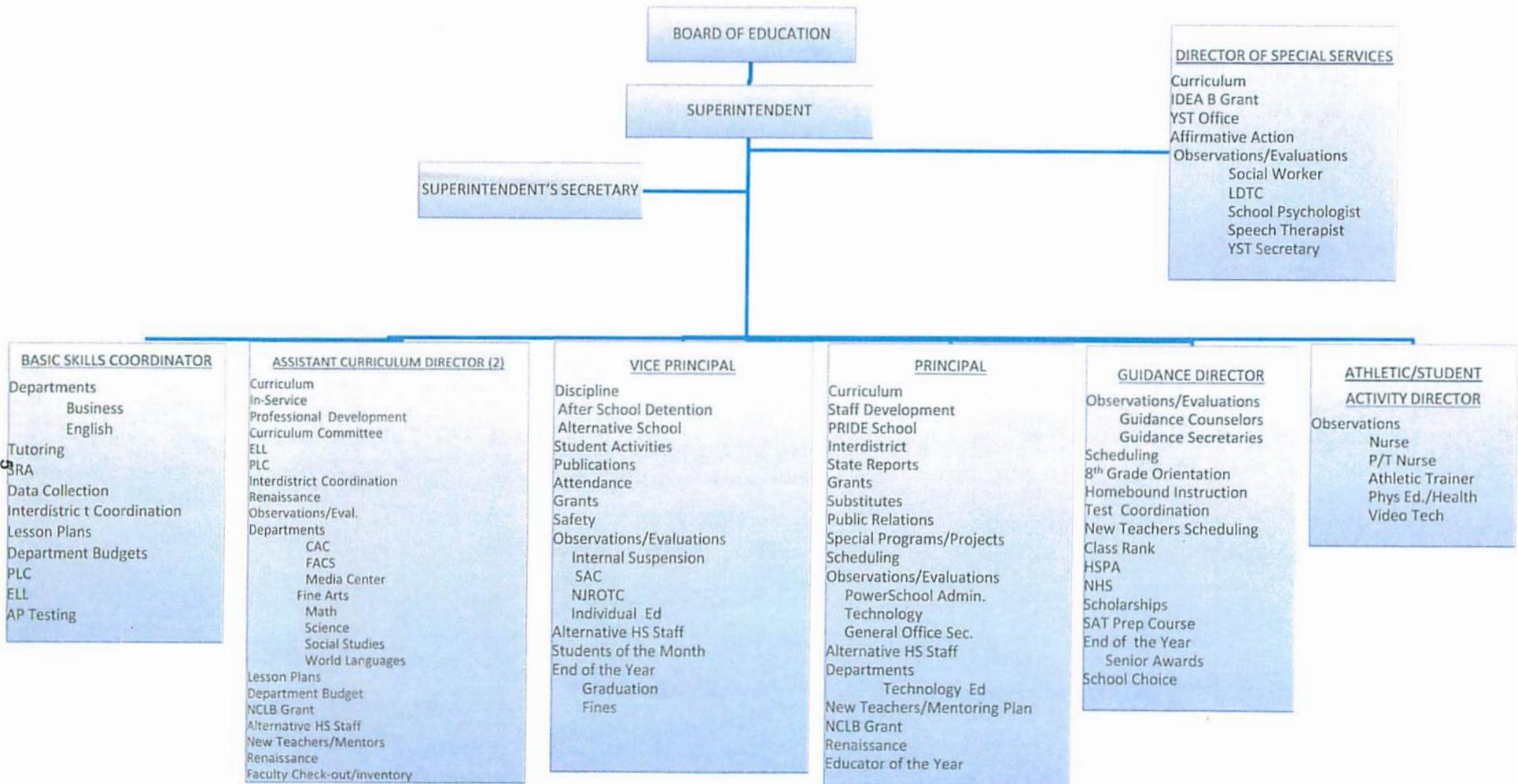


Dr. Jack L. McCulley  
Superintendent

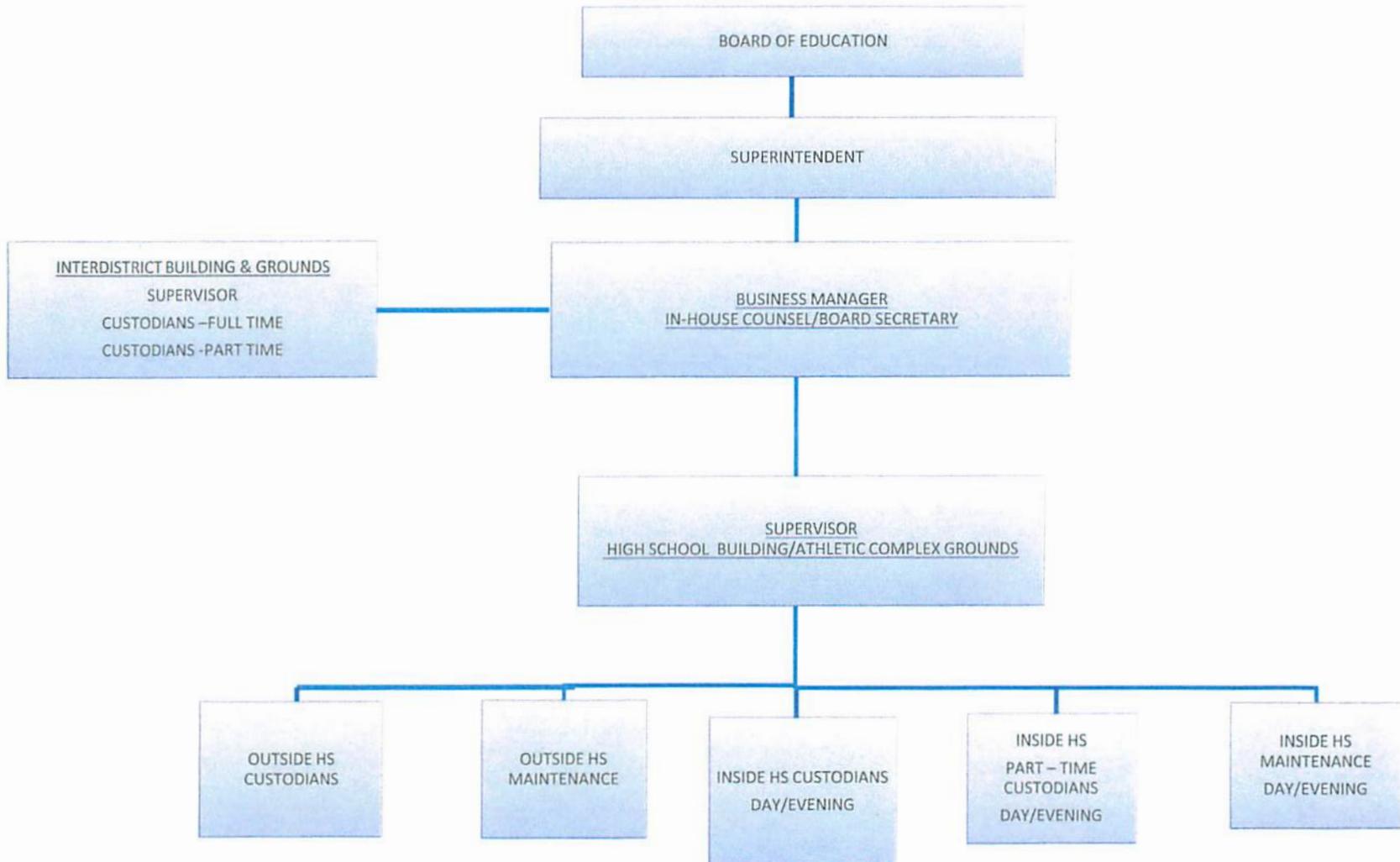


Ronald Sahli  
Board Secretary

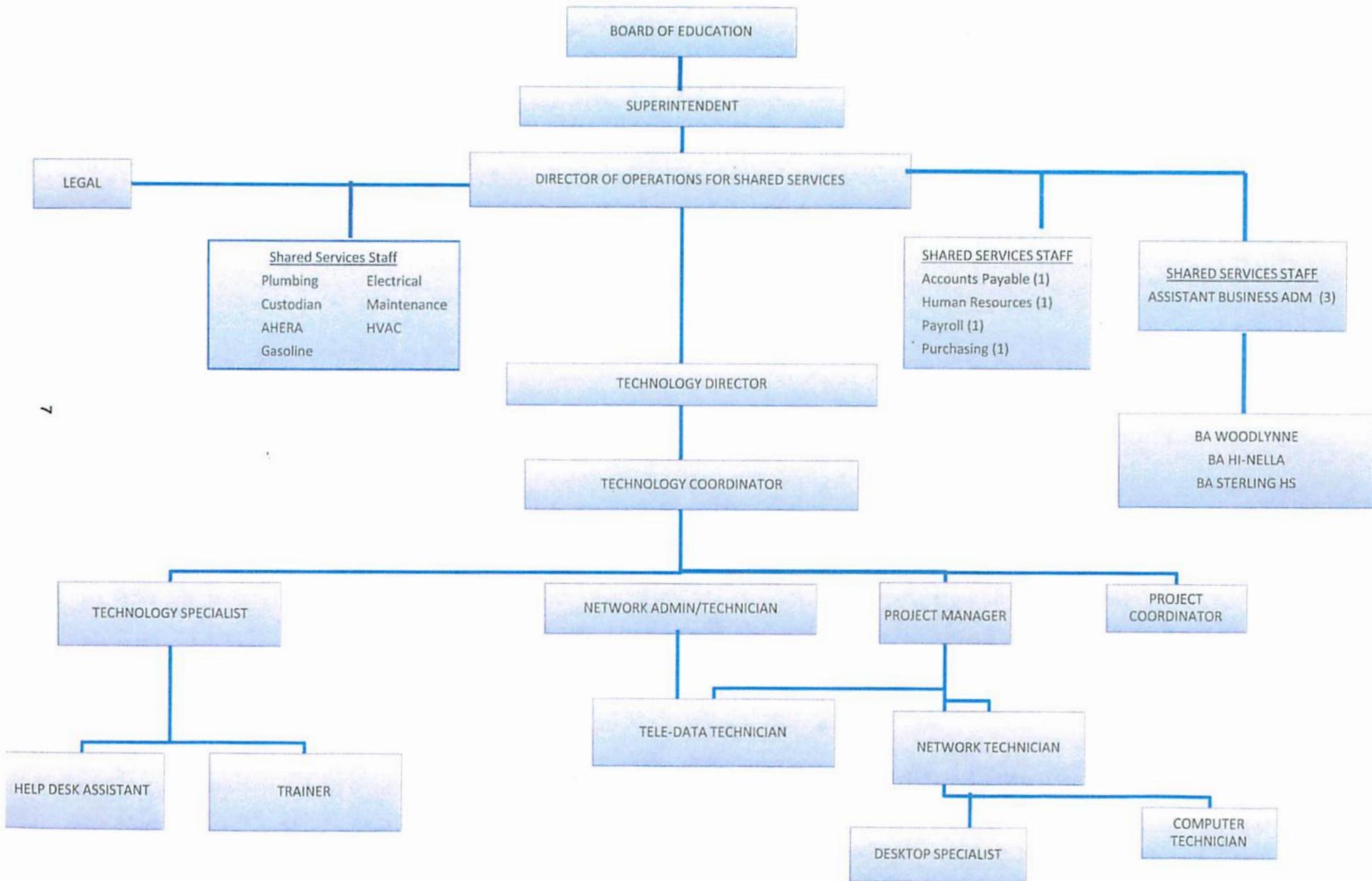
STERLING HIGH SCHOOL DISTRICT – POLICY 1110  
 DIVISION OF INSTRUCTION ORGANIZATION CHART 2011-2012



STERLING HIGH SCHOOL DISTRICT – POLICY 1110  
DIVISION OF BUILDING & GROUNDS MAINTENANCE/CUSTODIAL  
2011- 2012



**STERLING HIGH SCHOOL DISTRICT – POLICY 1110  
DIVISION OF SHARED SERVICES  
2011 - 2012**



**STERLING HIGH SCHOOL DISTRICT  
Somerdale, New Jersey**

**Roster of Officials  
June 30, 2012**

**Members of the Board of Education:**

**Term Expires**

Leslie Caramiello, President	2013
John Volosin, Vice President	2014
Louise Barikian	2014
Anthony Campbell	2012
William E. Hughes	2013
Maureen Murphy	2014
James Nicoludis	2012
Barbara (Bj) Okeson-Brandt	2012
Clark Pierce	2013
John Rigaut	2012

Katherine Smith

Hi-Nella Representative

**Other Officials:**

Jack L. McCulley, Superintendent  
Ronald Sahli, Board Secretary/In-House Counselor  
John D. Keenan, Treasurer

**STERLING HIGH SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

Inverso & Stewart, LLC  
12000 Lincoln Drive West, Suite 402  
Marlton, NJ 08053

**Official Depository**

Beneficial Bank  
530 Walnut Street  
Philadelphia, PA 19106

**Financial Section**

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants  
Registered Municipal Accountants**

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Marlton, New Jersey 08053  
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E-Mail: [iscpas@concentric.net](mailto:iscpas@concentric.net)

**-Member of-  
American Institute of CPAs  
New Jersey Society of CPAs**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and Members  
of the Board of Education  
Sterling High School District  
County of Camden  
Somerdale, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Sterling High School District, in the County of Camden, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Sterling High School District, in the County of Camden, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

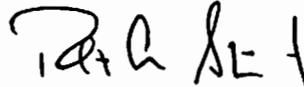
In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012 on our consideration of the Sterling High School District, in the County of Camden, State of New Jersey's internal control over financial reporting and on our tests of its compliance with certain 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 accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sterling High School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

**INVERSO & STEWART, LLC**  
Certified Public Accountants



Robert A. Stewart  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
October 25, 2012

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants  
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402  
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**-Member of-  
American Institute of CPAs  
New Jersey Society of CPAs**

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable President and Members  
of the Board of Education  
Sterling High School District  
County of Camden  
Somerdale, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Sterling High School District (School District), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

Management of the Sterling High School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sterling High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

Our consideration of 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.

**Compliance and Other Matters**

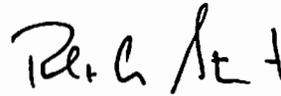
As part of obtaining reasonable assurance about whether the Sterling High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to management of the Sterling High School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated October 25, 2012.

This report is intended solely for the information and use of the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and 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.

Respectfully submitted,

**INVERSO & STEWART, LLC**  
Certified Public Accountants



Robert A. Stewart  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
October 25, 2012

**Required Supplementary Information - Part I**

**Management's Discussion and Analysis**

**Sterling High School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

As management of the Board of Education of the Sterling High School District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$7,530,785 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$658,394. The accounting treatments in the governmental funds for compensated absences payable, accrued interest payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District decreased by \$530,430, or a 6.5% decrease from the prior fiscal year-end balance. The majority of the decrease is attributable to the use of prior year capital reserve fund balance for capital outlay projects.
- Fund balance of the School District's governmental funds decreased by \$819,024 resulting in an ending deficit fund balance of \$131,330. This was a direct result of the aggressive capital projects program.
- Business-type activities have unrestricted net assets of \$1,067,684. The primary reason for the reduction of business-type unrestricted net assets is due to the school district absorbing cost over-runs on various projects.
- The School District's long-term obligations decreased by \$485,000 which is the result of current year payments on existing debt obligations.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the School District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities reflect the operations of the South Jersey Technology Program and the Food Service Fund.

## Fund Financial Statements

*Fund financial statements* are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

*Governmental funds* account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

*Proprietary funds* are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The School District's two enterprise funds (South Jersey Technology Program and Food Service Fund) are listed individually and are considered to be major funds.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's programs.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

### **District-wide Financial Analysis**

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2012. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2012.

The assets of the primary government activities exceeded liabilities by \$4,808,319 with an unrestricted deficit balance of \$658,394. As mentioned earlier, the deficit unrestricted net assets are primarily due to the accounting treatment for compensated absences payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

The net assets of the primary government do not include internal balances.

A net investment of \$6,735,842 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's 979 public school students, represents 89.44% of the School District's net assets. Net assets of \$385,653 have been restricted as follows:

Restricted for Prior Year Encumbrances	\$	22,378
Restricted for Future Debt Service Costs		45,344
Restricted for Future Capital Projects		215,106
Restricted for Subsequent Year's Budget		<u>102,825</u>
<b>Total</b>	<b>\$</b>	<b><u>385,653</u></b>

**Comparative Summary of Net Assets  
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current assets	\$ 710,699	\$ 735,909	\$ 4,099,134	\$ 3,326,623	\$ 4,809,833	\$ 4,062,532
Capital assets	8,406,060	8,407,182	1,654,782	1,564,369	10,060,842	9,971,551
<b>Total assets</b>	<u>9,116,759</u>	<u>9,143,091</u>	<u>5,753,916</u>	<u>4,890,992</u>	<u>14,870,675</u>	<u>14,034,083</u>
<b>LIABILITIES</b>						
Current liabilities	1,298,142	499,970	3,031,450	1,943,975	4,329,592	2,443,945
Noncurrent liabilities	3,010,298	3,528,923			3,010,298	3,528,923
<b>Total liabilities</b>	<u>4,308,440</u>	<u>4,028,893</u>	<u>3,031,450</u>	<u>1,943,975</u>	<u>7,339,890</u>	<u>5,972,868</u>
<b>Net Assets</b>	<u>\$ 4,808,319</u>	<u>\$ 5,114,198</u>	<u>\$ 2,722,466</u>	<u>\$ 2,947,017</u>	<u>\$ 7,530,785</u>	<u>\$ 8,061,215</u>
<b>Net Assets Consist of:</b>						
Invested in Capital Assets	\$ 5,081,060	\$ 4,372,279	\$ 1,654,782	\$ 1,564,369	\$ 6,735,842	\$ 5,936,648
Restricted Assets	385,653	483,477			385,653	483,477
Unrestricted Assets	<u>(658,394)</u>	<u>(365,697)</u>	<u>1,067,684</u>	<u>1,382,648</u>	<u>409,290</u>	<u>1,016,951</u>
<b>Net Assets</b>	<u>\$ 4,808,319</u>	<u>\$ 4,490,059</u>	<u>\$ 2,722,466</u>	<u>\$ 2,947,017</u>	<u>\$ 7,530,785</u>	<u>\$ 7,437,076</u>

**Comparative Schedule of Changes in Net Assets  
As of and for the Fiscal Year Ended June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Charges for services	\$ 1,892,241	\$1,765,260	\$ 18,284,633	\$ 14,316,006	\$ 20,176,874	\$ 16,081,266
Operating grants and contributions	1,734,455	1,714,090	134,594	117,755	1,869,049	1,831,845
Property taxes	6,828,769	7,324,945			6,828,769	7,324,945
State aid - unrestricted	5,876,556	5,703,484			5,876,556	5,703,484
Other revenues	164,130	12,328	1,384	439	165,514	12,767
<b>Total Revenues</b>	<b>16,496,151</b>	<b>16,520,107</b>	<b>18,420,611</b>	<b>14,434,200</b>	<b>34,916,762</b>	<b>30,954,307</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
Instruction	6,773,060	6,802,021			6,773,060	6,802,021
Tuition	258,382	327,766			258,382	327,766
Related services	1,374,037	1,444,185			1,374,037	1,444,185
Administrative services	1,127,761	1,264,006			1,127,761	1,264,006
Operations and Maintenance	2,248,687	1,686,656			2,248,687	1,686,656
Transportation	272,896	323,660			272,896	323,660
Employee benefits	3,945,158	3,528,597			3,945,158	3,528,597
Interest on debt	177,969	197,605			177,969	197,605
Other	170,082	321,472			170,082	321,472
Loss on disposal of capital assets			5,414		5,414	-
<b>Business-Type Activities:</b>						
Food Service			355,544	342,458	355,544	342,458
SJTP Program			18,738,202	12,565,458	18,738,202	12,565,458
<b>Total Expenses</b>	<b>16,348,032</b>	<b>15,895,968</b>	<b>19,099,160</b>	<b>12,907,916</b>	<b>35,447,192</b>	<b>28,803,884</b>
<b>Increase (Decrease) in Net</b>						
Assets before transfers	148,119	624,139	(678,549)	1,526,284	(530,430)	2,150,423
Transfers	(453,998)		453,998			
<b>Change in Net Assets</b>	<b>(305,879)</b>	<b>624,139</b>	<b>(224,551)</b>	<b>1,526,284</b>	<b>(530,430)</b>	<b>2,150,423</b>
Net Assets, July 1	5,114,198	4,490,059	2,947,017	1,420,733	8,061,215	5,910,792
<b>Net Assets, June 30</b>	<b>\$ 4,808,319</b>	<b>\$5,114,198</b>	<b>\$ 2,722,466</b>	<b>\$ 2,947,017</b>	<b>\$ 7,530,785</b>	<b>\$ 8,061,215</b>

**Governmental Activities**

Governmental activities decreased the net assets of the School District by \$305,879 during the current fiscal year, thereby accounting for some of the total decrease in the net assets of the School District. Key elements of the decrease in net assets for governmental activities are as follows:

- Total governmental activities expenses increased \$452,064 while revenues decreased by \$23,956. Most of the increased was in the employee benefit costs.

## **Business-type Activities**

Business-type activities decreased the School District's net assets by \$678,549. The majority of this decrease came from the South Jersey Technology Program showing a loss of \$666,444, while the Food Services Fund shows a loss of \$6,691.

## **Financial Analysis of the Governmental Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds* - The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending deficit fund balance of \$131,330, a decrease of \$819,024 in comparison with the prior year. The decrease is attributed to the school district using capital reserve fund balance for capital projects and purchasing the Voorhees building.

The unassigned deficit fund balance for the School District at the end of the fiscal year in the General Fund is \$516,983. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed: 1) restricted cash reserved for future capital outlay expenditures (\$215,106), 2) appropriated as a revenue source in the subsequent year's budget (\$102,825), 3) reserved for future debt service appropriation in accordance with state statutes (\$45,344), and 4) reserved for year-end encumbrances (\$22,378).

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unassigned fund balance is due, primarily, to the accounting treatment of the June state aid payments as discussed in the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

Revenue is generally recognized at the time that the outlays are identified; therefore no fund balances are normally generated in the special revenue fund.

## **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget is \$106,815 and represents prior year encumbrances rolled over into the current year budget.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$58,389, while total fund balance (budgetary basis) was \$398,698. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$15,860,366. Unassigned fund balance (budgetary basis) represents .36% of expenditures while total fund balance (budgetary basis) represents 2.51% of that same amount.

### Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totaled \$10,060,842 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was \$89,291, or a .89% increase. The increase is the net of capital assets purchased (\$636,882) minus current year depreciation expense (\$542,177) and the loss on disposal of capital assets (\$5,414).

#### Capital Asset (net of accumulated depreciation) June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Land	\$ 322,480	\$ 322,480			\$ 322,480	\$ 322,480
Const. in Progress			\$ 67,763		67,763	-
Site Improvements	556,093	322,908			556,093	322,908
Building and Building Improvements	7,043,973	7,286,684	1,287,776	\$ 1,306,916	8,331,749	8,593,600
Vehicles	19,736	28,522			19,736	28,522
Equipment	463,778	446,588	299,243	257,453	763,021	704,041
Net Assets	<u>\$ 8,406,060</u>	<u>\$ 8,407,182</u>	<u>\$ 1,654,782</u>	<u>\$ 1,564,369</u>	<u>\$ 10,060,842</u>	<u>\$ 9,971,551</u>

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

**Long-term debt** – During the fiscal year ended June 30, 2012, the School District had total bonded debt outstanding of \$3,325,000 backed by the full faith and credit of the School District.

General obligation bonds for the School District decreased during the current fiscal year according to the normal schedule of payments.

The School District continues to maintain its AA rating from Standard & Poor's Corporation for its general obligation bond issues.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$45,968,958 and the legal debt margin was \$42,643,958.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The Sterling High School area has been economically stable the last few years. Below are some economic factors being considered during our budget preparation:

- Without additional state aid or a new funding formula, taxes will continue to rise in order to cover the anticipated increases in salaries and health benefits. As salaries and benefits comprise the majority of our operating budget, our budget will increase due to the anticipated increases in these areas.
- Cash flow with the timing of taxes, tuition, state aid and grant monies, create uncertain times at the end of each month and at the end of the year.
- SJTP will be providing revenue in Sterling High School's budgets. Due to financing requirements for recent capital investments by SJTP and Sterling High School capital expenditures will need to be reduced in next year's budget.
- The ROTC Choice School program continues to grow and new Choice School programs are being considered.
- The Sterling Board of Education and district administration are committed to work within the boundary of the rules and regulations to provide a quality education to the residents of Hi-Nella, Laurel Springs, Magnolia, Somerdale and Stratford. Our standard operating procedures and our internal controls will ensure continual success in today's economic environment.

### **Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sterling High School District Business Administrator, 501 S. Warwick Road, Somerdale, New Jersey, 08083, telephone number (856) 784-3545.

**Basic Financial Statements**

**District-Wide Financial Statements**

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 298,859	\$ 36,131	\$ 334,990
Receivables, net	219,651	3,617,501	3,837,152
Internal balances	150,000	(150,000)	
Deferred expenditures (Note 22)		460,000	460,000
Inventory		135,502	135,502
Deferred bond issuance costs - net	42,189		42,189
Capital assets, net (Note 5)	<u>8,406,060</u>	<u>1,654,782</u>	<u>10,060,842</u>
<b>Total Assets</b>	<u><b>9,116,759</b></u>	<u><b>5,753,916</b></u>	<u><b>14,870,675</b></u>
<b>LIABILITIES:</b>			
Accounts payable	165,744	3,031,450	3,197,194
Loan payable	575,372		575,372
Deferred revenue	58,724		58,724
Accrued interest payable	13,302		13,302
Noncurrent liabilities (Note 7):			
Due within one year	485,000		485,000
Due beyond one year	<u>3,010,298</u>		<u>3,010,298</u>
<b>Total Liabilities</b>	<u><b>4,308,440</b></u>	<u><b>3,031,450</b></u>	<u><b>7,339,890</b></u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	5,081,060	1,654,782	6,735,842
Restricted for:			
Capital projects	215,106		215,106
Debt service	45,344		45,344
Other purposes	125,203		125,203
Unrestricted	<u>(658,394)</u>	<u>1,067,684</u>	<u>409,290</u>
<b>Total Net Assets</b>	<u><b>\$ 4,808,319</b></u>	<u><b>\$ 2,722,466</b></u>	<u><b>\$ 7,530,785</b></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
<b>Instruction:</b>							
Regular	\$ 4,839,755	\$ 1,892,241			\$ (2,947,514)		\$ (2,947,514)
Special Education	1,116,376		\$ 310,294		(806,082)		(806,082)
Other instruction	816,929				(816,929)		(816,929)
<b>Support Services:</b>							
Tuition	258,382				(258,382)		(258,382)
Student & instruction related services	1,374,037		17,766		(1,356,271)		(1,356,271)
General administrative services	444,751				(444,751)		(444,751)
School administrative services	300,101				(300,101)		(300,101)
Central services	382,909				(382,909)		(382,909)
Plant operations and maintenance	2,248,687				(2,248,687)		(2,248,687)
Pupil transportation	272,896				(272,896)		(272,896)
Unallocated employee benefits	3,945,158		1,131,589		(2,813,569)		(2,813,569)
Interest on long-term debt	177,969		274,806		96,837		96,837
Unallocated depreciation and amortization	170,082				(170,082)		(170,082)
<b>Total governmental activities</b>	<b>16,348,032</b>	<b>1,892,241</b>	<b>1,734,455</b>		<b>(12,721,336)</b>		<b>(12,721,336)</b>
<b>Business-Type Activities:</b>							
South Jersey Technology Program	18,738,202	\$ 18,070,504				\$ (667,698)	(667,698)
Food Service	355,544	214,129	134,594			(6,821)	(6,821)
<b>Total Business-Type Activities</b>	<b>19,093,746</b>	<b>18,284,633</b>	<b>134,594</b>			<b>(674,519)</b>	<b>(674,519)</b>
<b>Total primary government</b>	<b>\$ 35,441,778</b>	<b>\$ 20,176,874</b>	<b>\$ 1,869,049</b>	<b>\$ -</b>	<b>(12,721,336)</b>	<b>(674,519)</b>	<b>(13,395,855)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes, net					6,444,937		6,444,937
Taxes levied for debt service					383,832		383,832
Federal and State aid not restricted					5,876,556		5,876,556
Investment Earnings					2	1,384	1,386
Miscellaneous Income					164,128		164,128
Loss on disposal of capital assets						(5,414)	(5,414)
Transfer					(453,998)	453,998	
<b>Total general revenues, special items, extraordinary items and transfers</b>					<b>12,415,457</b>	<b>449,968</b>	<b>12,865,425</b>
Change in Net Assets					(305,879)	(224,551)	(530,430)
Net Assets - June 30, 2011					5,114,198	2,947,017	8,061,215
<b>Net Assets - June 30, 2012</b>					<b>\$ 4,808,319</b>	<b>\$ 2,722,466</b>	<b>\$ 7,530,785</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**Fund Financial Statements**

**STERLING HIGH SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

<b>ASSETS</b>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 116,667	\$ (78,258)		\$ 45,344	\$ 83,753
Receivables, net:					
State aid	38,418				38,418
Federal aid	17,906	137,750			155,656
Interfund	168,801				168,801
Other	6,776				6,776
Restricted cash and cash equivalents	<u>215,106</u>				<u>215,106</u>
<b>Total Assets</b>	<u>\$ 563,674</u>	<u>\$ 59,492</u>	<u>\$ -</u>	<u>\$ 45,344</u>	<u>\$ 668,510</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	164,976	768			165,744
Loan payable	575,372				575,372
Deferred revenue		<u>58,724</u>			<u>58,724</u>
<b>Total Liabilities</b>	<u>740,348</u>	<u>59,492</u>			<u>799,840</u>
<b>Fund Balances:</b>					
Restricted for:					
Capital reserve	215,106				215,106
Assigned to:					
Year-end encumbrances	22,378				22,378
Subsequent year's budget	102,825			45,341	148,166
Unassigned	<u>(516,983)</u>			<u>3</u>	<u>(516,980)</u>
<b>Total Fund Balances</b>	<u>(176,674)</u>			<u>45,344</u>	<u>(131,330)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 563,674</u>	<u>\$ 59,492</u>	<u>\$ -</u>	<u>\$ 45,344</u>	

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$18,515,909 and the accumulated depreciation is \$10,109,849 8,406,060

Bond issuance costs are amortized over the life of the bonds on the statement of net assets. 42,189

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

General Obligation Bonds	\$ (3,325,000)	
Accrued Interest Payable	(13,302)	
Compensated Absences Payable	<u>(170,298)</u>	
		<u>(3,508,600)</u>

Net assets of governmental activities \$ 4,808,319

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 6,444,937			\$ 383,832	\$ 6,828,769
Tuition	1,892,241				1,892,241
Interest earned on capital reserve	2				2
Miscellaneous	164,128				164,128
<b>Total local sources</b>	<b>8,501,308</b>			<b>383,832</b>	<b>8,885,140</b>
State sources	6,978,768			274,806	7,253,574
Federal sources	29,377	\$ 328,060			357,437
<b>Total Revenues</b>	<b>15,509,453</b>	<b>328,060</b>		<b>658,638</b>	<b>16,496,151</b>
<b>EXPENDITURES:</b>					
Current expense:					
Regular instruction	4,809,475				4,809,475
Special education instruction	797,968	318,408			1,116,376
Other instruction	816,929				816,929
Support services and undistributed costs:					
Tuition	258,382				258,382
Student & instruction related services	1,356,271	17,766			1,374,037
General administrative services	422,785				422,785
School administrative services	300,101				300,101
Central services	382,909				382,909
Plant operations and maintenance	1,650,163				1,650,163
Pupil transportation	272,896				272,896
Unallocated employee benefits	3,945,158				3,945,158
Capital outlay	847,329				847,329
Debt service:					
Principal				485,000	485,000
Interest and other charges				179,637	179,637
<b>Total Expenditures</b>	<b>15,860,366</b>	<b>336,174</b>		<b>664,637</b>	<b>16,861,177</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(350,913)</b>	<b>(8,114)</b>		<b>(5,999)</b>	<b>(365,026)</b>
Other Financing Sources (Uses):					
Transfer in				6,002	6,002
Transfers out	(460,000)				(460,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(460,000)</b>			<b>6,002</b>	<b>(453,998)</b>
<b>Net Change in Fund Balance</b>	<b>(810,913)</b>	<b>(8,114)</b>		<b>3</b>	<b>(819,024)</b>
Fund Balance - July 1, 2011	634,239	8,114		45,341	687,694
<b>Fund Balance - June 30, 2012</b>	<b>\$ (176,674)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,344</b>	<b>\$ (131,330)</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

Total net change in fund balances - governmental funds (from B-2) \$ (819,024)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	\$ (448,214)	
Fixed assets additions	<u>447,092</u>	(1,122)

Repayment of long-term debt 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.

485,000

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

(6,026)

Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.

1,668

In the statement of activities, certain operating expenses, (e.g. compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+)

33,625

Change in net assets of governmental activities

\$ (305,879)

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>South Jersey Technology Program Fund</b>	<b>Total</b>
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 26,599	\$ 9,532	\$ 36,131
Intergovernmental receivables:			
State	117		117
Federal	4,262		4,262
Other		3,613,122	3,613,122
Deferred expenditure		460,000	460,000
Inventories	7,485	128,017	135,502
<b>Total current assets</b>	<b>38,463</b>	<b>4,210,671</b>	<b>4,249,134</b>
<b>Noncurrent assets:</b>			
Construction in progress		67,763	67,763
Building		1,405,339	1,405,339
Equipment	153,327	484,825	638,152
	153,327	1,957,927	2,111,254
Less - accumulated depreciation	(79,539)	(376,933)	(456,472)
<b>Total noncurrent assets</b>	<b>73,788</b>	<b>1,580,994</b>	<b>1,654,782</b>
<b>Total Assets</b>	<b>112,251</b>	<b>5,791,665</b>	<b>5,903,916</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	1,595	3,029,855	3,031,450
Interfund payable		150,000	150,000
<b>Total current liabilities</b>	<b>1,595</b>	<b>3,179,855</b>	<b>3,181,450</b>
<b>NET ASSETS:</b>			
Invested in capital assets	73,788	1,580,994	1,654,782
Unrestricted	36,868	1,030,816	1,067,684
<b>Total Net Assets</b>	<b>\$ 110,656</b>	<b>\$ 2,611,810</b>	<b>\$ 2,722,466</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities		Totals
	Enterprise Funds		
	Food Service Fund	South Jersey Technology Program Fund	
<b>Operating Revenues:</b>			
Charges for Services:			
Daily sales:			
Reimbursable programs	\$ 86,501		\$ 86,501
Non-reimbursable programs	117,218		117,218
Program fees		\$ 18,058,423	18,058,423
Other	10,410	12,081	22,491
Total Operating Revenue	<u>214,129</u>	<u>18,070,504</u>	<u>18,284,633</u>
<b>Operating Expenses:</b>			
Salaries and fringe benefits	137,509	4,251,332	4,388,841
Management fee	25,625	31,478	57,103
Purchased services		183,299	183,299
Supplies and materials	8,829	167,463	176,292
Insurance		60,449	60,449
Rent		150,000	150,000
Travel		21,241	21,241
Other costs	18,443	14,038	32,481
Depreciation	13,156	80,895	94,051
Cost of sales	<u>151,982</u>	<u>13,778,007</u>	<u>13,929,989</u>
Total Operating Expenses	<u>355,544</u>	<u>18,738,202</u>	<u>19,093,746</u>
Operating Income (Loss)	<u>(141,415)</u>	<u>(667,698)</u>	<u>(809,113)</u>
<b>Non-Operating Revenues:</b>			
State sources:			
State school lunch program	3,094		3,094
Federal sources:			
National school lunch program	114,695		114,695
Food distribution program	16,805		16,805
Local sources:			
Interest earned	<u>130</u>	<u>1,254</u>	<u>1,384</u>
Total Non-Operating Revenues	<u>134,724</u>	<u>1,254</u>	<u>135,978</u>
Income (Loss) before Contributions and Transfers	(6,691)	(666,444)	(673,135)
Loss on disposal of capital assets	(5,414)		(5,414)
Operating transfer in		<u>453,998</u>	<u>453,998</u>
Changes in Net Assets	(12,105)	(212,446)	(224,551)
Net Assets - July 1, 2011	<u>122,761</u>	<u>2,824,256</u>	<u>2,947,017</u>
Net Assets - June 30, 2012	<u>\$ 110,656</u>	<u>\$ 2,611,810</u>	<u>\$ 2,722,466</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>South Jersey Technology Program Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers	\$ 214,129	\$ 17,644,569	\$ 17,858,698
Cash payments to employees for services	(137,509)	(4,251,332)	(4,388,841)
Cash payments to suppliers for goods and services	(206,855)	(13,758,044)	(13,964,899)
<b>Net Cash Provided by (used for) Operating Activities</b>	<b>(130,235)</b>	<b>(364,807)</b>	<b>(495,042)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash received from state sources	2,977		2,977
Cash received from federal sources	142,556		142,556
Operating transfer in		453,998	453,998
<b>Net Cash Provided by (used for) Noncapital Financing Activities</b>	<b>145,533</b>	<b>453,998</b>	<b>599,531</b>
<b>Cash Flows Used by Capital and Related Financing Activities:</b>			
Purchase of Equipment	(27,538)	(162,340)	(189,878)
<b>Cash Flow Provided by Investing Activities:</b>			
Interest on Cash Equivalents	130	1,254	1,384
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(12,110)</b>	<b>(71,895)</b>	<b>(84,005)</b>
Cash and Cash Equivalents - July 1, 2011	38,709	81,427	120,136
Cash and Cash Equivalents - June 30, 2012	<u>\$ 26,599</u>	<u>\$ 9,532</u>	<u>\$ 36,131</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:</b>			
Operating Income (Loss)	\$ (141,415)	\$ (667,698)	\$ (809,113)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (used for) Operating Activities:			
Depreciation	13,156	80,895	94,051
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(15,033)	(425,867)	(440,900)
(Increase) decrease in deferred expenditures		(460,000)	(460,000)
(Increase) decrease in inventories		(128,017)	(128,017)
Increase (decrease) in interfund payable	(1,115)	150,000	148,885
Increase (decrease) in accounts payable	(5,315)	1,085,880	1,080,565
<b>Net Cash Provided by (used for) Operating Activities</b>	<b>\$ (149,722)</b>	<b>\$ (364,807)</b>	<b>\$ (514,529)</b>

**Noncash Noncapital Financing Activities:**

During the year the School District received \$16,805 of food commodities from the U.S. Department of Agriculture.

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	<u>Unemployment Compensation Insurance</u>	<u>Trust Funds Flexible Spending Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 63,995	\$ 1,200	\$ 8,075	\$ 218,145
<b>Total Assets</b>	<u>63,995</u>	<u>1,200</u>	<u>8,075</u>	<u>\$ 218,145</u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings				\$ 89,908
Due to employees				32,899
Interfund payable				18,801
Due to student groups				<u>76,537</u>
<b>Total Liabilities</b>				<u>\$ 218,145</u>
<b>NET ASSETS:</b>				
Held in trust for payment of claims	<u>\$ 63,995</u>	<u>\$ 1,200</u>		
Reserved for scholarships			<u>\$ 8,075</u>	

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2012**

	<u>Unemployment Compensation Insurance</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Fund</u>
<b>ADDITIONS:</b>			
Contributions:			
Employee	\$ 31,056	\$ 1,200	
Employer	78,000		
Total Contributions	<u>109,056</u>	<u>1,200</u>	
Investment earnings:			
Interest	<u>96</u>		<u>\$ 20</u>
Total Additions	<u>109,152</u>	<u>1,200</u>	<u>20</u>
<b>DEDUCTIONS:</b>			
Payment of claims	83,441		
Scholarships awarded			
Total Deductions	<u>83,441</u>		
Change in Net Assets	25,711	1,200	20
Net Assets - July 1, 2011	<u>38,284</u>		<u>8,055</u>
Net Assets - June 30, 2012	<u>\$ 63,995</u>	<u>\$ 1,200</u>	<u>\$ 8,075</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Sterling High School District ("School District") is a Type II district located in the County of Camden, State of New Jersey. As a Type II School District, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms from the following three sending districts: three from Magnolia Borough; two from Somerdale Borough; and four from Stratford Borough. In addition one member is appointed annually by the Laurel Springs Board of Education. The elected terms are staggered so that at least three member's terms expire each year. The purpose of the School District is to provide educational services for resident students in grades 9 through 12 that reside in the Boroughs of Magnolia, Somerdale and Stratford. In addition, the School District provides educational services for students in grades 9 through 12 received, on a tuition basis, from the Laurel Springs School District and the Hi-Nella School District. The Sterling High School District has an approximate enrollment at June 30, 2012 of 979 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School district over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

**Basis of Presentation**

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

The School District's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Statements** - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** - The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state 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 revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2010. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the period from the September 30, 2010 through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2012 is considered to be attributable to Ed Jobs. Ed Jobs expenditures are included as a component of overall general fund expenditures, and are also included in general fund expenditures for purposes of the excess surplus calculation.

**Special Revenue Fund** - The special revenue fund is used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Capital Projects Fund** - The capital projects fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

**Proprietary Funds** - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those in the private sector.

**Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's enterprise funds are:

**Food Service Fund** - This fund accounts for the financial transactions related to the food service operations of the School District.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Proprietary Funds (Continued) –**

**South Jersey Technology Program** - This fund accounts for the financial transactions related to the technology, construction, business and other services the School District provides for other governmental entities.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has five fiduciary funds; an unemployment compensation trust fund, a flexible spending trust, a private purpose scholarship fund, a student activity fund, and a payroll fund.

**Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

**Fund Financial Statements** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues - 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that 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 School District, available means expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets/Budgetary Control** - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for their approval. 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. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1, Exhibit C-2 and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

**Sterling High School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected in the balance sheet as deferred revenues 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.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

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 public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value 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.

**Tuition Receivable** - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

**Tuition Payable** - Tuition charges for the fiscal years ended June 30, 2012 and 2011 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

**Inventories** - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out basis.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

Inventories recorded in the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

**Prepaid Expenses** - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Expenditures** - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring cost of operations.

**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 School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Capital Assets** - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets. .

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land and Improvements	10-20 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	5-10 years	4-6 years

**Accrued Salaries and Wages** - Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2012, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

**Compensated Absences** - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

**Deferred Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**Sterling High School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued Liabilities and Long-Term Obligations** - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

**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 borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance** - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

**Nonspendable** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2012.

**Restricted** - This fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** - This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action imposing the commitment.

**Assigned** - This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

**Unassigned** - This fund balance classification is the residual classification for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the School District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Operating and Non-Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program and program fees for the technology program. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses

**Interfund Activity** - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17.9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$1,344,876.20 at June 30, 2012.

**3. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**3. CAPITAL RESERVE ACCOUNT (Continued)**

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

Balance July 1, 2011		\$	393,665
Increased by:			
Interest Earned	\$	5	
Board Resolution		<u>215,000</u>	
			<u>215,005</u>
			608,670
Decreased by:			
Budget Withdrawal		393,564	
Board Resolution		<u>          </u>	
			<u>393,564</u>
Balance June 30, 2012		\$	<u><u>215,106</u></u>

The June 30, 2012 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted projects.

The withdrawals from the capital reserve were utilized to fund facilities projects approved by the New Jersey Department of Education, consistent with the School District's LRFP.

**4. ACCOUNTS RECEIVABLES**

Accounts receivables at June 30, 2012 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable at June 30, 2012 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Intergovernmental				
State	\$ 38,418		\$ 117	\$ 38,535
Federal	17,906	\$ 137,750	4,262	159,918
Other	<u>25,577</u>		<u>3,613,122</u>	<u>3,638,699</u>
Total	<u>\$ 81,901</u>	<u>\$ 137,750</u>	<u>\$ 3,617,501</u>	<u>\$ 3,837,152</u>

**Sterling High School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Governmental Activities:</b>				
Land	\$ 322,480			\$ 322,480
Construction in Progress				-
Total Capital Assets not being Depreciation	322,480	-	-	322,480
Land Improvements	1,022,117	\$ 262,484		1,284,601
Building and Improvements	15,753,124	68,633		15,821,757
Vehicles	86,753			86,753
Equipment	884,344	115,974		1,000,318
Total Historical Cost	<u>18,068,818</u>	<u>447,091</u>	<u>-</u>	<u>18,515,909</u>
Less Accumulated Depreciation:				
Land Improvements	(699,209)	(29,299)		(728,508)
Building and Improvements	(8,466,440)	(311,344)		(8,777,784)
Vehicles	(58,231)	(8,786)		(67,017)
Equipment	(437,756)	(98,784)		(536,540)
Total Accumulated Depreciation	<u>(9,661,636)</u>	<u>(448,213)</u>	<u>-</u>	<u>(10,109,849)</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>\$ 8,407,182</b></u>	<u><b>\$ (1,122)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 8,406,060</b></u>
 <b>Business-Type Activities:</b>				
Construction in progress		\$ 67,763		\$ 67,763
Building and improvements	\$ 1,387,452	17,887		1,405,339
Equipment	545,612	104,141	\$ (11,601)	638,152
Total Historical Cost	<u>1,933,064</u>	<u>189,791</u>	<u>(11,601)</u>	<u>2,111,254</u>
Less - Accumulated Depreciation				
Building and improvements	(80,536)	(37,027)		(117,563)
Equipment	(288,159)	(56,937)	6,187	(338,909)
Total Accumulated Depreciation	<u>(368,695)</u>	<u>(93,964)</u>	<u>6,187</u>	<u>(456,472)</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u><b>\$ 1,564,369</b></u>	<u><b>\$ 95,827</b></u>	<u><b>\$ (5,414)</b></u>	<u><b>\$ 1,654,782</b></u>

Depreciation expense in the amount of \$448,213 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 63,905
General Administration	21,966
Plant Operations and Maintenance	198,286
Unallocated	<u>164,056</u>
<b>Total depreciation expense</b>	<u><b>\$ 448,213</b></u>

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**6. INVENTORY**

Inventory in the Proprietary Funds at June 30, 2012 consisted of the following:

	<u>Food Service</u>	<u>SJTP</u>	<u>Total</u>
Food	\$ 5,701		\$ 5,701
Supplies	1,784	\$ 128,017	129,801
	<u>\$ 7,485</u>	<u>\$ 128,017</u>	<u>\$ 135,502</u>

**7. LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	<u>Principal Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated Absences	\$ 203,923		\$ 33,625	\$ 170,298	
General Obligation Bonds	3,810,000		485,000	3,325,000	\$ 485,000
	<u>\$ 4,013,923</u>	<u>\$ -</u>	<u>\$ 518,625</u>	<u>\$ 3,495,298</u>	<u>\$ 485,000</u>

**Bonds Payable** - Bonds and loans are authorized in accordance with State law by the voters of the School District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are as follows:

2012 Refunded Bonds dated June 1, 2012 in the amount of \$3,325,000 due in annual installments through June 1, 2019, bearing an interest rate of 4.00% to 5.00%.

As of June 30, 2012, principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 485,000	\$ 159,025	\$ 644,025
2014	480,000	137,200	617,200
2015	480,000	115,600	595,600
2016	475,000	94,000	569,000
2017	475,000	70,250	545,250
2018-2019	930,000	69,250	999,250
	<u>\$ 3,325,000</u>	<u>\$ 645,325</u>	<u>\$ 3,970,325</u>

As of June 30, 2012 the School District had no authorizations to issue additional bonded debt.

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**8. OPERATING LEASES**

At June 30, 2012, the School District had operating lease agreements in effect for copy machines. Total rental payments for such leases were \$35,673 for the fiscal year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 35,939
2014	31,399
2015	27,888
2016	27,888
2017	14,400
	<u>\$ 137,514</u>

**9. PENSION PLANS**

**Description of Plans** – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits. P.O. Box 295, Trenton, New Jersey, 08625-0295.

***Teachers' Pension and Annuity Fund (TPAF)***

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

***Public Employees' Retirement System (PERS)***

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**9. PENSION PLANS (Continued)**

***Public Employees' Retirement System (PERS)(Continued)***

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2012	\$ 104,392	\$ 208,785	\$ 19,953	\$ 333,130
2011	102,607	163,497	20,210	286,314
2010	85,903	110,375	27,219	223,497

***Defined Contribution Retirement Program (DCRP)***

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. The employee contributions along with the School District's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Total Liability</u>	<u>Employee Contribution</u>	<u>Paid by School District</u>
2012	\$ 3,835	\$ 2,481	\$ 1,354
2011	-		
2010	-		

**Related Party Investments** – The Division of Pensions and Benefits does not invest in securities issued by the School District.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**10. POST-RETIREMENT BENEFITS**

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 P.L. 1994, c.62. 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 P.L. 1992 c.126, which provides free health benefits to members of PERS and 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 establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2012 was \$431,798, which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**11. ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures \$214,797 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$484,994 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

**12. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

**Property and Liability Insurance** - The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**Joint Insurance Pool** - The School District is a member of the School Alliance Insurance Fund. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The Fund publishes its own financial report which can be obtained by writing to: School Alliance Insurance Fund, c/o PEGAS, 51 Everett Drive, Lawrenceville, New Jersey, 08648.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**12. RISK MANAGEMENT (Continued)**

**New Jersey Unemployment Compensation Insurance** - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School District is billed quarterly for amounts due to the State.

The following is a summary of School District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 78,096	\$ 31,056	\$ 83,441	\$ 63,995
2011	91,091	30,464	123,564	38,284
2010	58,877	30,813	84,348	40,293

**13. DEFERRED COMPENSATION**

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, available to all permanent School District employees, permit participants to defer a portion of their current salary to future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and are administered by a third party therefore they are not reflected on the financial statements of the School District.

**14. COMPENSATED ABSENCES**

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2012, the liability for compensated absences in the governmental activities fund type was \$170,298.

**15. CONTINGENCIES**

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School District may be required to reimburse the grantor government.

At June 30, 2012, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**16. INTERFUND BALANCES AND TRANSFERS**

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2013. The following interfund balances were recorded on the various balance sheets as of June 30, 2012:

Fund	Interfunds Receivable	Interfunds Payable
General	\$ 168,801	
Proprietary		\$ 150,000
Proprietary		18,801
Total	\$ 168,801	\$ 168,801

**17. FLEXIBLE BENEFITS PROGRAM**

The School District offers its employees a Flexible Benefits Program. The purpose of the program is to provide a tax incentive for plan participants incurring health premium expenses, dependent care expenses and other medical expenses not covered by other insurance. The School District, who is the plan administrator, has contracted with American Family Life Assurance Company (AFLAC) to act as its agent to furnish reimbursement services. The plan participants redirect a prescribed amount of their gross pay (tax-free) into a reimbursement account and then in-turn submit claims to AFLAC for repayment. Because of Internal Revenue Service regulations, if at the end of any plan year unexpended funds remain, these funds will be forfeited by the participants and returned to the School District.

The following is a summary of School District contributions, employee contributions, reimbursements to the plan participants for benefits paid and the ending balance of the School District's fiduciary fund for the current and prior two years.

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2012	\$ -	\$ 1,200	\$ -	\$ 1,200
2011				-
2010				-

**18. DEFICIT UNASSIGNED FUND BALANCE**

The School District has a deficit unassigned fund balance of \$516,983 in the General Fund as of June 30, 2012 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$516,983 is equal to or less than the June state aid payment.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**19. DEFICIT UNRESTRICTED NET ASSETS**

As of June 30, 2012, a deficit of \$758,394 existed in the Unrestricted Net Assets of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Assets reported on Exhibited A-1 as follows:

Balances, June 30, 2012:	
Fund Balance (Deficit) (Exclusive of Capital Projects and Debt Service Funds)	
Unassigned	\$ (516,983)
Add - Unamortized Bond Issuance Costs	42,189
Liabilities:	
Accrued Interest Payable	(13,302)
Compensated Absences	(170,298)
Unrestricted Net Assets (Deficit)	\$ (658,394)

**20. FUND BALANCES**

**RESTRICTED**

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

**General Fund:**

**Capital Reserve** – As of June 30, 2012, the balance in the capital reserve account is \$215,106. Of this amount \$215,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013 and \$106 is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

**Debt Service Fund** – As of June 30, 2012, the restricted fund balance amount was \$45,344 of which \$45,341 has been designated for utilization in the 2012-2013 budget and \$3 is restricted for future debt service expenditures.

**ASSIGNED**

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

**General Fund:**

**Other Purposes** – At June 30, 2012 the School District has \$22,378 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

**Designated for Subsequent Year's Expenditures** – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2013, \$102,825 of general fund balance at June 30, 2012.

**Sterling High School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**20. FUND BALANCES (Continued)**

**UNASSIGNED**

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

**General Fund** – As of June 30, 2012, the fund balance of the general fund was a deficit of \$516,983, thus resulting in the fund balance classification of unassigned. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 18).

**21. SHORT TERM OBLIGATIONS**

N.J.S.A. 18A:22-44.2 states that if a board of education of a school district is notified by the Commissioner of Education that one or more June State school aid payments will not be made until the following school budget year, and the district demonstrates through a written application to the Commissioner the need to borrow and the Commissioner approves that application, the board may borrow on or before June 30 of the current school budget year, but not earlier than June 8 of the current school budget year, a sum not exceeding the amount of the delayed State school aid payments, and may execute and deliver promissory notes therefor through private sale or delivery thereof. In accordance with this statute, on June 22, 2012 the School District issued a State School Aid Anticipation Note in the amount of \$575,372, at an annual interest rate of 2.75%, which matured on July 9, 2012. The State of New Jersey paid, on behalf of the School District, the required interest due on the Note.

**22. ACQUISITION OF SCHOOL FACILITY**

The School District has entered into an agreement with the YMCA of Camden County to purchase a facility in the amount of \$1,500,000 to be used for possible housing of the school choice program and for other services. The agreement is contingent upon the approval of the State Department of Education. A good faith deposit of \$460,000 has been paid from the South Jersey Technology Program and is reflected on the financial statements as a deferred expenditure at June 30, 2012 since the final approvals have not yet been obtained. If the purchase fails to materialize the deposit is refundable to the School District. The remaining funding is to be obtained from the available unrestricted net asset balance of the South Jersey Technology Program Fund, which at June 30, 2012 is \$1,030,816. The School District expects to fund any deficit from current year operations in the South Jersey Technology Program Fund.

**Required Supplementary Information - Part II**

**Budgetary Comparison Schedules**

**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local sources:					
Local Tax Levy	\$ 6,444,937		\$ 6,444,937	\$ 6,444,937	
Tuition	2,047,218		2,047,218	1,892,241	\$ (154,977)
Interest earned on capital reserve funds	500		500	2	(498)
Unrestricted misc. revenues	1,665,687		1,665,687	164,128	(1,501,559)
<b>Total local sources</b>	<b>10,158,342</b>		<b>10,158,342</b>	<b>8,501,308</b>	<b>(1,657,034)</b>
State sources:					
Categorical special education aid	479,575		479,575	479,575	
Equalization aid	5,054,474	\$ 152,878	5,207,352	5,207,352	
School choice aid		178,350	178,350	178,350	
Anti-bullying aid				12,461	12,461
Extraordinary aid	31,000		31,000	15,345	(15,655)
On-behalf TPAF pension contr. (non-budgeted)				646,595	646,595
Reimbursed TPAF social security contribution (non-budgeted)				484,994	484,994
<b>Total state sources</b>	<b>5,565,049</b>	<b>331,228</b>	<b>5,896,277</b>	<b>7,024,672</b>	<b>1,128,395</b>
Federal sources:					
Ed Jobs fund		6,380	6,380	6,380	
Medicaid reimbursement	13,940		13,940	22,997	9,057
<b>Total federal sources</b>	<b>13,940</b>	<b>6,380</b>	<b>20,320</b>	<b>29,377</b>	<b>9,057</b>
<b>TOTAL REVENUES</b>	<b>15,737,331</b>	<b>337,608</b>	<b>16,074,939</b>	<b>15,555,357</b>	<b>(519,582)</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Salaries of teachers					
Grades 9-12	4,201,800	22,732	4,224,532	4,224,424	108
Regular Programs - Home Instruction:					
Salaries of teachers	40,000	(6,412)	33,588	33,587	1
Purchased prof. - educational services	30,000	(12,160)	17,840	14,454	3,386
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	73,010	9,600	82,610	82,603	7
Rentals		41,897	41,897	41,896	1
Other purchased services	195,860	(183,600)	12,260	3,719	8,541
Travel		4,000	4,000	2,650	1,350
Misc. purchased services		113,778	113,778	111,512	2,266
General supplies	194,982	106,238	301,220	283,913	17,307
Textbooks	22,000	(11,259)	10,741	10,717	24
<b>Total - Regular Programs - Instruction</b>	<b>4,757,652</b>	<b>84,814</b>	<b>4,842,466</b>	<b>4,809,475</b>	<b>32,991</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Special Education Instruction:</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of teachers	\$ 64,000	\$ 51,000	\$ 115,000	\$ 114,896	\$ 104
Other salaries for instruction	52,000		52,000	27,964	24,036
General supplies		250	250	202	48
Other objects	250	(250)			
<b>Total learning and/or language disabilities</b>	<u>116,250</u>	<u>51,000</u>	<u>167,250</u>	<u>143,062</u>	<u>24,188</u>
<b>Behavioral Disabilities:</b>					
Salaries of teachers	118,000	(54,000)	64,000	48,427	15,573
Other salaries for instruction	78,000		78,000	24,896	53,104
Other purchased services	5,100		5,100		5,100
General supplies	300	400	700		700
<b>Total behavioral disabilities</b>	<u>201,400</u>	<u>(53,600)</u>	<u>147,800</u>	<u>73,323</u>	<u>74,477</u>
<b>Multiple Disabilities:</b>					
Salaries of teachers	160,000	(87,700)	72,300	59,120	13,180
Other salaries for instruction	99,900	54,000	153,900	153,760	140
General supplies	1,800	600	2,400	1,393	1,007
<b>Total multiple disabilities</b>	<u>261,700</u>	<u>(33,100)</u>	<u>228,600</u>	<u>214,273</u>	<u>14,327</u>
<b>Resource room/resource center:</b>					
Salaries of teachers	391,000	(17,150)	373,850	367,079	6,771
General supplies	250	2,000	2,250	231	2,019
Textbooks		1,500	1,500		1,500
<b>Total resource room/resource center</b>	<u>391,250</u>	<u>(13,650)</u>	<u>377,600</u>	<u>367,310</u>	<u>10,290</u>
<b>Total Special Education - Instruction</b>	<u>970,600</u>	<u>(49,350)</u>	<u>921,250</u>	<u>797,968</u>	<u>123,282</u>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of teachers	66,000	(13,000)	53,000	53,000	
Other purchased services	29,225	(13,225)	16,000	15,759	241
General supplies	2,552		2,552	2,188	364
<b>Total basic skills/remedial - instruction</b>	<u>97,777</u>	<u>(26,225)</u>	<u>71,552</u>	<u>70,947</u>	<u>605</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>School-Sponsored Cocurricular Act - Instruction:</b>					
Salaries	\$ 102,234	\$ 15,695	\$ 117,929	\$ 117,550	\$ 379
Purchased services	17,940	(9,226)	8,714	8,713	1
Supplies and materials	14,689	(191)	14,498	9,783	4,715
<b>Total school-sponsored cocurr. act. - instruc.</b>	<b>134,863</b>	<b>6,278</b>	<b>141,141</b>	<b>136,046</b>	<b>5,095</b>
<b>School-Sponsored Athletics - Instruction:</b>					
Salaries	443,950	(16,080)	427,870	425,649	2,221
Other purchased services	136,653	(116,750)	19,903	13,869	6,034
Insurance		20,035	20,035	20,035	
Travel		3,155	3,155	2,355	800
Miscellaneous purchased services		91,983	91,983	86,905	5,078
Supplies and materials	54,933	15,097	70,030	61,123	8,907
<b>Total school-sponsored athletics - instruc.</b>	<b>635,536</b>	<b>(109,640)</b>	<b>632,976</b>	<b>609,936</b>	<b>9,055</b>
<b>Total Instruction</b>	<b>6,596,428</b>	<b>(94,123)</b>	<b>6,609,385</b>	<b>6,424,372</b>	<b>171,028</b>
<b>Undistributed Expenditures - Instruction</b>					
Tuition to County Voc School Dist - reg.	98,500	1,800	100,300	83,980	16,320
Tuition to CSSD & reg. day schools	120,986	25,700	146,686	114	146,572
Tuition to priv. sch. for the disabled in state	317,500	(84,000)	233,500	145,306	88,194
Tuition - state facilities	28,982		28,982	28,982	
Tuition other	1,800		1,800		1,800
<b>Total undistributed expenditures - instruction</b>	<b>567,768</b>	<b>(56,500)</b>	<b>511,268</b>	<b>258,382</b>	<b>252,886</b>
<b>Attendance and Social Work:</b>					
Salaries	33,950	6,833	40,783	40,783	
Supplies and materials	1,041	(333)	708	669	39
<b>Total attendance and social work</b>	<b>34,991</b>	<b>6,500</b>	<b>41,491</b>	<b>41,452</b>	<b>39</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**STERLING SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Health Services:</b>					
Salaries	\$ 101,400	\$ 1,500	\$ 102,900	\$ 102,900	
Other purchased services	1,010	(850)	160	151	\$ 9
Travel		180	180		180
Miscellaneous purchased services		660	660	292	368
Supplies and materials	2,210	1,110	3,320	3,273	47
<b>Total health services</b>	<b>104,620</b>	<b>2,600</b>	<b>107,220</b>	<b>106,616</b>	<b>604</b>
<b>Speech, OT, PT &amp; Related Services:</b>					
Salaries	29,640		29,640	29,640	
<b>Total speech, ot, pt &amp; related services</b>	<b>29,640</b>		<b>29,640</b>	<b>29,640</b>	
<b>Other Support Services - Extra. Serv.:</b>					
Salaries	23,300		23,300	14,123	9,177
Purchased professional and educational services	33,000	(8,500)	24,500		24,500
<b>Total other support services - extra. serv.</b>	<b>56,300</b>	<b>(8,500)</b>	<b>47,800</b>	<b>14,123</b>	<b>33,677</b>
<b>Guidance:</b>					
Salaries of other professional staff	404,400		404,400	401,680	2,720
Salaries of secretarial and clerical assistants	68,200		68,200	67,934	266
Other purchased services	2,050	(750)	1,300	1,155	145
Supplies and materials	1,260		1,260	1,259	1
<b>Total guidance</b>	<b>475,910</b>	<b>(750)</b>	<b>475,160</b>	<b>472,028</b>	<b>3,132</b>
<b>Child Study Teams:</b>					
Salaries of other professional staff	223,890	(14,284)	209,606	201,831	7,775
Salaries of secretarial and clerical assistants	41,000		41,000	40,561	439
Purchased professional and educational services	3,600	(1,870)	1,730	850	880
Purchased professional and technical services	36,000	25,754	61,754	61,748	6
Travel		1,205	1,205	354	851
Miscellaneous purchased services	19,870	1,325	21,195	11,700	9,495
Supplies and materials	3,532	2,000	5,532	3,967	1,565
<b>Total child study teams</b>	<b>327,892</b>	<b>14,130</b>	<b>342,022</b>	<b>321,011</b>	<b>21,011</b>
<b>Improvement of Instruction Services:</b>					
Salaries of supervisor of instruction	247,000		247,000	243,004	3,996
Salaries of secretarial and clerical assistants	41,000	360	41,360	41,356	4
Other purchased services	1,720	640	2,360	2,184	176
Supplies and materials	5,490	301	5,791	1,258	4,533
Other objects		900	900		900
<b>Total improvement of instructional services</b>	<b>295,210</b>	<b>2,201</b>	<b>297,411</b>	<b>287,802</b>	<b>9,609</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
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**For the Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Educational Media Services/School Library:</b>					
Salaries	\$ 65,980	\$ (3,320)	\$ 62,660	\$ 62,651	\$ 9
Other purchased services	12,500		12,500	12,210	290
Supplies and materials	14,000	(5,255)	8,745	8,738	7
<b>Total educational media services/school library</b>	<b>92,480</b>	<b>(8,575)</b>	<b>83,905</b>	<b>83,599</b>	<b>306</b>
<b>General Administration:</b>					
Salaries	247,400	3,720	251,120	250,723	397
Salaries of attorneys	12,300		12,300	12,300	
Other salaries		2,400	2,400	2,300	100
Legal services	11,000	(6,920)	4,080	3,297	783
Audit services	25,000		25,000	24,500	500
Other purchased professional services	36,900		36,900	35,490	1,410
Communications / telephone	87,900		87,900	56,882	31,018
Travel		4,550	4,550	2,475	2,075
BOE other purchased services	5,970		5,970	1,661	4,309
Other purchased services	21,895	(3,750)	18,145	16,783	1,362
Supplies and materials	2,550	1,168	3,718	3,092	626
BOE In-house Training/Meeting supplies	480		480	218	262
Miscellaneous expenditures	2,650	1,500	4,150	2,914	1,236
BOE Membership Dues and Fees	12,100	(1,500)	10,600	10,150	450
<b>Total general administration</b>	<b>466,145</b>	<b>1,168</b>	<b>467,313</b>	<b>422,785</b>	<b>44,528</b>
<b>School Administration:</b>					
Salaries of principals/assist. principals	251,500	(1,600)	249,900	187,906	61,994
Salaries of secretarial and clerical assistants	112,000		112,000	107,973	4,027
Other purchased services		910	910	910	
Supplies and materials	2,268		2,268	1,712	556
Other objects		1,600	1,600	1,600	
<b>Total school administration</b>	<b>365,768</b>	<b>910</b>	<b>366,678</b>	<b>300,101</b>	<b>66,577</b>
<b>Central Services:</b>					
Purchased professional services	374,000	3,910	377,910	377,909	1
Supplies and materials		40	40		40
<b>Total central services</b>	<b>374,000</b>	<b>3,950</b>	<b>377,950</b>	<b>377,909</b>	<b>41</b>
<b>Admin Info Technology</b>					
Salaries	5,000		5,000	5,000	
<b>Total admin info technology</b>	<b>5,000</b>		<b>5,000</b>	<b>5,000</b>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
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**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Required Maintenance School Facilities:</b>					
Salaries	\$ 63,000	\$ 155,000	\$ 218,000	\$ 217,909	\$ 91
Cleaning, repair, and maintenance services	72,000	(11,768)	60,232	58,565	1,667
General supplies	29,400	41,681	71,081	68,013	3,068
<b>Total required maintenance school facilities</b>	<b>164,400</b>	<b>184,913</b>	<b>349,313</b>	<b>344,487</b>	<b>4,826</b>
<b>Custodial Services:</b>					
Salaries	458,600	4,580	463,180	463,125	55
Purchased professional and tech. services	30,000	(6,350)	23,650	22,924	726
Cleaning, repair, and maintenance services	23,100	(8,461)	14,639	8,001	6,638
Other purchased property services	44,650	11,570	56,220	56,216	4
Insurance	36,230	2,550	38,780	38,753	27
Miscellaneous purchased services	21,500	5,457	26,957	26,956	1
General supplies	46,000	(3,861)	42,139	41,089	1,050
Energy (Electricity)	420,000	(23,100)	396,900	356,671	40,229
Energy (Natural Gas)	130,000	(47,500)	82,500	82,493	7
Energy (Oil)	10,730	(9,120)	1,610	654	956
<b>Total custodial services</b>	<b>1,220,810</b>	<b>(74,235)</b>	<b>1,146,575</b>	<b>1,096,882</b>	<b>49,693</b>
<b>Care and Upkeep of Grounds:</b>					
Salaries	38,000		38,000	37,709	291
Cleaning, repair, and maintenance services	29,800	24,030	53,830	52,797	1,033
Supplies	5,500	4,766	10,266	10,224	42
<b>Total care and upkeep of grounds</b>	<b>73,300</b>	<b>28,796</b>	<b>102,096</b>	<b>100,730</b>	<b>1,366</b>
<b>Security:</b>					
Purchased professional and tech. services	99,900		99,900	99,900	
Cleaning, repair, and maintenance services	9,800		9,800	8,164	1,636
<b>Total security</b>	<b>109,700</b>		<b>109,700</b>	<b>108,064</b>	<b>1,636</b>
<b>Total operation &amp; maint. of plant services</b>	<b>1,568,210</b>	<b>139,474</b>	<b>1,707,684</b>	<b>1,650,163</b>	<b>57,521</b>
<b>Student Transportation Services:</b>					
Management Fee -ESC & CTSA Trans Program	8,000		8,000	4,766	3,234
Contr. serv. (not bet. home & school) - vendors	143,610	(14,262)	129,348	109,262	20,086
Contr. serv. (regular students.) - ESCs	26,000		26,000	24,017	1,983
Contr. serv. (special ed. students.) - ESCs	196,000	(8,510)	187,490	134,851	52,639
<b>Total student transportation services</b>	<b>373,610</b>	<b>(22,772)</b>	<b>350,838</b>	<b>272,896</b>	<b>77,942</b>
<b>Unallocated Benefits - Employee Benefits</b>					
Social security contributions	217,200	68,365	285,565	285,557	8
Other retirement contributions - regular	175,000	1,310	176,310	176,308	2
Unemployment compensation	78,000		78,000	78,000	
Workman's compensation	122,000	(6,800)	115,200	115,124	76
Health benefits	1,782,900	357,511	2,140,411	2,135,911	4,500
Tuition reimbursement	20,000	(6,865)	13,135	13,130	5
Other employee benefits	29,170	(19,625)	9,545	9,539	6
<b>Total unallocated benefits - employee benefits</b>	<b>2,424,270</b>	<b>393,896</b>	<b>2,818,166</b>	<b>2,813,569</b>	<b>4,597</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
On-behalf TPAF pension contr. (non-budgeted)				\$ 646,595	\$ (646,595)
Reimbursed TPAF social security contr. (non-budgeted)				484,994	(484,994)
<b>Total Undistributed Expenditures</b>	<b>\$ 7,561,814</b>	<b>\$ 467,732</b>	<b>\$ 8,029,546</b>	<b>8,588,665</b>	<b>(559,119)</b>
<b>Total General Current Expense</b>	<b>14,158,242</b>	<b>373,609</b>	<b>14,638,931</b>	<b>15,013,037</b>	<b>(388,091)</b>
<b>CAPITAL OUTLAY:</b>					
Equipment:					
Grades 9-12	284,211	115,384	399,595	397,692	1,903
<b>Total Equipment</b>	<b>284,211</b>	<b>115,384</b>	<b>399,595</b>	<b>397,692</b>	<b>1,903</b>
Facilities Acquisition and Const. Services:					
Construction services	490,551	(42,470)	448,081	448,053	28
Lease purchase agreements - principal	1,500,000	(462,100)	1,037,900		1,037,900
Other objects	1,584		1,584	1,584	
<b>Total Facilities acq. and const. serv.</b>	<b>1,992,135</b>	<b>(504,570)</b>	<b>1,487,565</b>	<b>449,637</b>	<b>1,037,928</b>
<b>Total Capital Outlay</b>	<b>2,276,346</b>	<b>(389,186)</b>	<b>1,887,160</b>	<b>847,329</b>	<b>1,039,831</b>
<b>Total Expenditures</b>	<b>16,434,588</b>	<b>(15,577)</b>	<b>16,526,091</b>	<b>15,860,366</b>	<b>651,740</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(697,257)	353,185	(451,152)	(305,009)	132,158
Other Financing Sources (Uses):					
Operating transfers out		(460,000)	(460,000)	(460,000)	
<b>Total Other Financing Sources</b>		<b>(460,000)</b>	<b>(460,000)</b>	<b>(460,000)</b>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(697,257)	(106,815)	(911,152)	(765,009)	132,158
Fund Balance, July 1, 2011	1,163,707		1,163,707	1,163,707	
Fund Balance, June 30, 2012	<b>\$ 466,450</b>	<b>\$ (106,815)</b>	<b>\$ 252,555</b>	<b>\$ 398,698</b>	<b>\$ 132,158</b>
<b>Recapitulation of Fund Balance:</b>					
Restricted Fund Balance:					
Capital reserve - designated in subsequent year's budget				\$ 215,000	
Capital reserve				106	
Assigned Fund Balance:					
Year-end encumbrances				22,378	
Designated for subsequent year's expenditures				102,825	
Unassigned Fund Balance:				58,389	
				398,698	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(575,372)	
Fund Balance per Governmental Funds (GAAP)				<b>\$ (176,674)</b>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Education Jobs Fund**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Federal sources:					
Education Jobs Funds	\$ 6,380	\$ -	\$ 6,380	\$ 6,380	
<b>Total Revenues</b>	<u>6,380</u>		<u>6,380</u>	<u>6,380</u>	
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Custodial Services - Salaries	6,380		6,380	6,380	
<b>Total - Undistributed Expenditures</b>	<u>6,380</u>		<u>6,380</u>	<u>6,380</u>	
<b>Total Expenditures</b>	<u>6,380</u>		<u>6,380</u>	<u>6,380</u>	
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STERLING HIGH SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
State sources					
Federal sources	\$ 385,245		\$ 385,245	\$ 328,060	\$ (57,185)
<b>Total Revenues</b>	<u>385,245</u>		<u>385,245</u>	<u>328,060</u>	<u>(57,185)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	64,132		64,132	40,402	23,730
Other salaries for instruction	25,516		25,516	25,516	
Other purchased services	220,070		220,070	188,814	31,256
Travel	885		885	885	
General supplies	56,294		56,294	54,677	1,617
<b>Total instruction</b>	<u>366,897</u>		<u>366,897</u>	<u>310,294</u>	<u>56,603</u>
Support services:					
Personal services - employee benefits	16,221		16,221	16,221	
Supplies and materials	2,127		2,127	1,545	582
<b>Total support services</b>	<u>18,348</u>		<u>18,348</u>	<u>17,766</u>	<u>582</u>
Facilities acquisition and construction services:					
Instructional equipment					
Noninstructional equipment					
<b>Total facilities acq. and const. services</b>					
<b>Total Expenditures</b>	<u>385,245</u>		<u>385,245</u>	<u>328,060</u>	<u>57,185</u>
<b>Total outflows</b>	<u>385,245</u>		<u>385,245</u>	<u>328,060</u>	<u>57,185</u>
<b>Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)</b>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**STERLING HIGH SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Budgetary Comparison**  
**For the Fiscal Year Ended June 30, 2012**

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP  
Revenues and Expenditures**

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 15,555,357	\$ 328,060
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	529,468	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(575,372)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 15,509,453	\$ 328,060
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 16,320,366	\$ 328,060
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		8,114
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 16,320,366	\$ 336,174

**Other Supplementary Information**

**Special Revenue Fund**

**STERLING HIGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures**  
**Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Carl Perkins</u>	<u>Title I</u>	<u>Title I Carryover</u>	<u>Title IIA</u>	<u>IDEA Basic</u>	<u>IDEA Basic Carryover</u>	<u>Title IIA Carryover</u>	<u>Total</u>
<b>REVENUES:</b>								
State sources								
Federal sources	\$ 15,000	\$ 77,229	\$ 19,455	\$ 12,452	\$ 169,728	\$ 27,703	\$ 6,493	\$ 328,060
<b>Total Revenues</b>	<u>15,000</u>	<u>77,229</u>	<u>19,455</u>	<u>12,452</u>	<u>169,728</u>	<u>27,703</u>	<u>6,493</u>	<u>328,060</u>
<b>EXPENDITURES:</b>								
Instruction:								
Salaries of teachers		8,331	2,747	3,949		19,767	5,608	40,402
Other salaries for instruction		25,516						25,516
Other purchased services		9,411	3,315	1,585	169,728	4,775		188,814
Travel							885	885
General supplies	15,000	18,517	13,393	4,606		3,161		54,677
<b>Total instruction</b>	<u>15,000</u>	<u>61,775</u>	<u>19,455</u>	<u>10,140</u>	<u>169,728</u>	<u>27,703</u>	<u>6,493</u>	<u>310,294</u>
Support services:								
Personal services-employee benefits		15,454		767				16,221
General supplies				1,545				1,545
<b>Total support services</b>		<u>15,454</u>		<u>2,312</u>				<u>17,766</u>
Facilities acquisition and const. serv.:								
Instructional equipment								
<b>Total facilities acq. and const. serv.</b>								
<b>Total Expenditures</b>	<u>15,000</u>	<u>77,229</u>	<u>19,455</u>	<u>12,452</u>	<u>169,728</u>	<u>27,703</u>	<u>6,493</u>	<u>328,060</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

**Capital Projects Fund**

**The District does not maintain a capital projects fund.**

**Proprietary Funds**

**STERLING HIGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012**

	<u>Food Service Fund</u>	<u>South Jersey Technology Program Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 26,599	\$ 9,532	\$ 36,131
Accounts receivable:			
State	117		117
Federal	4,262		4,262
Other		3,613,122	3,613,122
Deferred expenditure		460,000	460,000
Inventories	<u>7,485</u>	<u>128,017</u>	<u>135,502</u>
Total Current Assets	<u>38,463</u>	<u>4,210,671</u>	<u>4,249,134</u>
Noncurrent Assets:			
Building		1,405,339	1,405,339
Construction in progress		67,763	67,763
Equipment	<u>153,327</u>	<u>484,825</u>	<u>638,152</u>
Total	<u>153,327</u>	<u>1,957,927</u>	<u>2,111,254</u>
Less - accumulated depreciation	<u>(79,539)</u>	<u>(376,933)</u>	<u>(456,472)</u>
Total Noncurrent Assets	<u>73,788</u>	<u>1,580,994</u>	<u>1,654,782</u>
Total Assets	<u>112,251</u>	<u>5,791,665</u>	<u>5,903,916</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	1,595	3,029,855	3,031,450
Interfund payable		<u>150,000</u>	<u>150,000</u>
Total Current Liabilities	<u>1,595</u>	<u>3,179,855</u>	<u>3,181,450</u>
<b>NET ASSETS:</b>			
Invested in capital assets	73,788	1,580,994	1,654,782
Unrestricted	<u>36,868</u>	<u>1,030,816</u>	<u>1,067,684</u>
Total Net Assets	<u>\$ 110,656</u>	<u>\$ 2,611,810</u>	<u>\$ 2,722,466</u>

**STERLING HIGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Food Service Fund</u>	<u>South Jersey Technology Program Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES:</b>			
Charges for Services:			
Daily sales reimbursable programs:			
School lunch	\$ 86,501		\$ 86,501
Daily sales non-reimbursable programs:			
Adult and a la carte sales	117,218		117,218
Program fees:			
Technology services		\$ 9,628,931	9,628,931
Business services		735,654	735,654
Construction services		7,693,838	7,693,838
Other	10,410	12,081	22,491
Total Operating Revenues	<u>214,129</u>	<u>18,070,504</u>	<u>18,284,633</u>
<b>OPERATING EXPENSES:</b>			
Salaries	137,509	3,363,818	3,501,327
Fringe benefits		887,514	887,514
Management fee	25,625	31,478	57,103
Purchased services		183,299	183,299
Supplies and materials	8,829	167,463	176,292
Insurance		60,449	60,449
Rent		150,000	150,000
Travel		21,241	21,241
Other costs	18,443	14,038	32,481
Depreciation	13,156	80,895	94,051
Cost of sales	151,982	13,778,007	13,929,989
Total Operating Expenses	<u>355,544</u>	<u>18,738,202</u>	<u>19,093,746</u>
Operating Income (Loss)	<u>(141,415)</u>	<u>(667,698)</u>	<u>(809,113)</u>
<b>Non-Operating Revenues:</b>			
State sources:			
State school lunch program	3,094		3,094
Federal sources:			
National school lunch program	114,695		114,695
Food distribution program	16,805		16,805
Local sources:			
Interest earned	130	1,254	1,384
Total Non-Operating Revenues	<u>134,724</u>	<u>1,254</u>	<u>135,978</u>
Income (Loss) before Contributions and Transfers	(6,691)	(666,444)	(673,135)
Loss on disposal of capital assets	(5,414)		(5,414)
Operating transfers in		453,998	453,998
Changes in Net Assets	(12,105)	(212,446)	(224,551)
Net Assets - July 1, 2011	<u>122,761</u>	<u>2,824,256</u>	<u>2,947,017</u>
Net Assets - June 30, 2012	<u>\$ 110,656</u>	<u>\$ 2,611,810</u>	<u>\$ 2,722,466</u>

**STERLING HIGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Food Service Fund</u>	<u>South Jersey Technology Program Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers	\$ 214,129	\$ 17,644,569	\$ 17,858,698
Cash payments to employees for services	(137,509)	(4,251,332)	(4,388,841)
Cash payments to suppliers for goods and services	<u>(206,855)</u>	<u>(13,758,044)</u>	<u>(13,964,899)</u>
Net cash provided by (used for) operating activities	<u>(130,235)</u>	<u>(364,807)</u>	<u>(495,042)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash received from state sources	2,977		2,977
Cash received from federal sources	142,556		142,556
Operating transfer in		<u>453,998</u>	<u>453,998</u>
Net cash provided by noncapital financing activities	<u>145,533</u>	<u>453,998</u>	<u>599,531</u>
<b>Cash Flows Used by Capital and Related Financing Activities:</b>			
Purchase of equipment	<u>(27,538)</u>	<u>(162,340)</u>	<u>(189,878)</u>
<b>Cash Flow Provided by Investing Activities:</b>			
Interest on cash equivalents	<u>130</u>	<u>1,254</u>	<u>1,384</u>
Net increase (decrease) in cash and cash equivalents	(12,110)	(71,895)	(84,005)
Cash and cash equivalents - June 30, 2011	<u>38,709</u>	<u>81,427</u>	<u>120,136</u>
Cash and cash equivalents - June 30, 2012	<u>\$ 26,599</u>	<u>\$ 9,532</u>	<u>\$ 36,131</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash provided by (used for)</b>			
<b>Operating Activities:</b>			
Operating income (loss)	\$ (141,415)	\$ (667,698)	\$ (809,113)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:			
Depreciation	13,156	80,895	94,051
Change in assets and liabilities:			
(Increase) decrease in accounts receivables	15,318	(425,867)	(410,549)
(Increase) decrease in deferred expenditures		(460,000)	(460,000)
(Increase) decrease in inventories	(3,571)	(128,017)	(131,588)
Increase (decrease) in interfund payable		150,000	150,000
Increase (decrease) in accounts payable	1,595	1,085,880	1,087,475
Net cash provided by (used for) operating activities	<u>\$ (114,917)</u>	<u>\$ (364,807)</u>	<u>\$ (479,724)</u>

**Noncash Noncapital Financing Activities:**

During the year the District received \$16,805 of food commodities from the U.S. Department of Agriculture.

**Fiduciary Funds**

**STERLING HIGH SCHOOL DISTRICT  
Fiduciary Funds  
Combining Statement of Fiduciary Net Assets  
June 30, 2012**

	<u>Trust Funds</u>			<u>Agency Funds</u>		<u>Totals</u>
	<u>Unemployment Compensation Insurance</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Funds</u>	<u>Student Activity</u>	<u>Payroll</u>	
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 63,995	\$ 1,200	\$ 8,075	\$ 76,537	\$ 141,608	\$ 291,415
<b>Total Assets</b>	<u>63,995</u>	<u>1,200</u>	<u>8,075</u>	<u>\$ 76,537</u>	<u>\$ 141,608</u>	<u>291,415</u>
<b>LIABILITIES:</b>						
Payroll deductions and withholdings					\$ 89,908	89,908
Due to employees					32,899	32,899
Interfund payable					18,801	18,801
Due to student groups				\$ 76,537		76,537
<b>Total Liabilities</b>				<u>\$ 76,537</u>	<u>\$ 141,608</u>	<u>218,145</u>
<b>NET ASSETS:</b>						
Held in trust for payment of claims	63,995	1,200				65,195
Reserved for scholarships			8,075			8,075
<b>Total Net Assets</b>	<u>\$ 63,995</u>	<u>\$ 1,200</u>	<u>\$ 8,075</u>			<u>\$ 73,270</u>

**STERLING HIGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Scholarship Funds</u>	<u>Flexible Spending Trust Fund</u>	<u>Unemployment Compensation Insurance Trust Fund</u>	<u>Totals</u>
<b>ADDITIONS:</b>				
Local Sources:				
Interest on investments	\$ 20		\$ 96	\$ 116
Board contribution			78,000	78,000
Employee withholdings		<u>\$ 1,200</u>	<u>31,056</u>	<u>32,256</u>
Total Additions	<u>20</u>	<u>1,200</u>	<u>109,152</u>	<u>110,372</u>
<b>Deductions:</b>				
Payment of claims			83,441	83,441
Scholarships				
Total Deductions			<u>83,441</u>	<u>83,441</u>
Change in Net Assets	20	1,200	25,711	26,931
Net Assets - July 1, 2011	<u>8,055</u>		<u>38,284</u>	<u>53,170</u>
Net Assets - June 30, 2012	<u>\$ 8,075</u>	<u>\$ 1,200</u>	<u>\$ 63,995</u>	<u>\$ 80,101</u>

**STERLING HIGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Student Activity Agency Fund Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2012**

	Balance June 20, 2011	Cash Receipts	Cash Disbursements	Transfers	Balance June 30, 2012
Accolade	\$ 19,171	\$ 6,410	\$ 15,510		\$ 10,071
AP Exams	851	9,565	420		9,996
Art Auction Scholarship	94	1			95
Athletic Hall of Fame	554	2,236	540		2,250
Channel 19	1,756	3,686	688		4,754
Chorale	1,968	5	1,972		1
Class of 2005	2,210		2,210		-
Class of 2007	533				533
Class of 2008	398				398
Class of 2009	1,402				1,402
Class of 2010	586				586
Class of 2011	2,957	956	2,957		956
Class of 2012	617	1,651			2,268
Class of 2013	119	1,727			1,846
Class of 2014	1,279	1,500	2,155		624
Class of 2015		2,223	1,105		1,118
Clay Club	126	1			127
Coordinator Class of 2010	(200)				(200)
Coordinator Class of 2011	2,449		2,449		-
Coordinator Class of 2012	6,971	85,758	92,265		464
Coordinator Class of 2013	400	26,310	20,262		6,448
Coordinator Class of 2014	200	1			201
Current Event Issues		710	175		535
Drama	6,255	10,771	10,752		6,274
FBLA	665	4,093	4,191		567
Interact	335	1			336
National Honor Society	443	2,007	2,026		424
Renaissance	4,460	13,887	13,585		4,762
ROTC	4,064	10,299	5,855		8,508
SAT/PSAT		3,781	3,667		114
School Store	3,421	3,287	5,888		820
Silver Scroll	1,268	5			1,273
Social Studies Seminar	889	5,195	5,857		227
Strength and Conditioning Club	459	1,525	1,329		655
Student Council	2,216	1,715	1,337		2,594
S.A.D.D.	422	128	108		442
General Account	3,779		1,641		2,138
Revolving Account	408	2,905	1,905		1,408
Smoking Fines	184				184
World Language	60	1,083	1,000		143
Miscellaneous	7	1,188			1,195
<b>Total all accounts</b>	<b>\$ 73,776</b>	<b>\$ 204,610</b>	<b>\$ 201,849</b>	<b>\$ -</b>	<b>\$ 76,537</b>

**STERLING HIGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**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>ASSETS:</b>				
Cash and cash equivalents	<u>\$ 305,717</u>	<u>\$ 15,957,953</u>	<u>\$ 16,122,062</u>	<u>\$ 141,608</u>
Total assets	<u>\$ 305,717</u>	<u>\$ 15,957,953</u>	<u>\$ 16,122,062</u>	<u>\$ 141,608</u>
 <b>LIABILITIES:</b>				
Net payable		\$ 7,848,273	\$ 7,848,273	
Due to employees	\$ 68,710	77,988	113,799	\$ 32,899
Interfund payable		18,801		18,801
Payroll deductions and withholdings	<u>237,007</u>	<u>8,012,891</u>	<u>8,159,990</u>	<u>89,908</u>
Total liabilities	<u>\$ 305,717</u>	<u>\$ 15,957,953</u>	<u>\$ 16,122,062</u>	<u>\$ 141,608</u>

**Long-Term Debt Schedules**

**STERLING HIGH SCHOOL DISTRICT**  
**Statement of Serial Bonds**  
**For the Fiscal Year Ended June 30, 2012**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
School Building School Refunding Bonds Series of 2009	6/1/09	\$ 4,795,000	6/1/13	\$ 485,000	4.25-4.50%	\$ 3,810,000		\$ 485,000	\$ 3,325,000
			6/1/14-15	480,000	4.50%				
			6/1/16-18	475,000	5.00%				
			6/1/19	455,000	5.00%				
						<u>\$ 3,810,000</u>	<u>\$ -</u>	<u>\$ 485,000</u>	<u>\$ 3,325,000</u>

**STERLING HIGH SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 383,832		\$ 383,832	\$ 383,832	
State sources:					
State Aid	<u>274,806</u>		<u>274,806</u>	<u>274,806</u>	
Total Revenues	<u>658,638</u>		<u>658,638</u>	<u>658,638</u>	
<b>EXPENDITURES:</b>					
Regular debt service:					
Interest	179,637		179,637	179,637	
Redemption of principal	<u>485,000</u>		<u>485,000</u>	<u>485,000</u>	
Total Expenditures	<u>664,637</u>		<u>664,637</u>	<u>664,637</u>	
Excess (Deficiency) of revenues over (under) expenditures	(5,999)		(5,999)	(5,999)	
Other Financing Sources:					
Operating transfers in	<u>6,002</u>		<u>6,002</u>	<u>6,002</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	3		3	3	
Fund Balance - July 1, 2011	<u>45,341</u>		<u>45,341</u>	<u>45,341</u>	
Fund Balance - June 30, 2012	<u>\$ 45,344</u>	<u>\$ -</u>	<u>\$ 45,344</u>	<u>\$ 45,344</u>	<u>\$ -</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>\$ (5,999)</u>	<u>\$ -</u>	<u>\$ (5,999)</u>	<u>\$ (5,999)</u>	<u>\$ -</u>

**Statistical Section**

**Sterling High School District**  
**Net Assets by Component,**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

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	Fiscal Year Ending Juno 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	\$ 1,647,970	\$ 1,759,651	\$ 2,001,058	\$ 2,524,496	\$ 3,370,531	\$ 3,574,030	\$ 4,080,445	\$ 4,372,279	\$ 4,597,182	\$ 5,081,060
Restricted for:										
Capital reserve	84,858	175,646	180,054	203,216	220,104	11,256	73,469	73,492	393,665	215,106
Debt service				1	1	1		45,341	45,341	45,344
Other purposes	295,443	458,248	154,161	21,109	152,776	595,152	604,452	364,644	498,349	125,203
Unrestricted	120,398	(190,815)	(262,097)	(140,176)	(131,623)	(148,097)	(427,820)	(365,697)	(420,339)	(658,394)
<b>Total governmental activities net assets</b>	<u>\$ 2,148,669</u>	<u>\$ 2,202,730</u>	<u>\$ 2,073,176</u>	<u>\$ 2,608,646</u>	<u>\$ 3,611,789</u>	<u>\$ 4,032,342</u>	<u>\$ 4,330,546</u>	<u>\$ 4,490,059</u>	<u>\$ 5,114,198</u>	<u>\$ 4,808,319</u>
<b>Business-type activities:</b>										
Invested in capital assets, net of related debt		\$ 122,180	\$ 119,002	\$ 92,007	\$ 182,217	\$ 1,346,345	\$ 1,335,197	\$ 1,497,197	\$ 1,564,369	\$ 1,654,782
Unrestricted		4,654		33,696	(47,381)	(447,896)	(375,700)	(76,464)	1,382,648	1,067,684
<b>Total business-type activities net assets</b>	<u>\$ -</u>	<u>\$ 126,834</u>	<u>\$ 119,002</u>	<u>\$ 125,703</u>	<u>\$ 134,836</u>	<u>\$ 898,449</u>	<u>\$ 959,497</u>	<u>\$ 1,420,733</u>	<u>\$ 2,947,017</u>	<u>\$ 2,722,466</u>
<b>District-wide:</b>										
Invested in capital assets, net of related debt	\$ 1,647,970	\$ 1,881,831	\$ 2,120,060	\$ 2,616,503	\$ 3,552,748	\$ 4,920,375	\$ 5,415,642	\$ 5,869,476	\$ 6,161,551	\$ 6,735,842
Restricted:										
Capital reserve	84,858	175,646	180,054	203,216	220,104	11,256	73,469	73,492	393,665	215,106
Debt service				1	1	1		45,341	45,341	45,344
Other purposes	295,443	458,248	154,161	21,109	152,776	595,152	604,452	364,644	498,349	125,203
Unrestricted	120,398	(165,161)	(262,097)	(106,480)	(179,004)	(595,993)	(603,520)	(442,161)	962,309	409,290
<b>Total district net assets</b>	<u>\$ 2,148,669</u>	<u>\$ 2,329,564</u>	<u>\$ 2,192,178</u>	<u>\$ 2,734,349</u>	<u>\$ 3,746,625</u>	<u>\$ 4,930,791</u>	<u>\$ 5,290,043</u>	<u>\$ 5,910,792</u>	<u>\$ 8,061,215</u>	<u>\$ 7,530,785</u>

Sterling High School District  
 Changes in Net Assets, Last Ten Fiscal Years  
 (accrual basis of accounting)

		Fiscal Year Ending June 30,									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>											
Governmental activities:											
Instruction:											
Regular	\$ 5,869,122	\$ 6,401,037	\$ 6,473,440	\$ 5,294,566	\$ 5,274,056	\$ 5,357,079	\$ 5,657,204	\$ 5,651,269	\$ 5,204,519	\$ 4,839,755	
Special education	639,551	698,514	655,264	525,957	652,306	634,121	809,348	678,092	675,215	1,118,376	
Other instruction	837,982	831,272	905,517	741,710	812,182	826,981	812,690	826,706	722,287	818,929	
Support Services:											
Tuition	620,110	558,267	603,192	913,777	829,074	735,708	743,456	743,065	327,766	258,382	
Student & instruction related services	1,371,413	1,513,327	1,408,208	1,025,649	1,183,653	1,390,855	1,550,841	1,755,987	1,444,165	1,374,037	
School administrative services	514,886	556,130	596,728	520,675	370,281	358,932	355,609	343,592	359,959	300,101	
General and business administrative services	474,808	468,258	929,410	676,821	702,251	785,180	623,484	675,639	904,047	827,660	
Plant operations and maintenance	1,684,735	2,182,082	2,407,662	1,688,137	1,883,835	2,088,269	1,898,009	1,716,252	1,688,656	2,248,687	
Pupil transportation	245,959	226,864	238,156	294,678	297,047	354,507	335,171	368,486	323,660	272,696	
Business and other support services	322,357	390,159									
Unallocated employee benefits				2,633,115	3,268,370	3,431,311	3,064,835	3,409,339	3,528,597	3,945,158	
Special schools	43,262	14,837	20,053								
Interest on long-term debt	405,014	382,417	388,439	334,811	312,882	200,004	264,033	216,880	197,605	177,969	
Unallocated depreciation	58,271	100,427	84,834	84,834	311,518	89,439	87,745	73,594	321,472	170,082	
<b>Total governmental activities expenses</b>	<b>13,084,470</b>	<b>14,323,591</b>	<b>14,709,012</b>	<b>14,734,830</b>	<b>15,997,435</b>	<b>16,540,406</b>	<b>16,402,422</b>	<b>16,656,801</b>	<b>15,895,968</b>	<b>16,348,032</b>	
Business-type activities:											
South Jersey Technology Program		383,275	716,693	2,754,778	3,502,405	5,559,574	6,980,065	11,726,398	12,565,458	18,738,202	
Food Service Program					322,282	368,644	309,075	322,485	342,458	355,544	
<b>Total business-type activities expense</b>	<b>-</b>	<b>383,275</b>	<b>716,693</b>	<b>2,754,778</b>	<b>3,824,687</b>	<b>5,928,218</b>	<b>7,289,140</b>	<b>12,048,883</b>	<b>12,907,916</b>	<b>19,093,746</b>	
<b>Total district expenses</b>	<b>\$ 13,084,470</b>	<b>\$ 14,706,866</b>	<b>\$ 15,425,905</b>	<b>\$ 17,489,608</b>	<b>\$ 19,822,122</b>	<b>\$ 22,468,624</b>	<b>\$ 23,690,562</b>	<b>\$ 28,705,784</b>	<b>\$ 28,803,884</b>	<b>\$ 35,441,778</b>	
<b>Program Revenues:</b>											
Governmental activities:											
Charges for services:											
Instruction (tuition)	1,620,183	\$ 1,708,336	\$ 1,618,686	\$ 1,740,177	\$ 2,006,401	\$ 2,110,599	\$ 1,823,439	\$ 1,950,676	\$ 1,765,260	\$ 1,892,241	
Operating grants and contributions	1,388,966	1,534,769	1,541,631	1,692,672	2,160,492	2,247,807	1,605,775	1,802,672	1,714,090	1,734,455	
<b>Total governmental activities program revenues</b>	<b>3,019,149</b>	<b>3,243,105</b>	<b>3,160,317</b>	<b>3,432,849</b>	<b>4,166,893</b>	<b>4,358,406</b>	<b>3,429,214</b>	<b>3,753,348</b>	<b>3,479,350</b>	<b>3,626,696</b>	

(Continued)

Stirling High School District  
 Changes in Net Assets, Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Business-type activities:</b>										
Charges for services:										
South Jersey Technology Program		\$ 488,268	\$ 661,486	\$ 2,789,054	\$ 3,573,585	\$ 5,770,674	\$ 7,044,204	\$ 11,980,077	\$ 14,083,292	\$ 18,070,504
Food Service Program					236,277	266,865	233,928	231,544	232,714	214,129
Operating grants and contributions					55,267	75,807	70,932	108,652	117,755	134,584
Capital grants and contributions										
Total business-type activities program revenues		488,268	661,486	2,789,054	3,865,129	6,113,366	7,349,064	12,320,473	14,433,761	18,419,227
Total district program revenues	\$ 3,018,149	\$ 3,731,373	\$ 3,841,603	\$ 6,221,903	\$ 8,032,022	\$ 10,471,772	\$ 10,778,276	\$ 16,073,821	\$ 17,913,111	\$ 22,045,923
<b>Net (Expense)/Revenue:</b>										
Governmental activities	\$ (10,065,321)	\$ (11,080,486)	\$ (11,548,695)	\$ (11,301,981)	\$ (11,830,542)	\$ (12,182,000)	\$ (12,973,208)	\$ (12,903,553)	\$ (12,416,618)	\$ (12,721,338)
Business-type activities		104,993	(35,407)	34,276	40,442	165,148	60,924	271,560	1,525,845	(674,519)
Total district-wide net expense	\$ (10,065,321)	\$ (10,975,493)	\$ (11,584,102)	\$ (11,267,705)	\$ (11,790,100)	\$ (11,996,852)	\$ (12,912,284)	\$ (12,631,973)	\$ (10,890,773)	\$ (13,395,855)
<b>General Revenues and Other Changes in Net Assets:</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 5,352,989	\$ 5,930,442	\$ 6,250,278	\$ 6,488,143	\$ 7,035,610	\$ 7,203,319	\$ 6,984,760	\$ 6,819,170	\$ 6,901,937	\$ 6,444,937
Taxes levied for debt service	410,862	414,664	417,730	409,126	408,176	406,738	402,245	389,681	423,008	383,832
Unrestricted grants and contributions	4,283,272	4,650,291	4,741,538	4,757,557	4,752,160	4,834,711	5,528,502	6,018,342	5,703,484	5,876,556
State aid restricted for capital projects				65,305						
Investment earnings	658	646	4,408	8,581	16,888	367	237	35	73	2
Miscellaneous income	237,479	160,345	32,762	81,164	128,962	57,418	18,668	24,691	12,255	164,128
Forgiven debt							337,000			
Transfers		(21,841)	(27,575)	27,575	169,257			(188,853)		(453,998)
Total governmental activities	10,285,240	11,134,547	11,419,141	11,837,451	12,511,073	12,602,553	13,271,412	13,063,066	13,040,757	12,415,457
Business-type activities:										
Investment earnings					558	550	124	602	439	1,384
Contributions					137,390	577,915				
Loss on disposal of capital assets										(5,414)
Transfers		21,841	27,575	(27,575)	(169,257)			188,853		453,998
Total business-type activities		21,841	27,575	(27,575)	(31,309)	578,465	124	189,655	439	449,968
Total district-wide	\$ 10,285,240	\$ 11,156,388	\$ 11,446,716	\$ 11,809,876	\$ 12,479,764	\$ 13,181,018	\$ 13,271,536	\$ 13,252,721	\$ 13,041,196	\$ 12,865,425
<b>Change in Net Assets:</b>										
Governmental activities	\$ 219,919	\$ 54,061	\$ (129,554)	\$ 535,470	\$ 680,531	\$ 420,553	\$ 298,204	\$ 159,513	\$ 624,139	\$ (305,879)
Business-type activities		126,834	(7,832)	6,701	9,133	763,613	61,048	481,235	1,526,284	(224,551)
Total district-wide	\$ 219,919	\$ 180,895	\$ (137,386)	\$ 542,171	\$ 689,664	\$ 1,184,166	\$ 359,252	\$ 620,748	\$ 2,150,423	\$ (530,430)

Storling High School District  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund:</b>										
Restricted for:										
Capital reserve	\$ 84,858	\$ 175,646	\$ 180,054	\$ 203,216	\$ 220,104	\$ 11,256	\$ 73,469	\$ 73,492	\$ 393,665	\$ 215,106
Excess surplus				6,109	2,159	284,602	196,783		69,635	
Assigned to:										
Year-end Encumbrances	295,443	434,863				233,142	107,168	129,952	213,894	22,378
Designated for subsequent year's budget		23,385	29,161	15,000	150,617	28,159	284,602	220,646	206,706	102,825
Unassigned	259,434	(43,214)	(72,888)	43,894	82,533	81,353	(226,085)	(182,535)	(249,661)	(516,983)
<b>Total general fund</b>	<u>\$ 639,735</u>	<u>\$ 590,680</u>	<u>\$ 136,327</u>	<u>\$ 268,219</u>	<u>\$ 455,413</u>	<u>\$ 638,512</u>	<u>\$ 435,937</u>	<u>\$ 241,555</u>	<u>\$ 634,239</u>	<u>\$ (176,674)</u>
<b>All Other Governmental Funds</b>										
Assigned to:										
Year-end Encumbrances						\$ 49,249	\$ 15,899	\$ 14,046	\$ 8,114	
Unassigned, reported in:										
Special revenue fund	\$ (2,628)	\$ (942)	\$ (942)	\$ (942)	\$ (942)	(942)				
Capital projects fund			125,000							
Debt service fund				1	1	1		45,341	45,341	45,344
<b>Total all other governmental funds</b>	<u>\$ (2,628)</u>	<u>\$ (942)</u>	<u>\$ 124,058</u>	<u>\$ (941)</u>	<u>\$ (941)</u>	<u>\$ 48,308</u>	<u>\$ 15,899</u>	<u>\$ 59,387</u>	<u>\$ 53,455</u>	<u>\$ 45,344</u>

**Sterling High School District**  
**Changes In Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

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	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Tax levy	\$ 5,763,831	\$ 6,345,106	\$ 6,668,008	\$ 6,897,269	\$ 7,443,786	\$ 7,610,057	\$ 7,387,005	\$ 7,208,851	\$ 7,324,945	\$ 6,828,769
Tuition charges	1,620,183	1,708,336	1,763,866	1,740,177	2,006,401	2,110,599	1,823,439	1,950,676	1,765,260	1,892,241
Interest earnings	658	646	4,408	8,581	16,888	367	237	35	73	2
Miscellaneous	237,479	160,545	33,662	82,265	128,962	57,418	18,668	24,691	12,255	164,128
State sources	5,445,222	5,892,660	6,018,375	6,185,102	6,529,118	6,833,759	6,799,257	6,342,078	6,695,531	7,253,574
Federal sources	302,820	292,200	263,895	329,332	383,554	398,008	335,020	1,478,936	722,043	357,437
<b>Total revenue</b>	<b>13,370,193</b>	<b>14,399,493</b>	<b>14,752,214</b>	<b>15,242,726</b>	<b>16,508,709</b>	<b>17,010,208</b>	<b>16,363,626</b>	<b>17,005,267</b>	<b>16,520,107</b>	<b>16,496,151</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	4,406,781	4,863,762	4,873,508	5,027,731	5,181,738	5,053,887	5,399,790	5,383,347	5,150,193	4,809,475
Special education instruction	498,126	541,332	510,253	525,957	652,306	634,121	809,346	678,092	875,215	1,116,376
Other instruction	692,837	687,559	744,438	741,710	812,182	826,981	812,690	826,706	722,287	816,929
<b>Support Services:</b>										
Tuition	620,110	558,267	603,192	913,777	829,074	735,708	743,456	743,065	327,766	258,382
Student & instruction related services	1,115,571	1,230,055	1,126,720	1,025,649	1,183,653	1,390,855	1,550,841	1,755,987	1,444,185	1,374,037
School administrative services	405,667	434,232	459,813	520,675	370,281	356,932	355,608	343,592	359,959	300,101
General and business admin. services	586,445	686,272	735,798	637,367	695,328	743,474	782,626	834,071	884,687	805,694
Plant operations and maintenance	1,468,478	1,699,139	1,946,753	1,688,137	1,926,973	1,811,534	1,798,341	1,716,252	1,599,400	1,650,163
Pupil transportation	245,137	226,864	238,156	294,678	297,047	354,507	335,171	366,486	323,660	272,896
Other support services	2,072,542	2,277,820	2,472,148	2,633,115	3,268,370	3,431,311	3,064,835	3,409,339	3,528,597	3,945,158
Special Schools	34,837	11,494	19,130							
Capital outlay	195,976	400,808	365,517	457,980	479,037	446,567	162,672	198,942	228,168	847,329
<b>Debt service:</b>										
Principal	395,000	425,000	455,000	460,000	480,000	500,000	515,000	495,000	490,000	485,000
Interest and other charges	405,014	382,417	358,386	336,632	314,782	291,983	268,234	218,429	199,238	179,637
<b>Total expenditures</b>	<b>13,142,521</b>	<b>14,425,021</b>	<b>14,908,812</b>	<b>15,263,408</b>	<b>16,490,771</b>	<b>16,777,860</b>	<b>16,598,610</b>	<b>16,967,308</b>	<b>16,133,355</b>	<b>16,861,177</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>227,672</b>	<b>(25,528)</b>	<b>(156,598)</b>	<b>(20,682)</b>	<b>17,938</b>	<b>232,348</b>	<b>(234,984)</b>	<b>37,959</b>	<b>386,752</b>	<b>(365,026)</b>
<b>Other Financing sources (uses)</b>										
Contributions					187,257					
Prior Year Receivable Canceled			(145,180)							
Transfers in			145,000	27,575		333,833				6,002
Transfers out		(21,841)	(172,575)		(18,000)	(333,833)		(188,853)		(460,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(21,841)</b>	<b>(172,755)</b>	<b>27,575</b>	<b>169,257</b>	<b>-</b>	<b>-</b>	<b>(188,853)</b>	<b>-</b>	<b>(453,998)</b>
<b>Net change in fund balances</b>	<b>\$ 227,672</b>	<b>\$ (47,369)</b>	<b>\$ (329,353)</b>	<b>\$ 6,893</b>	<b>\$ 187,195</b>	<b>\$ 232,348</b>	<b>\$ (234,984)</b>	<b>\$ (150,894)</b>	<b>\$ 386,752</b>	<b>\$ (819,024)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.18%</b>	<b>5.76%</b>	<b>5.59%</b>	<b>5.38%</b>	<b>4.96%</b>	<b>4.85%</b>	<b>4.77%</b>	<b>4.25%</b>	<b>4.33%</b>	<b>4.15%</b>

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

**Sterling High School District**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

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<b>Fiscal Year Ending June 30,</b>	<b>Interest on Investments</b>	<b>Summer School</b>	<b>Tuition</b>	<b>Prior Year Refunds</b>	<b>Gate Receipts</b>	<b>Shared Services</b>	<b>Miscellaneous</b>	<b>Total</b>
2003	\$ 9,981		\$ 1,620,183		\$ 13,506	\$ 179,387	\$ 35,263	\$ 1,858,320
2004	5,468		1,708,336	\$ 200	14,476	132,047	9,000	1,869,527
2005	18,126	\$ 2,900	1,763,866		12,434		4,610	1,801,936
2006	17,038	4,585	1,740,177		12,545	56,678		1,831,023
2007	60,832		2,006,401		16,908		68,110	2,152,251
2008	32,493		2,110,599		17,544		7,748	2,168,384
2009	4,442		1,823,439		9,764		4,699	1,842,344
2010	2,501		1,950,676	6,684	8,266		7,275	1,975,402
2011	1,409		1,765,260		10,037		882	1,777,588
2012	2,775		1,892,241		8,388	150,000	2,967	2,056,371
	<u>\$ 155,065</u>	<u>\$ 7,485</u>	<u>\$ 18,381,178</u>	<u>\$ 6,884</u>	<u>\$ 123,868</u>	<u>\$ 518,112</u>	<u>\$ 140,554</u>	<u>\$ 19,333,146</u>

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Source: District records

Sterling High School District  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years

**BOROUGH OF MAGNOLIA**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2003	\$ 2,966,400	\$ 126,875,700	\$ 16,089,800	\$ 5,928,200	\$ 6,945,900	\$ 158,606,000	\$ 266,143	\$ 159,072,143	\$ 23,102,900	\$ 0.949	\$ 163,518,782
2004	2,971,800	127,343,000	15,975,100	5,733,800	6,945,900	158,968,600	236,064	159,205,664	22,990,100	1.074	175,878,211
2005	2,838,200	127,653,600	16,452,400	5,331,900	6,945,900	159,222,000	208,251	159,430,251	23,003,500	0.990	188,479,779
2006	3,108,200	128,113,000	16,359,000	4,992,700	6,945,900	159,518,800	158,095	159,676,895	22,844,500	1.120	225,905,501
2007	3,610,200	128,799,900	15,849,300	4,706,900	6,945,900	159,912,200	118,800	160,031,000	23,275,700	1.142	268,550,405
2008	3,669,300	129,499,600	15,631,600	4,635,600	6,945,900	160,382,000	139,785	160,521,785	23,275,700	1.108	295,260,363
2009	3,536,700	130,123,500	15,350,700	4,635,600	6,945,900	160,592,400	147,832	160,740,232	31,030,000	1.117	303,929,480
2010	3,535,600	130,928,800	15,377,100	4,635,600	6,945,900	161,423,000	145,452	161,568,452	30,959,700	1.095	301,694,228
2011	3,374,000	131,001,800	15,190,600	4,635,600	6,845,900	161,047,900	111,099	161,158,999	31,133,300	1.043	305,042,624
2012 R	5,165,400	208,123,300	30,596,100	7,582,000	11,479,900	262,946,700	204,766	263,151,466	43,833,000	0.635	Not Available

**BOROUGH OF SOMERDALE**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2003	\$ 2,018,600	\$ 145,703,000	\$ 30,801,000	\$ 8,907,300	\$ 6,881,800	\$ 194,311,700	\$ 511,390	\$ 194,823,090	\$ 15,119,100	\$ 1.072	\$ 207,794,505
2004	1,961,200	145,926,800	30,747,500	8,907,300	6,881,800	194,424,600	459,447	194,884,047	15,562,100	1.053	220,357,342
2005	1,923,800	146,368,900	27,479,600	8,881,700	6,881,800	191,535,600	402,259	191,938,059	15,651,400	1.147	230,435,501
2006	1,891,800	146,789,900	27,484,200	8,351,300	6,881,800	191,399,000	417,872	191,816,872	16,366,900	1.210	264,492,196
2007	1,729,600	147,447,900	27,490,900	8,351,300	6,881,800	191,901,500	293,365	192,194,865	16,554,400	1.235	313,463,600
2008	1,852,800	148,046,400	27,557,800	8,351,300	6,881,800	192,690,100	267,761	192,957,861	25,266,420	1.185	341,393,323
2009 R	11,899,200	268,224,800	39,040,800	14,238,200	12,198,500	345,601,500	520,073	346,121,573	40,633,820	0.641	344,663,075
2010	11,202,300	268,689,200	39,260,600	13,852,200	12,198,500	344,202,800	618,511	344,821,311	41,660,020	0.686	349,765,208
2011	11,652,500	268,415,200	37,583,526	13,695,100	11,661,200	343,207,526	482,451	343,689,977	41,831,020	0.621	356,796,390
2012	7,740,700	269,216,800	55,460,026	13,320,900	11,734,300	357,473,626	493,524	357,967,150	41,831,020	0.590	Not Available

**BOROUGH OF STRATFORD**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2003	\$ 832,700	\$ 220,907,800	\$ 51,409,500		\$ 11,719,200	\$ 284,869,200	\$ 1,047,764	\$ 285,916,964	\$ 107,956,200	\$ 0.961	\$ 306,314,570
2004	897,100	221,087,300	51,635,800		11,719,200	285,339,400	907,799	286,247,199	107,378,800	1.014	329,892,851
2005	991,500	221,322,200	51,888,300		11,719,200	285,921,200	793,350	286,714,550	114,410,400	1.087	353,180,249
2006	1,217,600	222,038,200	51,677,500		11,719,200	286,652,500	627,546	287,280,046	114,281,300	1.160	405,841,538
2007	1,279,000	222,380,900	50,205,800		11,719,200	285,584,900	566,657	286,151,557	114,281,300	1.190	450,575,963
2008	1,102,000	223,214,100	50,293,300		11,719,200	286,328,600	533,921	286,862,521	114,170,300	1.158	499,930,936
2009	1,270,400	223,821,900	49,569,200		11,719,200	286,380,700	553,109	286,933,809	113,997,708	1.113	511,054,933
2010	1,239,600	223,754,900	49,017,800		11,719,200	285,731,500	534,531	286,266,031	114,504,500	1.114	519,218,591
2011	1,299,600	224,379,500	48,385,800		11,719,200	285,784,100	452,738	286,236,838	114,302,700	1.053	511,388,419
2012	1,239,600	224,833,900	45,319,200		11,368,700	282,761,400	468,312	283,229,712	114,362,700	2.128	Not Available

Source: Municipal Tax Assessor

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

a Taxable Value of Machinery, Improvements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100 of assessed valuation

R Reassessment

**Sterling High School District  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
(rate per \$100 of assessed value)**

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Fiscal Year Ended June 30,	Direct Rate	Overlapping Rates			Total Direct and Overlapping Tax Rate
	Regional School District	Local School District	Borough	Camden County	
<b><u>BOROUGH OF MAGNOLIA</u></b>					
2003	\$ 0.949	\$ 1.365	\$ 1.051	\$ 0.995	\$ 4.360
2004	1.074	1.458	1.035	0.979	4.546
2005	0.990	1.610	1.055	0.981	4.636
2006	1.120	1.752	1.109	1.147	5.128
2007	1.142	2.001	1.158	1.180	5.481
2008	1.108	1.893	1.329	1.171	5.501
2009	1.117	1.958	1.396	1.171	5.642
2010	1.095	2.007	1.396	1.219	5.717
2011	1.043	1.984	1.446	1.349	5.822
2012	0.635	1.215	0.934	0.869	3.653
<b><u>BOROUGH OF SOMERDALE</u></b>					
2003	\$ 1.072	\$ 1.440	\$ 0.918	\$ 1.030	\$ 4.460
2004	1.053	1.539	0.998	1.001	4.591
2005	1.147	1.623	1.062	0.979	4.811
2006	1.210	1.707	1.161	1.118	5.196
2007	1.235	1.772	1.293	1.147	5.447
2008	1.185	1.765	1.409	1.127	5.486
2009	0.641	0.999	0.813	0.618	3.071
2010	0.686	1.024	0.839	0.662	3.211
2011	0.621	1.038	0.875	0.740	3.274
2012	0.590	1.011	0.905	0.812	3.318
<b><u>BOROUGH OF STRATFORD</u></b>					
2003	\$ 0.961	\$ 1.532	\$ 0.678	\$ 0.966	\$ 4.137
2004	1.014	1.678	0.705	0.950	4.347
2005	1.087	1.791	0.762	0.954	4.594
2006	1.160	1.927	0.849	1.055	4.991
2007	1.190	2.022	1.006	1.037	5.255
2008	1.158	2.040	1.162	1.026	5.386
2009	1.113	2.025	1.149	1.030	5.317
2010	1.114	2.066	1.183	1.107	5.470
2011	1.053	2.106	1.182	1.195	5.536
2012	1.056	2.128	1.303	1.248	5.735

Source: Municipal Tax Collector

Storling High School District  
Principal Property Tax Payers,  
Current Year and Nine Years Ago

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**BOROUGH OF MAGNOLIA**

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Barrington SFP Associates	\$ 6,600,000	2.51%	AP-Kegra Barrington	\$ 4,881,700	3.07%
Coventry Place Apartments	5,928,000	2.25%	Coventry Place Apartments	3,150,000	1.98%
Wal-Mart	4,210,100	1.60%	Walgreen Eastern	1,590,600	1.00%
Raab Family Partnership	3,000,000	1.14%	Raab Family - Apartments	1,392,000	0.88%
Walgreen Eastern Co.	2,115,600	0.80%	Raab Family - Apartments	1,000,000	0.63%
FVB Enterprises - Hobby Shop	1,561,900	0.59%	Felix V. Bass/FVB Enterprise	975,000	0.61%
Green Garden Apartments	1,482,800	0.56%	Raab Family - Apartments	903,900	0.57%
700 White Horse Pike	1,366,600	0.52%	Albert Gentile	637,000	0.40%
Scannell Urban Renewal	985,900	0.37%	Eckerd Corporation	547,000	0.34%
Rite Aid	887,400	0.34%	Golden Arch Limited Partnership	546,000	0.34%
<b>Total</b>	<b>\$ 28,138,300</b>	<b>10.69%</b>		<b>\$ 15,623,200</b>	<b>9.82%</b>

**BOROUGH OF SOMERDALE**

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Wal-Mart	\$ 18,004,800	5.03%	National Realty Property Owners	\$ 9,050,600	4.65%
Buchman, Myron & Tanya	3,920,800	1.10%	JMK Investment Co.	4,258,400	2.19%
National Realty Property Owners	3,594,400	1.00%	Buchman, Myron & Tanya	2,319,500	1.19%
Warwick Terrace	2,464,000	0.69%	Kiejdan Family, LLC	1,652,700	0.85%
Somerdale Equities, LLC	2,347,400	0.66%	Warwick Terrace	1,330,000	0.68%
JMK Investment Co.	2,236,600	0.62%	Somerdale Equities, LLC	1,312,400	0.67%
Kiejdan Family, LLC	1,740,000	0.49%	WaWa LLC	870,000	0.45%
Rite Aid of New Jersey	1,559,300	0.44%	Rite Aid of New Jersey	696,800	0.36%
WAWN, LLC	1,414,700	0.40%	Fresia Associates	635,500	0.33%
600 White Horse Pike, LLC	1,300,000	0.38%	Colombo Real Estate Investments	577,100	0.30%
<b>Total</b>	<b>\$ 38,582,000</b>	<b>10.78%</b>		<b>\$ 22,703,000</b>	<b>11.65%</b>

**BOROUGH OF STRATFORD**

Taxpayer	2012		Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Woodmere Investment Association	\$ 4,200,000	1.48%	Juster Management Co.	\$ 4,750,000	1.66%
J. Teitelbaum Nursing Home	2,913,000	1.03%	Woodmere Investment Assoc.	4,200,000	1.47%
AEJ Stratford LLC	2,700,000	0.95%	LaMartinique Bowling Academy	2,949,500	1.03%
Echelon Ford Real Estate Holdings	2,000,000	0.71%	J Teitelbaum Nursing Home	2,913,000	1.02%
Stratford Properties LLC	1,764,600	0.62%	Ford Leasing Development	2,791,100	0.98%
Stratford Investors	1,634,900	0.58%	Laurel Mills, LLC	1,890,000	0.66%
La Martinique Bowling Academy	1,561,700	0.55%	Gross & Kowit Shopping Center	1,634,900	0.57%
Stanton Meltzer	1,489,200	0.53%	Aidi, Inc.	1,439,300	0.50%
Stratford Court Apartments	1,425,000	0.50%	Stratford Court Apartments	1,425,000	0.50%
Laurel Mills, LLC	1,400,000	0.49%	Stratford Court Apartments	1,345,000	0.47%
<b>Total</b>	<b>\$ 21,088,400</b>	<b>7.45%</b>		<b>\$ 25,337,800</b>	<b>8.86%</b>

Source: Municipal Tax Assessor

**Sterling High School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

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<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy<sup>a</sup></u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2003	\$ 5,763,831	\$ 5,763,831	100.00%	-
2004	6,345,106	6,345,106	100.00%	-
2005	6,668,008	6,668,008	100.00%	-
2006	6,897,269	6,897,269	100.00%	-
2007	7,443,786	7,443,786	100.00%	-
2008	7,610,057	7,610,057	100.00%	-
2009	7,387,005	7,387,005	100.00%	-
2010	7,208,851	7,208,851	100.00%	-
2011	7,324,945	7,324,945	100.00%	-
2012	6,828,769	6,828,769	100.00%	-

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

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

**Sterling High School District**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*

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Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities		Percentage of Personal Income <sup>b</sup>	Per Capita <sup>c</sup>		
	General Obligation Bonds <sup>a</sup>	Capital Leases	Capital Leases	Total District		Magnolia	Somerdale	Stratford
2003	\$ 7,967,000	\$ -	\$ -	\$ 7,967,000	1.46%	\$ 1,813	\$ 1,539	\$ 1,101
2004	7,542,000	-	-	7,542,000	1.33%	1,723	1,462	1,047
2005	7,087,000	-	-	7,087,000	1.22%	1,625	1,380	989
2006	6,627,000	-	-	6,627,000	1.10%	1,520	1,291	926
2007	6,147,000	-	-	6,147,000	0.96%	1,408	1,201	863
2008	5,647,000	-	-	5,647,000	0.85%	1,297	1,104	796
2009	4,795,000	-	-	4,795,000	0.69%	1,106	942	679
2010	4,300,000	-	-	4,300,000	0.63%	993	844	610
2011	3,810,000	-	-	3,810,000	0.54%	878	740	541
2012	3,325,000	-	-	3,325,000	Unavailable	766	646	473

**Sources:**

- a District Records
- b Personal Income has been estimated based upon the municipal population and per capita personal income.
- c Per Capita Personal Income Data provided by the NJ Dept. of Labor and Workforce.

**Sterling High School District**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*

Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Assessed Valuation Taxable <sup>b</sup>			Per Capita <sup>c</sup>		
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding <sup>a</sup>	Magnolia	Somerdale	Stratford	Magnolia	Somerdale	Stratford
	2003	\$ 7,967,000	\$ -	\$ 7,967,000	5.01%	4.09%	2.79%	\$ 1,813	\$ 1,539
2004	7,542,000	-	7,542,000	4.74%	3.87%	2.63%	1,723	1,462	1,047
2005	7,087,000	-	7,087,000	4.45%	3.69%	2.47%	1,625	1,380	989
2006	6,627,000	-	6,627,000	4.15%	3.45%	2.31%	1,520	1,291	926
2007	6,147,000	-	6,147,000	3.84%	3.20%	2.15%	1,408	1,201	863
2008	5,647,000	-	5,647,000	3.52%	2.93%	1.97%	1,297	1,104	796
2009	4,795,000	-	4,795,000	2.98%	1.39%	1.67%	1,106	942	679
2010	4,300,000	-	4,300,000	2.66%	1.25%	1.50%	993	844	610
2011	3,810,000	-	3,810,000	2.36%	1.11%	1.33%	878	740	541
2012	3,325,000	-	3,325,000	1.26%	0.93%	1.17%	766	646	473

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**Sources:**

- a District Records
- b Net Assessed Valuation provided by Anstract of Ratables, County Board of Taxation
- c Per Capita Personal Inome Data provided by the NJ Dept. of Labor and Workforce.

**Sterling High School District  
Ratios of Overlapping Governmental Activities Debt  
As of December 31, 2011**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of Magnolia	\$ 3,040,472 (1)	100.000%	\$ 3,040,472
Borough of Somerdale	5,436,590 (1)	100.000%	5,436,590
Borough of Stratford	1,934,830 (1)	100.000%	1,934,830
Camden County General Obligation Debt	211,014,203 (1)	2.555% (2)	5,390,614
			<hr/>
Subtotal, overlapping debt			15,802,506
<b>Sterling High School District Direct Debt</b>			<hr/> <b>3,325,000</b>
<b>Total direct and overlapping debt</b>			<hr/> <b>\$ 19,127,506</b> <hr/>

**Sources:**

- (1) Entity's Audit Report
- (2) The County percentage is based upon a calculation reflecting the three Borough's share of the 2011 Equalized Valuation. The source for this computation was the 2011 County Abstract of Ratables, provided by the County Board of Taxation.

**Sterling High School District  
Legal Debt Margin Information,  
Last Ten Fiscal Years  
(dollars in thousands)**

**Legal Debt Margin Calculation for Fiscal Year 2012**

Equalized valuation basis (1)	
2011	\$ 1,144,715,178
2010	1,151,822,165
2009	1,151,134,498
	<u>\$ 3,447,671,841</u>

Average equalized valuation of taxable property \$ 1,149,223,947

Debt limit (4% of average equalized valuation) (2)	45,968,958
Net bonded school debt (3)	3,325,000
Legal debt margin	<u>\$ 42,643,958</u>

**Fiscal Year**

	<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>
Debt limit	\$ 18,961,470	\$ 19,477,441	\$ 20,147,864	\$ 29,206,523	\$ 32,127,249	\$ 36,045,654	\$ 40,112,318	\$ 43,358,287	\$ 45,956,773	\$ 45,968,958
Total net debt applicable to limit (3)	<u>7,967,000</u>	<u>7,542,000</u>	<u>7,087,000</u>	<u>6,627,000</u>	<u>6,147,000</u>	<u>5,647,000</u>	<u>4,795,000</u>	<u>4,300,000</u>	<u>3,810,000</u>	<u>3,325,000</u>
Legal debt margin	<u>\$ 10,994,470</u>	<u>\$ 11,935,441</u>	<u>\$ 13,060,864</u>	<u>\$ 22,579,523</u>	<u>\$ 25,980,249</u>	<u>\$ 30,398,654</u>	<u>\$ 35,317,318</u>	<u>\$ 39,058,287</u>	<u>\$ 42,146,773</u>	<u>\$ 42,643,958</u>
Total net debt applicable to the limit as a percentage of debt limit	42.02%	38.72%	35.17%	22.69%	19.13%	15.67%	11.95%	9.92%	8.29%	7.23%

**Sources:**

- (1) Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
- (2) Limit set by NJSA 18A:24-19 for a K through 8 district.
- (3) District Records

**Sterling High School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

Year	Population <sup>a</sup>			Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>		
	Magnolia	Somerdale	Stratford			Magnolia	Somerdale	Stratford
2002	4,394	5,177	7,236	\$ 546,782,131	\$ 32,533	3.9%	4.1%	4.4%
2003	4,377	5,157	7,205	565,309,508	33,772	4.1%	4.3%	4.6%
2004	4,361	5,137	7,168	582,560,030	34,955	3.7%	3.8%	4.1%
2005	4,361	5,133	7,155	604,342,051	36,299	8.0%	4.7%	3.8%
2006	4,367	5,120	7,120	642,209,297	38,671	8.6%	5.1%	4.1%
2007	4,355	5,114	7,095	666,866,640	40,260	7.9%	4.6%	3.8%
2008	4,334	5,091	7,060	692,238,120	41,992	10.3%	6.1%	5.0%
2009	4,332	5,093	7,044	681,915,414	41,406	15.9%	9.6%	7.9%
2010	4,341	5,150	7,039	706,161,600	42,720	16.5%	10.1%	8.3%
2011	4,338	5,147	7,035	e	e	16.3%	9.9%	8.1%

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**Source:**

- <sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development
- <sup>b</sup> Personal income has been established based upon the municipal population and per capita personal income presented.
- <sup>c</sup> Per Capita personal income provided by the NJ Dept. of Labor and Workforce Development.
- <sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development
- <sup>e</sup> Information not available

**Sterling High School District  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

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<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Instruction</b>										
Regular	80	81	80	79	80	80.6	70.0	72.0	71.0	73.4
Special education	6	6	6	6	8	11.8	11.0	12.0	12.0	11.5
Other special education	11	11	12	13	15	12.0	6.0	9.0	9.0	7.0
Other instruction	4	4	4	6	6	6.0	10.0	10.0	10.0	10.0
<b>Support Services:</b>										
School administrative services	7	7	7	7	6	6.7	9.0	9.0	8.0	8.0
District administrative services	2	2	2	2	2	2.0	3.0	3.0	3.0	3.0
Plant operations and maintenance	16	17	17	17	17	17.0	17.0	16.0	18.0	10.0
Business and other support services	4	4	4	4	4	4.0	4.0	4.0	-	
<b>Total</b>	<b>130</b>	<b>132</b>	<b>132</b>	<b>134</b>	<b>138</b>	<b>140</b>	<b>130</b>	<b>135</b>	<b>131</b>	<b>122.9</b>

**Source:**  
District Personnel Records

**Sterling High School District  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Operating Expenditures <sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff <sup>b</sup></u>	<u>Pupil/Teacher Ratio High School</u>	<u>Average Daily Enrollment (ADE) <sup>c</sup></u>	<u>Average Daily Attendance (ADA) <sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2003	913	\$ 12,146,531	\$ 13,303.98	9.30%	76	1:12	927.2	876.9	0.25%	94.58%
2004	943	13,216,796	14,015.69	5.35%	86	1:11	961.4	899.4	3.68%	93.55%
2005	956	13,729,909	14,361.83	2.47%	86	1:11	970.1	904.6	0.90%	93.25%
2006	974	14,008,796	14,382.75	0.15%	85	1:11	978.4	912.8	0.86%	93.30%
2007	995	15,216,952	15,293.42	6.33%	88	1:11	1,049.0	994.0	7.22%	94.76%
2008	1,047	15,539,310	14,841.75	-2.95%	91	1:12	1,001.2	958.2	-4.56%	95.71%
2009	1,011	15,652,704	15,482.40	4.32%	89	1:11	1,018.2	965.2	1.70%	94.79%
2010	1,077	16,056,937	14,908.95	-3.70%	92	1:12	1,086.5	1,047.1	6.71%	96.37%
2011	997	15,215,949	15,261.73	2.37%	93	1:11	969.8	879.9	-10.74%	90.73%
2012	979	15,349,211	15,678.46	2.73%	85	1:12	941.0	897.4	-2.97%	95.37%

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**Sterling High School District  
School Building Information  
Last Ten Fiscal Years**

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	<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>
<b><u>District Building</u></b>										
<b><u>High School</u></b>										
Sterling High (1960)										
Square Feet	160,844	160,844	160,844	160,844	160,844	160,844	160,844	160,844	160,844	160,844
Capacity (students)	995	995	995	995	995	995	995	995	995	995
Enrollment	913	943	956	974	995	1,047	1,011	1,077	997	979
<b><u>Other</u></b>										
Garage										
Square Feet	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600
Concession Stand										
Square Feet	2,000	2,000	2,000	2,000	2,000					
South Jersey Technology Program/ Concession Stand - Square Feet										
						11,420	11,420	11,420	11,420	11,420

Number of Schools at June 30, 2012  
 Elementary = 0  
 Middle School = 0  
 Senior High School = 1  
 Other = 2

Source: District Facilities Office

**Storling High School District**  
**Schedule of Required Maintenance**  
**Last Ten Fiscal Years**

J-19

**UNDISTRIBUTED EXPENDITURES - REQUIRED**  
**MAINTENANCE FOR SCHOOL FACILITIES**  
**11-000-261-xxx**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
* <u>School Facilities</u>											
High School	\$ 517,450	\$ 321,574	\$ 565,517	\$ 378,316	\$ 506,187	\$ 462,593	\$ 630,078	\$ 321,974	\$ 234,400	\$ 347,487	\$ 4,285,576
Total School Facilities	<u>\$ 517,450</u>	<u>\$ 321,574</u>	<u>\$ 565,517</u>	<u>\$ 378,316</u>	<u>\$ 506,187</u>	<u>\$ 462,593</u>	<u>\$ 630,078</u>	<u>\$ 321,974</u>	<u>\$ 234,400</u>	<u>\$ 347,487</u>	<u>\$ 4,285,576</u>

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

Source: District records

**Sterling High School District  
Insurance Schedule  
June 30, 2012**

**J-20**

	<u>Coverage</u>	<u>Self-insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of liability per occurrence	\$ 250,000,000		\$ 1,000
General and Automobile Liability	5,000,000		1,000
Excess Liability	5,000,000	\$ 10,000	
Comprehensive Crime	100,000		
Environmental Impairment Liability	1,000,000		
 School Leaders Errors & Omission (2)	 1,000,000		 1,000
Workers' Compensation (2)	Statutory		
 Surety Bonds (3)			
Treasurer	250,000		
Board Secretary	75,000		

- (1) School Alliance Insurance Fund
- (2) New Jersey School Boards Association Insurance Group
- (3) Selective Insurance Group

**Source: District records**

**Single Audit Section**

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants  
Registered Municipal Accountants**

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## **INDEPENDENT AUDITOR'S 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 NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and Members  
of the Board of Education  
Sterling High School District  
County of Camden  
Somerdale, New Jersey

### **Compliance**

We have audited Sterling High School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2012. The School District's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and State of New Jersey Circular 04-04-OMB, 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Sterling High School District, in the County of Camden, State of New Jersey complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012.

## Internal Control Over Compliance

Management of the Sterling High School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

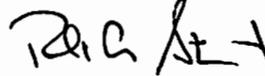
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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 the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and 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.

Respectfully submitted,

**INVERSO & STEWART, LLC**  
Certified Public Accountants



Robert A. Stewart  
Public School Accountant

Marlton, New Jersey  
October 25, 2012

STERLING HIGH SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance, June 30, 2011			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2012		
					(Accounts Receivable)	Deferred Revenue	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>													
<b>Passed-through State Department of Education:</b>													
<b>General Fund</b>													
Education Jobs Fund	84.410A	N/A	\$ 210,019	7/1/10-6/30/12	\$ (41,848)			\$ 41,848	\$ (6,380)		\$ (6,380)		
<b>Special Revenue Fund:</b>													
<b>Title I:</b>													
Fiscal Year 2011	84.010A	NCLB503511	93,588	9/1/10 - 8/31/11	(48,647)	\$ 38,100		30,002	(19,455)				
Fiscal Year 2010	84.010A	NCLB503510	103,262	9/1/09 - 8/31/10	(24,889)		24,889						
Fiscal Year 2012	84.010A	NCLB503512	126,062	9/1/11 - 8/31/12			47,643	(77,229)		(78,419)	48,833		
<b>Title I - SIA:</b>													
Fiscal Year 2010	84.010A	NCLB503510	10,861	9/1/09 - 8/31/10	(10,861)			10,861					
<b>Title II A:</b>													
Fiscal Year 2011	84.367A	NCLB503511	24,545	9/1/10 - 8/31/11	(20,395)	6,493		20,395	(6,493)				
Fiscal Year 2010	84.367A	NCLB503510	33,761	9/1/09 - 8/31/10	(19,580)			19,580					
Fiscal Year 2012	84.367A	NCLB503512	20,804	9/1/11 - 8/31/12			6,279	(12,452)		(14,525)	8,352		
<b>Title II D:</b>													
Fiscal Year 2011	84.318X	NCLB503511	170	9/1/10 - 8/31/11	(170)			170					
<b>Title IV:</b>													
Fiscal Year 2010	84.188A	NCLB503510	2,524	9/1/09 - 8/31/10	(930)			930					
<b>I D E A Part B - Basic:</b>													
Fiscal Year 2012	84.027	FT503512	169,728	9/1/11 - 8/31/12				124,922	(169,728)		(44,806)		
Fiscal Year 2011	84.027	FT503511	199,673	9/1/10 - 8/31/11	(62,249)	27,703		62,249	(27,703)				
<b>Carl D. Perkins:</b>													
Fiscal Year 2012	84.048	PERK5035-12	15,000	9/1/11 - 8/31/12				15,000	(15,000)				
<b>Total U.S. Department of Education</b>					<b>(229,569)</b>	<b>72,296</b>		<b>404,768</b>	<b>(334,440)</b>		<b>(144,130)</b>	<b>57,185</b>	
<b>U.S. Department of Agriculture</b>													
<b>Passed-through State Department of Education:</b>													
<b>Food Distribution Program:</b>													
Fiscal Year 2012	10.550	N/A	16,805	7/1/11 - 6/30/12				16,805	(16,805)				
<b>National School Lunch Program</b>													
Fiscal Year 2012	10.555	N/A	114,695	7/1/11 - 6/30/12				110,433	(114,695)		(4,262)		
<b>Total U.S. Department of Agriculture</b>								<b>127,238</b>	<b>(131,500)</b>		<b>(4,262)</b>		
<b>U.S. Department of Health and Human Services</b>													
<b>Passed-through State Department of Human Services:</b>													
<b>General Fund</b>													
Medicaid Assistance Program	93.778	N/A	22,997	7/1/11 - 6/30/12	(3,527)			14,998	(22,997)		(11,526)		
<b>Total Federal Awards</b>					<b>\$ (233,096)</b>	<b>\$ 72,296</b>	<b>\$ -</b>	<b>\$ 547,004</b>	<b>\$ (488,937)</b>	<b>\$ -</b>	<b>\$ (159,918)</b>	<b>\$ 57,185</b>	<b>\$ -</b>

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

STERLING HIGH SCHOOL DISTRICT  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2012

State Grantor / Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance, June 30, 2011			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2012		
				(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor
<b>State Department of Education</b>													
General Fund													
Equalization Aid	12-495-034-5120-078	\$ 5,207,352	7/1/11- 6/30/12					\$ 4,631,980	\$ (5,207,352)		\$ (575,372)		
Equalization Aid	11-495-034-5120-078	4,901,595	7/1/10- 6/30/11	\$ (529,468)				529,468					
Special Education Categorical Aid	12-495-034-5120-089	479,575	7/1/11- 6/30/12					479,575	(479,575)				
School Choice Aid	12-495-034-5120-068	178,350	7/1/11- 6/30/12					178,350	(178,350)				
Anti-Bullying Aid	Not available	12,461	7/1/11- 6/30/12					12,461	(12,461)				
Extraordinary Special Education Cost Aid	11-100-034-5120-473	38,523	7/1/10- 6/30/11	(38,523)				38,523					
Extraordinary Special Educ. Costs Aid	12-100-034-5120-473	15,345	7/1/11- 6/30/12						(15,345)		(15,345)		
On-behalf TPAF Pension Contributions	12-495-034-5095-001	646,595	7/1/11- 6/30/12					646,595	(646,595)				
Reimbursed TPAF Social Security Contr.	11-495-034-5095-002	491,164	7/1/10- 6/30/11										
Reimbursed TPAF Social Security Contr.	12-495-034-5095-002	484,994	7/1/11- 6/30/12					461,921	(484,994)		(23,073)		
<b>Total General Fund</b>				<b>(567,991)</b>				<b>6,978,873</b>	<b>(7,024,672)</b>		<b>(613,790)</b>		
Debt Service Fund:													
Debt Service Aid Type II	12-495-034-5120-017	274,806	7/1/11- 6/30/12					274,806	(274,806)				
<b>State Department of Agriculture</b>													
Enterprise Fund:													
National School Lunch Program (State Share)													
Fiscal Year 2012	12-100-010-3350-023	3,094	7/1/11- 6/30/12					2,977	(3,094)		(117)		
								2,977	(3,094)		(117)		
<b>Total State Financial Assistance</b>				<b>\$ (567,991)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,256,656</b>	<b>\$ (7,302,572)</b>	<b>\$ -</b>	<b>\$ (613,907)</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**Sterling High School District  
Notes to Schedules of Expenditures  
of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2012**

**I. GENERAL**

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

**2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$45,904) for the general fund and \$0 for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 29,377	\$ 6,978,768	\$ 7,008,145
Special Revenue	328,060		328,060
Debt Service		274,806	274,806
Food Service	131,500	3,094	134,594
Total	<u>\$ 488,937</u>	<u>\$ 7,256,668</u>	<u>\$ 7,745,605</u>

**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.

**Sterling High School District  
Notes to the Schedules of Expenditures  
of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2012  
(Continued)**

**5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

**6. MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.





**STERLING HIGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Section 2 -- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

None

**STERLING HIGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Section 3 – Schedule of Federal Awards and State Financial Assistance  
Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal and State programs, as required by OMB Circular A-133 and New Jersey Circular 04-04-OMB.

**FEDERAL AWARDS**

A Federal single audit was not required.

**STATE AWARDS**

No findings and/or questioned costs identified.

**STERLING HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENED JUNE 30, 2012**

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with *Government Auditing Standards*, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

**FINANCIAL STATEMENT FINDINGS**

There were no prior year audit findings.

**FEDERAL AWARDS**

There were no prior year audit findings.

**STATE AWARDS**

There were no prior year audit findings.