

**VERNON TOWNSHIP SCHOOL DISTRICT**

**Vernon Township School District  
Vernon, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**VERNON TOWNSHIP BOARD OF EDUCATION**

**Vernon, New Jersey**

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

**Prepared by**

**Vernon Township Board of Education  
Business Office**

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INTRODUCTORY SECTION



VERNON TOWNSHIP SCHOOL DISTRICT  
OFFICE OF THE SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY  
539 Route 515 • P.O. Box 99 • Vernon • NJ • 07462 •  
(973) 764-2900 • Fax (973) 764-0735

Mr. Steven A. Kepnes  
School Business  
Administrator/  
Board Secretary

September 23, 2010

Dr. John B.  
Alfieri  
Superintendent of Schools

The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
County of Sussex, NJ

Ms. Barbara  
Linkenheimer  
Assistant Superintendent  
for Personnel

Dear Honorable President and Board Members:

The comprehensive annual financial report of the Vernon Township School District (District) for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditor's Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

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

The District provides a full range of education services appropriate to grades K through 12. These services include regular, vocational, and special education for handicapped students. The District completed the 2009-2010 school year with an enrollment of 4,259, which is 203 students less than the previous year's enrollment.

The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
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The District provides specialized instruction for students whose second language is English. A compensatory education program and a gifted and talented program are in place to meet additional students' needs.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2006	5,201	-0.77%
2007	4,929	-5.23%
2008	4,657	-5.52%
2009	4,462	-4.19%
2010	4,259	-4.55%

## 2) ECONOMIC CONDITION AND OUTLOOK:

Vernon Township is a mature school district consisting of 6 schools. The township is primarily a residential community, which still possess many small farms. Commercial activity is concentrated toward recreation. Mountain Creek Resort and Hidden Valley are two thriving recreational areas within the township. There are five mini-malls located in various parts of the township. Currently work is being done on the construction of a town center. Within the last twenty-five years, the District has constructed Cedar Mountain Primary School, as well as adding a six-classroom addition to both Lounsberry Hollow Middle School and Walnut Ridge Primary School and two additions at the high school – a 12-room addition, and a physical education complex and a twenty-eight classroom addition in 1999. A two classroom modular building was constructed at the high school to house the District's alternate education program. The District's construction projects had not had a major impact on the debt service. Currently, debt service consists of two high school and one combination high school/primary school/athletic project.

Construction projects approved by the voters on September 26, 2006 Facilities Referendum are completed. The auditorium is a state of the art venue with 133 additional seats, bringing the total to 698. Renovation work at both Walnut Ridge and Rolling Hills Primary Schools actually began on June 20, 2008, the date after school ended. Work included relocation of the main office areas at both schools which will significantly improve visitor access and enhance safety. The high school athletic complex project included installation of a new synthetic turf multi-purpose field (football, field hockey lacrosse and soccer), a Konica SW 8-lane, 13 mm embedded polyurethane track system, installation of new visitor and home bleachers (including a large press box), construction of six new tennis courts, a new scoreboard and installation of field lighting.

In the fall of 1991 the Board of Education convened an Ad Hoc Committee to review projected student enrollment, land use and classroom availability. That committee is now a standing Housing Committee. In 2006, the district contracted with a demographer to do an enrollment study. The report showed a decline in enrollment while attempting to keep the impact to the taxpayer to a minimum.

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Vernon Township School District  
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**3) MAJOR INITIATIVES:**

During the 2009-10 school year, the Vernon Township School District continued to work toward having each child attain his/her maximum potential. A major component of this involved teacher training in content, teacher proficiency, and meeting state standards.

Throughout the 2009-10 school year, the district continued with its model program for staff development for both professional and support staff employed by the school district. The District continued with its staff development program by running in-service courses for faculty and support staff during the fall, spring, and summer sessions. Programs dealt with curriculum development and improvement, overall personal improvement, and appropriate teaching strategies to assist teachers in working with and better understanding the students that they come in contact with on a daily basis. The staff development program is quite unique to our school district, since we are probably the only school district, which has so many offerings and has such a well-developed program. Technology training continues to be on-going in an effort to keep all staff up-to-date with the changes in the industry.

Continued support by administrators for attendance at professional conferences will be prevalent again during the next school year. The district will hold in-service days for professional and support staff. This year's theme for our in-service programming will concentrate in the areas of curriculum development, teaching techniques and strategies at all instructional levels K-12.

During the school year, the community supported the school budget. The district also continues to have a lower cost per student than the State average and was ranked 49<sup>th</sup> lowest of 105 in New Jersey among K-12 districts with 3,500 plus students. The district was able to maintain a comprehensive academic elective program, complete with after school activities and athletics, and performing and practical arts programs.

The district's emphasis continued to be in the area of offering programs that invite children to learn and to explore while maintaining conservative fiscal controls. Such procedures as public bidding, purchasing from state contracted vendors, obtaining quotations, participation in a cooperative purchasing plan, and maintaining a five-year updated Facilities Maintenance Plan help to keep the district on a solid financial track.

**4) INTERNAL ACCOUNTING CONTROLS:**

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

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

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

The Honorable President and Members  
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Vernon Township School District  
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September 23, 2010

5) **BUDGETARY CONTROLS:**

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

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

6) **ACCOUNTING SYSTEM AND REPORTS:**

The District's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", No. 1.

7) **DEBT ADMINISTRATION:**

At June 30, 2010, the District has \$17,167,000 of outstanding bonded debt.

8) **CASH MANAGEMENT:**

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

9) **RISK MANAGEMENT:**

The Board carries various forms of insurance, including but not limited to general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents and fidelity bonds. The School Alliance Insurance Fund oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
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September 23, 2010

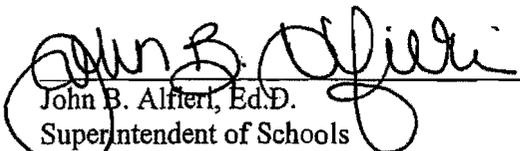
10) **OTHER INFORMATION:**

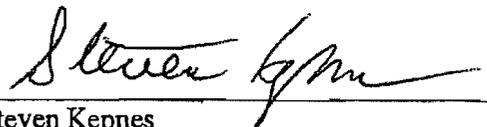
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit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

11) **ACKNOWLEDGEMENTS:**

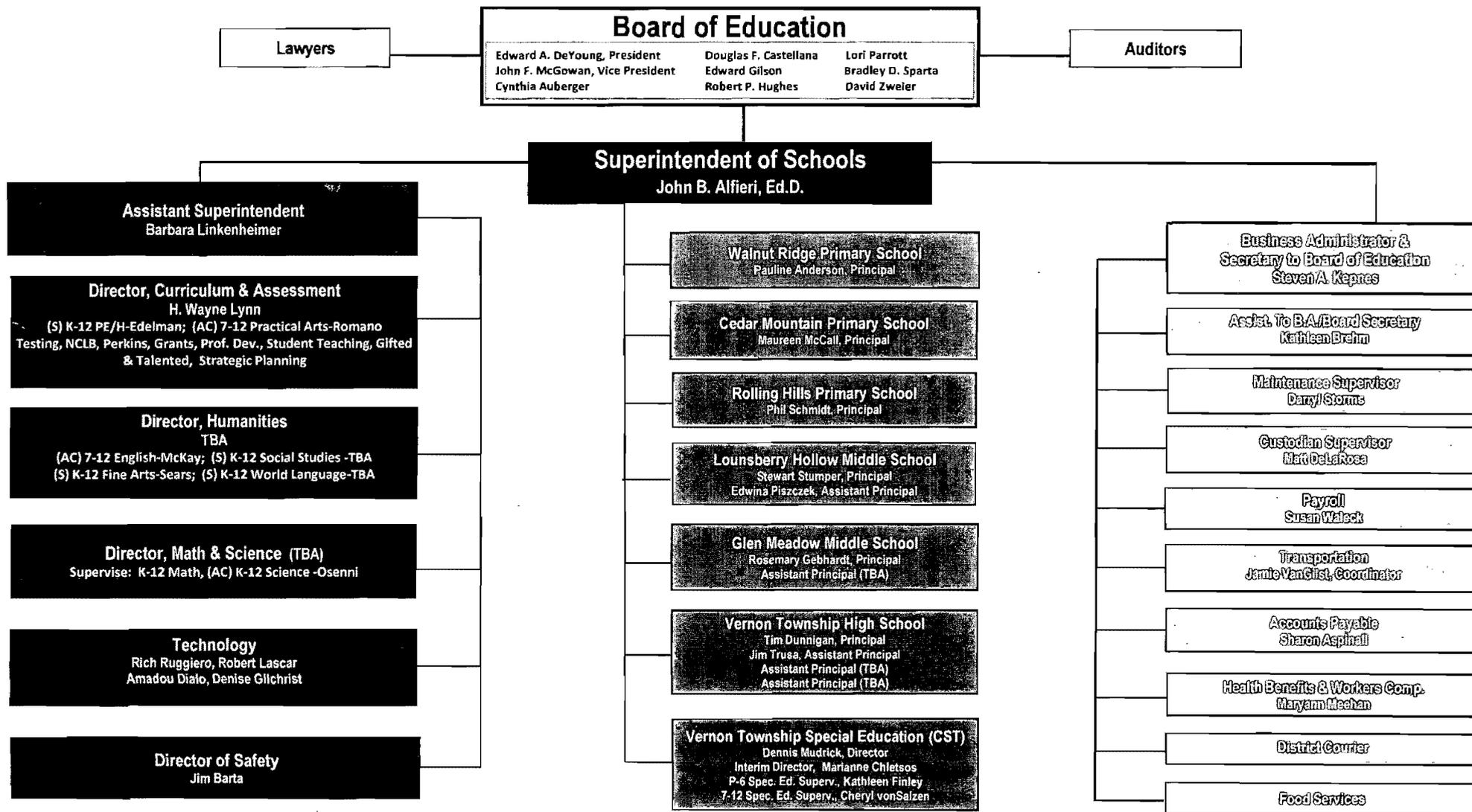
We would like to express our appreciation to the members of the Vernon Township School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted,

  
John B. Alfieri, Ed.D.  
Superintendent of Schools

  
Steven Kepnes  
Business Administrator/Board Secretary

# VERNON TOWNSHIP PUBLIC SCHOOLS Organization Table



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

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Edward A. DeYoung, President	2011
John F. McGowan, Vice President	2013
Cynthia Auberger	2011
Douglas F. Castellana	2011
Edward Gilson	2012
Robert P. Hughes	2012
Lori Parrott	2013
Bradley D. Sparta	2012
David Zweier	2013

Other Officers

John B. Alfieri, Ed.D., Superintendent of Schools  
 Steven A. Kepnes, Business Administrator/Board Secretary  
 Barbara Linkenheimer, Assistant Superintendent

Vernon Township Public Schools

Vernon Township High School

Timothy Dunningan, Principal  
 Geraldine Desmet, Assistant Principal  
 James Trusa, Assistant Principal  
 Edward Carney, Assistant Principal

Glen Meadow Middle School

Rosemary Gebhardt, Principal  
 Kyle Arlington, Assistant Principal

Lounsberry Hollow Middle School

Stewart Stumper, Ed.D., Principal  
 Martha Polles, Assistant Principal

Cedar Mountain Primary School

Maureen McCall, Principal

Rolling Hills Primary School

Philip Schmidt, Principal

Walnut Ridge Primary School

Pauline Anderson, Principal

**VERNON TOWNSHIP SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

Nisivoccia & Company LLP, CPAs  
200 Valley Road, Suite 300  
Mount Arlington, NJ 07856  
and  
11 Lawrence Road  
Newton, NJ 07860

**Attorney (General and Student Matters)**

Daggett, Kraemer, Kovach, & Gjelsvik  
328 Sparta Avenue  
Sparta, NJ 07871

**Attorney (Personnel, Negotiations, and Construction)**

Apruzzese, McDermott, Mastro and Murphy  
Somerset Hills Corporate Center  
25 Independence Blvd.  
PO Box 112  
Liberty Corner, NJ 07938

**Attorney (Special Education)**

Schwartz, Simon, Edelstein, Celso & Zitomer, LLC  
44 Whippany Road – Suite 210  
P.O. Box 2355  
Morristown, NJ 07962

**Official Depositories**

Lakeland Bank  
529 Route 515  
Vernon, NJ 07462

Chase Bank  
P.O. Box 10 – Route 515  
Vernon, NJ 07462

PNC Bank  
1 Garrett Mountain Plaza  
West Paterson, NJ 07424

Sussex Bank  
PO Box 353 - 399 Route 23  
Franklin, NJ 07416

Valley National Bank  
538 County Route 515  
Vernon, NJ 07462

FINANCIAL SECTION



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

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

### Independent Auditors' Report

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2010 on our consideration of the Board of Education of the Vernon Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

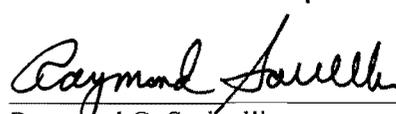
The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
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The Management's Discussion and Analysis and the Budgetary Comparison Information listed on Exhibits C-1 through C-3 and I-3 are not a required part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

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

September 23, 2010  
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



Raymond G. Sarnelli  
Licensed Public School Accountant #864  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Vernon Township Board of Education  
Management Discussion and Analysis  
Unaudited**

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

**Financial Highlights**

- The District's financial status is relatively stable, in spite of minimal increases in state aid for several years.
- Overall revenue was \$77.8 million.
- Enrollment in the District has been slightly decreasing for the last several years while cost per pupil has continued to increase.

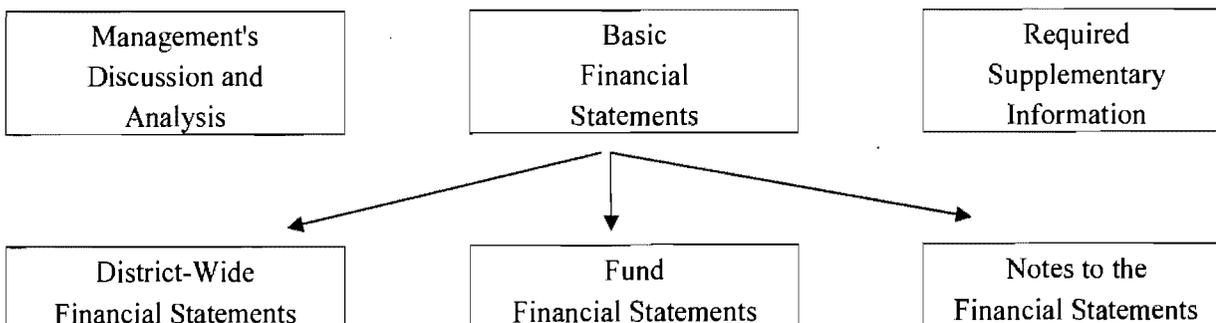
**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

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



**Vernon Township Board of Education  
Management Discussion and Analysis  
Unaudited**

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

**Figure A-2**

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

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

**Vernon Township Board of Education  
Management Discussion and Analysis  
Unaudited**

**District-wide Statements**

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

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

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

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

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

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

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

### Financial Analysis of the District as a Whole

*Net Assets.* The District's combined net assets decreased by \$458,718. Net assets from governmental activities decreased by \$459,112 combined with an increase of net assets from business activities of \$394. Net assets invested in capital assets increased by \$662,964, restricted net assets decreased by \$804,012, and unrestricted net assets decreased by \$317,670.

Figure A-3

**Condensed Statement of Net Assets**

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Current and Other Assets	\$ 3,981,823	\$ 5,693,949	\$ 433,363	\$ 415,811	\$ 4,415,186	\$ 6,109,760	-27.74%
Capital Assets	27,686,221	28,409,105	65,002	79,154	27,751,223	28,488,259	-2.59%
Total Assets	31,668,044	34,103,054	498,365	494,965	32,166,409	34,598,019	-7.03%
Long-Term Debt Outstanding	19,787,161	21,229,695			19,787,161	21,229,695	-6.79%
Other Liabilities	3,198,631	3,731,995	93,284	90,278	3,291,915	3,822,273	-13.88%
Total Liabilities	22,985,792	24,961,690	93,284	90,278	23,079,076	25,051,968	-7.88%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	10,519,221	9,842,105	65,002	79,154	10,584,223	9,921,259	6.68%
Restricted	2,621,407	3,425,419			2,621,407	3,425,419	-23.47%
Unrestricted/(Deficit)	(4,458,376)	(4,126,160)	340,079	325,533	(4,118,297)	(3,800,627)	-8.36%
Total Net Assets	\$ 8,682,252	\$ 9,141,364	\$ 405,081	\$ 404,687	\$ 9,087,333	\$ 9,546,051	-4.81%

*Changes in Net Assets.* The District's combined net assets were \$9,087,333 on June 30, 2010, or \$458,718 less than they were the year before. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Revenue:							
Program Revenue:							
Charges for Services	\$ 223,703	\$ 190,297	\$ 872,345	\$ 945,935	\$ 1,096,048	\$ 1,136,232	-3.54%
Operating Grants & Contributions	11,610,768	10,762,771	288,535	258,367	11,899,303	11,021,138	7.97%
General Revenue:							
Property Taxes	40,445,427	38,968,715			40,445,427	38,968,715	3.79%
Federal and State Aid	24,109,262	23,386,350			24,109,262	23,386,350	3.09%
Other	269,238	324,798	8,402	8,476	277,640	333,274	-16.69%
Total Revenue	<u>76,658,398</u>	<u>73,632,931</u>	<u>1,169,282</u>	<u>1,212,778</u>	<u>77,827,680</u>	<u>74,845,709</u>	3.98%
Expenses:							
Instruction	44,495,937	42,755,627			44,495,937	42,755,627	4.07%
Pupil and Instruction Services	11,625,033	11,604,247			11,625,033	11,604,247	0.18%
Administrative and Business	6,345,049	6,444,203			6,345,049	6,444,203	-1.54%
Maintenance and Operations	6,279,721	6,377,449			6,279,721	6,377,449	-1.53%
Transportation	6,388,160	6,133,568			6,388,160	6,133,568	4.15%
Other	1,983,610	2,321,462	1,168,888	1,215,975	3,152,498	3,537,437	-10.88%
Total Expenses	<u>77,117,510</u>	<u>75,636,556</u>	<u>1,168,888</u>	<u>1,215,975</u>	<u>78,286,398</u>	<u>76,852,531</u>	1.87%
Increase/(Decrease) in Net Assets	<u>\$ (459,112)</u>	<u>\$ (2,003,625)</u>	<u>\$ 394</u>	<u>\$ (3,197)</u>	<u>\$ (458,718)</u>	<u>\$ (2,006,822)</u>	

*Revenue Sources.* The District's total revenue for the school year was \$77,827,680, (See Figure A-4). Property taxes accounted for approximately half of the District's revenue in the amount of for \$40,445,427 of the total, or 51.97 percent. (See Figure A-5). Approximately 46.27 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5  
Sources of School District Revenue - Fiscal Year 2010**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 24,491,740	31.47%
Property Taxes	40,445,427	51.97%
Federal and State Categorical Grants	11,516,825	14.80%
Charges for Services	1,096,048	1.41%
Other	277,640	0.36%
	<u>\$ 77,827,680</u>	<u>100.00%</u>

The total cost of all programs and services was \$78,286,398. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.85 percent). (See Figure A-6). The District's administrative and maintenance and operations costs accounted for 16.12 percent of total costs. It is important to remember that \$1,155,062 in depreciation is included in expenses for the year.

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**Figure A-6  
Sources of School District Expenses - Fiscal Year 2010**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 44,495,937	56.84%
Pupil and Instruction Services	11,625,033	14.85%
Administrative and Business	6,345,049	8.10%
Maintenance and Operations	6,279,721	8.02%
Transportation	6,388,160	8.16%
Other	3,152,498	4.03%
	<u>\$ 78,286,398</u>	<u>100.00%</u>

### Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains more or less stable. Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

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

- Participation in an insurance pool operated by Public Entity Group Administrative Services resulting in low cost property, liability and workers compensation insurance. The District is a 2.4% shareholder in this significant insurance policy.
- Participation in a group health plan with Horizon – which saved 10% as compared to the State Health Benefits Program.
- Participation in Joint Transportation Agreements.
- Maximization of school buses by staggering school schedules.
- Participation in joint purchasing agreements.

It is crucial that the District examine its expenditures carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

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

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2009/10</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2008/09</u>
Instruction	\$ 44,495,937	\$ 42,755,627	\$ 36,511,332	\$ 35,124,353
Pupil and Instruction Services	11,625,033	11,604,247	10,710,326	10,776,004
Administrative and Business	6,345,049	6,444,203	5,890,618	6,007,135
Maintenance and Operations	6,279,721	6,377,449	5,983,498	6,104,521
Transportation	6,388,160	6,133,568	4,203,655	4,350,013
Other	1,983,610	2,321,462	1,983,610	2,321,462
	<u>\$ 77,117,510</u>	<u>\$ 75,636,556</u>	<u>\$ 65,283,039</u>	<u>\$ 64,683,488</u>

- The cost of all governmental activities this year was \$77.18 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$36 million.
- Approximately \$40.45 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

**Business-Type Activities**

Net assets from the District's business-type activity increased by \$394, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenue exceeded expenses by \$394, accounting for all of the increase in the net assets of the business-type activities.
- This increase was primarily a result of reduced food sales.

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

The District's financial position remains relatively stable. Expenditures during the recent year increased as a result of an increased number of pupils with disabilities entering the school District. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services.

A continued increase in enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides and special transportation. The cost of these additional teachers, and special education aides, however has largely been offset by salary reductions realized from the retirement of a significant number of veteran staff. Fringe benefit costs for all staff have not increased dramatically as in the past several years.

These factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

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Management Discussion and Analysis  
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### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

### Capital Asset and Debt Administration

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
Land	\$ 1,935,348	\$ 1,935,348			\$ 1,935,348	\$ 1,935,348	0.00%
Site Improvements	835,358	899,244			835,358	899,244	-7.10%
Building and Building Improvements	17,086,643	17,980,081			17,086,643	17,980,081	-4.97%
Machinery and Equipment	1,625,284	1,404,479	\$ 65,002	\$ 79,154	1,690,286	1,483,633	13.93%
Construction in Progress	6,203,588	6,189,953			6,203,588	6,189,953	0.22%
<b>Total Capital Assets</b>	<b>\$ 27,686,221</b>	<b>\$ 28,409,105</b>	<b>\$ 65,002</b>	<b>\$ 79,154</b>	<b>\$ 27,751,223</b>	<b>\$ 28,488,259</b>	<b>-2.59%</b>

- Change in Capital Assets is a result of the acquisition of assets in the amount of \$432,178 combined with depreciation expense of \$1,155,062.

### Long-term Debt

At year-end, the District had a net of \$16,628,858 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

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

	Total School District		Percentage Change
	2009/10	2008/09	
General Obligation Bonds (Financed with Property Taxes)	\$ 17,167,000	\$ 18,567,000	
Less: Deferred Amount on the Refunding	(538,142)	(591,956)	
Net General Obligation Bonds	16,628,858	17,975,044	-7.49%
Other Long-Term Liabilities	3,158,302	3,254,651	-2.96%
	<b>\$ 19,787,160</b>	<b>\$ 21,229,695</b>	<b>-10.45%</b>

- The District continued to pay down its debt, retiring \$1,400,000 of outstanding bonds.
- Compensated absences payable decreased by a net amount of \$96,349.

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Management Discussion and Analysis  
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### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future:

- A5 – known as School District Accountability. This new law, approved by the Governor on March 15, 2007 provides for various school district accountability measures.
- A1 – known as Tax Levy CAP. This new law, approved by the Governor on April 3, 2007 establishes a 4% cap on tax levy increases, changes the accounting/transfers for and expands the number of permitted fund balance reserves.
- A4 – known as CORE. This new law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this new law is to establish uniform shared services and consolidation through the use of new “Executive County Superintendent”.
- The continued impact of S1701 legislation. S1701, adopted by the State of New Jersey on June 17, 2004, places limits on the School's ability to transfer funds into capital reserve for the construction and maintenance of school facilities, the ability to transfer available balance as needed and the ability to transfer available funds between appropriation accounts. Taking away the option of transferring available funds during the budget year will severely impact our ability to maintain and improve our facilities.
- Statues recently enacted will allow the state to review more closely school district expenditures in all areas. Along with tax levy caps and minimal state aid districts will have to make some difficult educational decisions.
- Due to the fact that rising costs of required expenditures are increasing at a rate greater than that of the District's allowable tax levy revenue, this Board of Education has applied budgeted fund balance over the past several years. This has significantly reduced the Board's fund balance to the point where it is now below the 2% standard established by the State of New Jersey. The Board is in a position to have to reduce the budget by more than \$3,000,000, which is an unreasonable expectation, when trying to maintain the level of programs that are currently offered to our students.
- There is great concern financially due to the fact that the State has significantly reduced the level of aid provided to the district. In addition to this significant decrease, the allowable increase in taxy levy is being reduced from 4% to 2%. Since the Levy is approximately half of the entire budget, the total allowable increase to the budget as a whole equates to approximately only 1%.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office at 539 Route 515, P.O. Box 99, Vernon, NJ 07462.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 1,792,610	\$ 395,016	\$ 2,187,626
Receivables from Other Governments	1,493,385	16,626	1,510,011
Interfund Receivable	11,743		11,743
Inventory		21,721	21,721
Unamortized Bond Issuance Costs	116,297		116,297
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	567,788		567,788
Capital Assets:			
Sites (Land) and Construction in Progress	8,138,936		8,138,936
Depreciable Site Improvements, Building and Building Improvements and Machinery and Equipment	19,547,285	65,002	19,612,287
Total Assets	<u>31,668,044</u>	<u>498,365</u>	<u>32,166,409</u>
<u>LIABILITIES:</u>			
Accounts Payable - Vendors	225,167	85,382	310,549
Loan Payable - Due to State of New Jersey	2,773,137		2,773,137
Payable to Federal Government	210		210
Payable to State Government	148		148
Unamortized Bond Issuance Premium	197,769		197,769
Deferred Revenue	2,200	7,902	10,102
Noncurrent Liabilities:			
Due Within One Year, Net	1,431,186		1,431,186
Due Beyond One Year, Net	18,355,975		18,355,975
Total Liabilities	<u>22,985,792</u>	<u>93,284</u>	<u>23,079,076</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	10,519,221	65,002	10,584,223
Restricted for:			
Capital Projects	522,388		522,388
Debt Service	99,851		99,851
Other Purposes	1,999,168		1,999,168
Unrestricted/(Deficit)	(4,458,376)	340,079	(4,118,297)
Total Net Assets	<u>\$ 8,682,252</u>	<u>\$ 405,081</u>	<u>\$ 9,087,333</u>

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 32,556,413		\$ 2,875,311		\$ (29,681,102)		\$ (29,681,102)
Special Education	9,607,612		4,953,165		(4,654,447)		(4,654,447)
Other Instruction	1,283,694		156,129		(1,127,565)		(1,127,565)
School -Sponsored Instruction	1,048,218				(1,048,218)		(1,048,218)
<b>Support Services:</b>							
Tuition	2,403,848	\$ 223,703			(2,180,145)		(2,180,145)
Student and Instruction Related Services	9,221,185		691,004		(8,530,181)		(8,530,181)
General Administration Services	1,455,681		71,076		(1,384,605)		(1,384,605)
School Administration Services	3,861,478		316,659		(3,544,819)		(3,544,819)
Central Services	734,665		46,694		(687,971)		(687,971)
Adminstrative Information Technology	293,225		20,002		(273,223)		(273,223)
Plant Operations and Maintenance	6,279,721		296,223		(5,983,498)		(5,983,498)
Pupil Transportation	6,388,160		2,184,505		(4,203,655)		(4,203,655)
Interest on Long-Term Debt	807,994				(807,994)		(807,994)
Unallocated Depreciation	957,324				(957,324)		(957,324)
Transfer to Charter School	218,292				(218,292)		(218,292)
<b>Total Governmental Activities</b>	<b>77,117,510</b>	<b>223,703</b>	<b>11,610,768</b>		<b>(65,283,039)</b>		<b>(65,283,039)</b>

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Business-Type Activities:						
Food Service	\$ 1,168,888	\$ 872,345	\$ 288,535		\$ (8,008)	\$ (8,008)
Total Business-Type Activities	1,168,888	872,345	288,535		(8,008)	(8,008)
Total Primary Government	\$ 78,286,398	\$ 1,096,048	\$ 11,899,303	\$ -0-	\$ (65,283,039)	\$ (65,291,047)
General Revenues:						
Taxes:						
				39,216,204		39,216,204
				1,229,223		1,229,223
				24,109,262		24,109,262
				163,128	8,402	171,530
				106,110		106,110
				64,823,927	8,402	64,832,329
				(459,112)	394	(458,718)
				9,141,364	404,687	9,546,051
				\$ 8,682,252	\$ 405,081	\$ 9,087,333

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

FUND FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b><u>ASSETS:</u></b>					
Cash and Cash Equivalents	\$ 1,674,255		\$ 18,504	\$ 99,851	\$ 1,792,610
Interfund Receivable	466,029		230,422		696,451
Receivables From Federal Government		\$ 594,405			594,405
Receivables From State Government	820,977				820,977
Receivables From Other Governments	76,964	1,039			78,003
Restricted Cash and Cash Equivalents	567,788				567,788
<b>Total Assets</b>	<b>\$ 3,606,013</b>	<b>\$ 595,444</b>	<b>\$ 248,926</b>	<b>\$ 99,851</b>	<b>\$ 4,550,234</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>					
<b>Liabilities:</b>					
Interfund Payable	230,422	454,286			684,708
Loan Payable - Due to State of New Jersey	2,773,137				2,773,137
Accounts Payable - Vendors	86,567	138,600			225,167
Payable to Federal Government		210			210
Payable to State Government		148			148
Deferred Revenue		2,200			2,200
<b>Total Liabilities</b>	<b>3,090,126</b>	<b>595,444</b>			<b>3,685,570</b>

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Reserved for:					
Encumbrances	\$ 1,296,995		\$ 294,326		\$ 1,591,321
Capital Reserve Account	567,788				567,788
Unreserved, Reported in:					
General Fund:					
Designated for Subsequent Year's Expenditures	407,847				407,847
Undesignated/(Deficit)	(1,756,743)				(1,756,743)
Capital Projects Fund (Deficit)			(45,400)		(45,400)
Debt Service Fund				\$ 99,851	99,851
Total Fund Balances	515,887		248,926	99,851	864,664
Total Liabilities and Fund Balances	\$ 3,606,013	\$ 595,444	\$ 248,926	\$ 99,851	

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 \$53,306,359 and the Accumulated Depreciation is \$25,620,138.	27,686,221
Bond Issuance costs are reported as expenditures in the Governmental Funds in the year of expenditure. The original costs were \$174,442 and accumulated amortization is \$58,145.	116,297
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount was \$296,654 and accumulated amortization is \$98,885.	(197,769)
Deferred Interest costs are not reported as expenditures in the governmental funds in the year of the expenditure.	538,144
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 (see Note 6)	(20,325,305)
Net Assets of Governmental Activities	\$ 8,682,252

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 39,216,204			\$ 1,229,223	\$ 40,445,427
Tuition	223,703				223,703
Interest Earned on Capital Reserve Funds	12,869				12,869
Miscellaneous	255,895	\$ 12,984	\$ 474		269,353
<b>Total - Local Sources</b>	<b>39,708,671</b>	<b>12,984</b>	<b>474</b>	<b>1,229,223</b>	<b>40,951,352</b>
State Sources	29,963,628	31,947		804,532	30,800,107
Federal Sources	3,075,737	1,831,202			4,906,939
<b>Total Revenues</b>	<b>72,748,036</b>	<b>1,876,133</b>	<b>474</b>	<b>2,033,755</b>	<b>76,658,398</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Regular Instruction	23,089,458	318,969			23,408,427
Special Education Instruction	5,617,982	1,546,600			7,164,582
Other Special Instruction	537,056				537,056
School-Sponsored/Other Instruction	1,044,974				1,044,974
<b>Support Services and Undistributed Costs:</b>					
Tuition	2,403,848				2,403,848
Student and Other Instruction Related Services	6,726,320				6,726,320
General Administration Services	1,192,463				1,192,463
School Administration Services	2,854,947				2,854,947
Central Services	565,170				565,170
Administrative Information Technology	220,623				220,623
Plant Operations and Maintenance	5,115,306				5,115,306
Student Transportation	6,347,776				6,347,776
Unallocated Benefits	17,458,842				17,458,842

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>EXPENDITURES:</b>					
<b>Debt Service:</b>					
Principal				\$ 1,400,000	\$ 1,400,000
Interest and Other Charges				762,328	762,328
Capital Outlay	\$ 400,155	\$ 10,564	\$ 13,635		424,354
Transfer of Funds to Charter School	218,292				218,292
<b>Total Expenditures</b>	<u>73,793,212</u>	<u>1,876,133</u>	<u>13,635</u>	<u>2,162,328</u>	<u>77,845,308</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>(1,045,176)</u>		<u>(13,161)</u>	<u>(128,573)</u>	<u>(1,186,910)</u>
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers In	474		230,514		230,988
Transfers Out	(230,514)		(474)		(230,988)
<b>Total Other Financing Sources/(Uses)</b>	<u>(230,040)</u>		<u>230,040</u>		
<b>Net Change in Fund Balances</b>	<u>(1,275,216)</u>		<u>216,879</u>	<u>(128,573)</u>	<u>(1,186,910)</u>
<b>Fund Balance - July 1</b>	<u>1,791,103</u>		<u>32,047</u>	<u>228,424</u>	<u>2,051,574</u>
<b>Fund Balance - June 30</b>	<u>\$ 515,887</u>	<u>\$ -0-</u>	<u>\$ 248,926</u>	<u>\$ 99,851</u>	<u>\$ 864,664</u>

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (1,186,910)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlays in the period.

	Depreciation Expense	\$ (1,155,062)	
	Capital outlays	432,178	
		(722,884)	(722,884)

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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

96,350

Repayment of serial bonds 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.

1,400,000

The governmental funds report the effect of deferred interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

(53,815)

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)

19,777

The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (-)

(11,630)

Change in Net Assets of Governmental Activities (Exhibit A-2)

\$ (459,112)

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

	Business-type Activities - Enterprise Funds Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 395,016
Intergovernmental Accounts Receivable:	
State	1,066
Federal	15,560
Inventories	21,721
Total Current Assets	433,363
Non-Current Assets:	
Capital Assets	535,787
Less: Accumulated Depreciation	(470,785)
Total Non-Current Assets	65,002
Total Assets	498,365
<u>LIABILITIES:</u>	
Accounts Payable - Vendors	85,382
Deferred Revenue	7,902
Total Liabilities	93,284
<u>NET ASSETS:</u>	
Investment in Capital Assets Net of Related Debt	65,002
Unrestricted	340,079
Total Net Assets	\$ 405,081

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

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

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 499,487
Daily Sales - Non-Reimbursable Programs	316,144
Special Events and Miscellaneous	25,498
School Store	31,216
Total Operating Revenue	872,345
Operating Expenses:	
Cost of Sales	438,932
Salaries, Benefits & Payroll Taxes	451,829
Supplies, Insurance & Other Costs	116,765
Management Fee	118,946
Depreciation Expense	14,152
School Store	28,264
Total Operating Expenses	1,168,888
Operating Loss	(296,543)
Non-Operating Income:	
Local Sources:	
Interest Earnings	8,402
State Sources:	
State School Lunch Program	15,479
Federal Sources:	
National School Lunch Program	220,501
Special Milk Program	1,865
Food Distribution Program	50,690
Total Non-Operating Income	296,937
Change in Net Assets	394
Net Assets - Beginning of Year	404,687
Net Assets - End of Year	\$ 405,081

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

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

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 872,345
Payments to Food Service Contractor	(958,671)
Payments to Suppliers	(145,029)
	(231,355)
Net Cash Used for Operating Activities	(231,355)
Cash Flows from Noncapital Financing Activities:	
State Sources	15,537
Federal Sources	221,203
	236,740
Net Cash Provided by Noncapital Financing Activities	236,740
Cash Flows from Financing Activities:	
Interest Income	8,402
	8,402
Net Cash Provided by Financing Activities	8,402
Net Increase in Cash and Cash Equivalents	13,787
Cash and Cash Equivalents, July 1	381,229
Cash and Cash Equivalents, June 30	\$ 395,016
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (296,543)
Adjustment to Reconcile Operating Loss to Cash Used by Operating Activities:	
Depreciation	14,152
Food Distribution Program	50,690
Changes in Assets and Liabilities:	
(Increase) in Inventory	(2,660)
Increase in Accounts Payable	4,108
(Decrease) in Deferred Revenue	(1,102)
	(231,355)
Net Cash Used for Operating Activities	\$ (231,355)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program valued at \$49,588 and Utilized Commodities Valued at \$50,690.

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

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

<u>ASSETS:</u>	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Cash and Cash Equivalents	\$ 590,028	\$ 397,974	\$ 93,984
Total Assets	<u>\$ 590,028</u>	<u>\$ 397,974</u>	<u>\$ 93,984</u>
 <u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	\$ 366,422		
Interfund Payable	11,743		
Due to Student Groups	<u>211,863</u>		
Total Liabilities	<u>590,028</u>		
 <u>NET ASSETS:</u>			
Held in Trust for Unemployment Claims Reserved for Scholarships		\$ 397,974	\$ 93,984
Total Net Assets	<u>\$ -0-</u>	<u>\$ 397,974</u>	<u>\$ 93,984</u>

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

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

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Additions:		
Contributions:		
Plan Members	\$ 4,835	
Donations		\$ 15,156
Total Contributions	<u>4,835</u>	<u>15,156</u>
Investment Earnings:		
Interest	<u>21,149</u>	<u>2,055</u>
Net Investment Earnings	<u>21,149</u>	<u>2,055</u>
Total Additions	<u>25,984</u>	<u>17,211</u>
Deductions:		
Unemployment Claims	119,877	
Scholarships Awarded		<u>17,205</u>
Total Deductions	<u>119,877</u>	<u>17,205</u>
Change in Net Assets	(93,893)	6
Net Assets - Beginning of the Year	<u>491,867</u>	<u>93,978</u>
Net Assets - End of the Year	<u>\$ 397,974</u>	<u>\$ 93,984</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Vernon Township School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include three elementary schools and two middle schools as well as a high school located in the Township of Vernon. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

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

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

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

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund, and the Private Purpose Scholarship Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Budgets/Budgetary Control:

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

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

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize this payment on the GAAP financial statements.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 72,780,968	\$ 1,906,845
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(39,482)
Prior Year Encumbrances, Net of Cancellations		8,770
Prior Year State Aid Payments Recognized for GAAP Statements	2,740,205	
State Aid Payments Recognized for Budgetary Purposes, not not Recognized for GAAP Statements	(2,773,137)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 72,748,036	\$ 1,876,133

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,793,212	\$ 1,906,845
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(39,482)
Prior Year Encumbrances, Net of Cancellations		8,770
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 73,793,212	\$ 1,876,133

	Capital Projects Fund
Reserve for Encumbrances	\$ 294,326
Unreserved Fund Balance	108,276
	402,602
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	(153,676)
Fund Balance per Governmental Funds (GAAP)	\$ 248,926

E. Cash and Cash Equivalents:

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

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

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

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

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

J. Inventories and Prepaid Expenses:

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

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

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

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

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

M. Accrued Salaries and Wages:

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

N. Compensated Absences:

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

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

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$515,887 General Fund fund balance at June 30, 2010, \$1,296,995 is reserved for encumbrances; \$567,788 is reserved in the capital reserve account; \$407,847 is unreserved and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2011; and \$(1,756,743) is unreserved and undesignated which is \$2,773,137 less than the calculated maximum unreserved fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2010.

Capital Projects Fund: Of the \$248,926 of Capital Projects Fund fund balance at June 30, 2010 \$294,326 is reserved for encumbrances; and \$(45,400) is unreserved and undesignated.

Debt Service Fund: The Debt Service Fund balance at June 30, 2010 of \$99,851 is unreserved and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2011.

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

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

P. Fund Balance Appropriated: (Cont'd)

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has no excess surplus.

P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payment and not the fund balance reported on the fund statement which excludes the last state aid payments.

Q. Deficit Fund Balances/Net Assets

The District has a deficit unreserved/undesignated fund balance of \$1,756,743 in the General Fund as of June 30, 2010 as reported in the fund statements (modified accrual basis) due to the final two state aid payments of \$2,773,137, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2010.

The District has a deficit fund balance of \$45,400 in the Capital Projects Fund as of June 30, 2010 as reported in the fund statements (modified accrual basis) due to School Development Authority grant receivable in the amount of \$153,676 which is not recognized on a GAAP basis until expended.

The District also has a deficit in unrestricted net assets from governmental activities in the amount of \$4,458,376. This primarily due to the accrual of compensated absences of \$3,158,302, deferred interest of \$538,142, unamortized bond issuance costs of \$116,297 and unamortized bond premiums of \$197,769.

These deficits do not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Net Assets

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

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

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

S. Fund Balance Reserves:

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

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

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

(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

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

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

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking Accounts	\$ 3,269,612	\$ 567,788	\$ 3,837,400
	<u>\$ 3,269,612</u>	<u>\$ 567,788</u>	<u>\$ 3,837,400</u>

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2010, was \$3,837,400 and the bank balance was \$4,348,319.

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

NOTE 4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,935,348			\$ 1,935,348
Construction in Progress	6,189,953	\$ 13,635		6,203,588
Total Capital Assets Not Being Depreciated	<u>8,125,301</u>	<u>13,635</u>		<u>8,138,936</u>
Capital Assets Being Depreciated:				
Site Improvements	1,277,734			1,277,734
Buildings and Building Improvements	40,864,122			40,864,122
Machinery and Equipment	2,614,502	418,543	\$ (7,478)	3,025,567
Total Capital Assets Being Depreciated	<u>44,756,358</u>	<u>418,543</u>	<u>(7,478)</u>	<u>45,167,423</u>
Governmental Activities Capital Assets	<u>52,881,659</u>	<u>432,178</u>	<u>(7,478)</u>	<u>53,306,359</u>
Less Accumulated Depreciation for:				
Site Improvements	(378,490)	(63,886)		(442,376)
Buildings and Building Improvements	(22,884,041)	(893,438)		(23,777,479)
Machinery and Equipment	(1,210,023)	(197,738)	7,478	(1,400,283)
	<u>(24,472,554)</u>	<u>(1,155,062)</u>	<u>7,478</u>	<u>(25,620,138)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,409,105</u>	<u>\$ (722,884)</u>	<u>\$ -0-</u>	<u>\$ 27,686,221</u>
<b>Business Type Activities:</b>				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 535,787			\$ 535,787
Less Accumulated Depreciation	<u>(456,633)</u>	<u>\$ (14,152)</u>		<u>(470,785)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 79,154</u>	<u>\$ (14,152)</u>	<u>\$ -0-</u>	<u>\$ 65,002</u>

The District has an active construction project which is near completion totaling \$6,222,000. This project is for the referendum approved by the voters in September 2006. As of June 30, 2010, the District has \$5,000 in construction encumbrances outstanding.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 109,196
Special Education	3,219
Student and Other Instruction Related Services	3,244
School Administration	3,659
Operations and Maintenance of Plant	78,420
Unallocated	<u>957,324</u>
	<u>\$ 1,155,062</u>

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

(Continued)

NOTE 5. CAPITAL RESERVE ACCOUNT

A capital reserve account in the amount of \$2,500 was established by Board resolution on October 12, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2009	\$ 585,433
Transfer to Capital Projects Fund	(30,514)
Interest Earnings	<u>12,869</u>
Ending Balance, June 30, 2010	<u><u>\$ 567,788</u></u>

The June 30, 2010 LRFP balance of local support costs of uncompleted capital projects at June 30, 2010 far exceeds the balance in the capital reserve account as of June 30, 2010.

NOTE 6. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Serial Bonds Payable	\$ 18,567,000		\$ 1,400,000	\$ 17,167,000
Less: Deferred Amount on Refunding	<u>(591,956)</u>	<u>\$ 53,812</u>		<u>(538,144)</u>
Net Serial Bonds Payable	17,975,044	53,812	1,400,000	16,628,856
Compensated Absences Payable	<u>3,254,651</u>	<u>667,493</u>	<u>763,839</u>	<u>3,158,305</u>
	<u><u>\$ 21,229,695</u></u>	<u><u>\$ 721,305</u></u>	<u><u>\$ 2,163,839</u></u>	<u><u>\$ 19,787,161</u></u>

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

(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

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

On January 15, 2007 the District issued serial bonds in the amount of \$6,222,000 to finance the referendum project approved by the voters in September of 2006. The bonds were issued with interest rates ranging from 3.95% to 4.05%. The bonds mature on February 1, 2009 through 2027.

On April 1, 2005, the District issued refunding school bonds of \$11,715,000 with interest rates ranging from 3.0% to 5.0% to advance refund \$11,250,000 school bonds with interest rates ranging from 5.25% to 5.375%. The bonds mature on December 1, 2005 through 2019 and December 1, 2015 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds were called on December 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the advance refunding, the School reduced its total debt service requirement by \$445,329, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$560,030.

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

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2009</u>
School Refunding Bonds	4/1/2005	3.00%-5.00%	12/1/2019	\$ 11,545,000
School Bonds	1/15/2007	3.95%-4.05%	2/1/2027	<u>5,622,000</u>
				<u>\$ 17,167,000</u>

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

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 1,485,000	\$ 699,935	\$ 2,184,935
2012	1,470,000	639,979	2,109,979
2013	1,580,000	583,166	2,163,166
2014	1,565,000	520,428	2,085,428
2015	1,580,000	456,653	2,036,653
2016-2020	7,265,000	1,257,455	8,522,455
2021-2025	1,600,000	311,105	1,911,105
2026-2027	622,000	38,232	660,232
	<u>\$ 17,167,000</u>	<u>\$ 4,506,953</u>	<u>\$ 21,673,953</u>

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

(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Authorized But Not Issued:

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

C. Capital Leases Payable:

As of June 30, 2010, the Board had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$3,158,305. There is no current portion of compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the Food Service Fund.

The General Fund will be used to liquidate Compensated Absences Payable. The Debt Service Fund will be used to liquidate the Serial Bonds.

NOTE 7. PENSION PLANS

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

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

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

NOTE 7. PENSION PLANS (Cont'd)

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

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	2,499,772	100.00%	2,499,772

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

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

Three-Year Trend for PERS			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 682,870	100.00%	\$ 682,870
2009	236,535	100.00%	\$ 236,535
2008	403,868	80.00%	323,094

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$2,160,684, \$2,116,118, and \$1,658,743 for 2010, 2009 and 2008, respectively.

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

NOTE 9. RISK MANAGEMENT

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance

The Vernon Township School District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum.

Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

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

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

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

Financial statements for the Fund are available at the Fund's Executive Director's Office:  
 Public Entity Group Administrative Services  
 51 Everett Drive  
 Suite B-40  
 West Windsor, NJ 08550

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

NOTE 9. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

The following is a summary of the District's contributions, employee contributions and interest earned, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	\$ -0-	\$ 25,984	\$ 119,877	\$ 397,974
2009	-0-	112,097	76,128	491,867
2008	-0-	125,029	55,887	455,898

NOTE 10. ECONOMIC DEPENDENCY

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

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 466,029	\$ 230,422
Special Revenue Fund		454,286
Capital Projects Fund	230,422	
Fiduciary Funds		11,743
	<u>\$ 696,451</u>	<u>\$ 696,451</u>

The interfund payable in the General Fund and the interfund receivable in the Capital Projects Fund represent the local share of funding for the Cedar Mountain Roof Replacement net of the interest earned in the Capital Projects Fund not transferred by June 30, 2010. The interfund between the General Fund and the Special Revenue Fund represents funds advanced to the Special Revenue as a result of the delay in receipt of grant funds due to the reimbursement basis of the federal grants. The interfund between the General Fund and the Fiduciary Funds represents interest earned not transferred by June 30, 2010.

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

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Great American Life Insurance Company (G.A.L.I.C.)  
Equitable Life Assurance  
Metropolitan Life Insurance Company  
Lincoln Life Insurance Company  
Variable Annuity Life Insurance Company (V.A.L.I.C.)  
Financial Resources

Equitable Life Assurance and Financial Resources are the plan administrators for the District's Internal Revenue Code Section 457 plan.

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school District on a predetermined mutually agreed-upon schedule.

NOTE 14. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

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

NOTE 15. HEALTH BENEFITS PLAN

Effective July 1, 2004, the District elected to obtain medical and dental health care insurance with Horizon Blue Cross Blue Shield of NJ ("Horizon"). The insurance plan with Horizon, for health benefits only, is a traditionally funded, fully participating plan whereby the District participates in any margins or losses generated by claims experience. The figures presented below for the year ended June 30, 2010 are based on preliminary estimates from Horizon; however as of July 1, 2010 the District is no longer in a Retrospective plan with Horizon. The District plan was changed to a Prospective Plan as of July 1, 2010 and the district no longer maintains a Premium Stabilization Reserve with Horizon.

	<u>Year Ended June 30, 2010</u>
Premium Stabilization Reserve at June 30, 2009 with Horizon	\$ 1,619,336
Accrued Liability for Health Benefit Claims at June 30, 2009 with Horizon	938,734
Total Temporary Investments With Insurance Company at June 30, 2009	<u>2,558,070</u>
Interest Earnings	22,694
Paid Premiums	7,763,343
Paid Claims	(8,091,601)
Administrative Costs	(1,335,752)
Close out of Premium Stabilization Reserve with Horizon	21,980
Close Out of Accrued Liability for Health Benefit Claims with Horizon	<u>(938,734)</u>
Premium Stabilization Reserve at June 30, 2010 with Horizon	-0-
Accrued Liability for Health Benefit Claims at June 30, 2010 with Horizon	-0-
Total Temporary Investments With Insurance Company at June 30, 2010	<u>\$ -0-</u>
	<u>Year Ended June 30, 2009</u>
Premium Stabilization Reserve at June 30, 2008 with Horizon	\$ 2,519,468
Accrued Liability for Health Benefit Claims at June 30, 2008 with Horizon	938,734
Total Temporary Investments With Insurance Company at June 30, 2008	<u>3,458,202</u>
Interest Earnings	90,034
Decrease in Accrued Liability for Health Benefit Claims based on Paid Claims Experience	-0-
Paid Premiums	7,334,977
Paid Claims	(7,066,956)
Administrative Costs	<u>(1,258,187)</u>
Premium Stabilization Reserve at June 30, 2009 with Horizon	1,619,336
Accrued Liability for Health Benefit Claims at June 30, 2009 with Horizon	938,734
Total Temporary Investments With Insurance Company at June 30, 2009	<u>\$ 2,558,070</u>

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

NOTE 16: SHORT TERM LOAN PAYABLE – DUE TO THE STATE OF NJ

Due to the deferral of a second state aid payment, the District borrowed \$2,773,137 for cash flow purposes pursuant to N.J.S.A. 18A:22-44.2. The State remitted the two June state aid payments to the District in early July 2010. The State is responsible for the interest on the short term loan.

**BUDGETARY COMPARISON SCHEDULES**

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 39,216,204		\$ 39,216,204	\$ 39,216,204	
Tuition	118,625		118,625	223,703	\$ 105,078
Interest Earned on Capital Reserve Funds	5,000		5,000	12,869	7,869
Unrestricted Miscellaneous Revenues	220,000		220,000	255,895	35,895
<b>Total - Local Sources</b>	<b>39,559,829</b>		<b>39,559,829</b>	<b>39,708,671</b>	<b>148,842</b>
<b>State Sources:</b>					
Special Education Aid	2,100,282		2,100,282	2,100,282	
Equalization Aid	16,951,247	\$ (3,075,737)	13,875,510	13,875,510	
Security Aid	310,299		310,299	310,299	
Adjustment Aid	6,315,883		6,315,883	5,974,301	(341,582)
Transportation Aid	2,231,348		2,231,348	2,231,348	
Extraordinary Aid for Special Education Costs	197,580		197,580	679,096	481,516
Nonpublic Transportation Aid				15,946	15,946
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				115,044	115,044
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,160,684	2,160,684
Reimbursed TPAF Social Security Contributions (non-budgeted)				2,534,050	2,534,050
<b>Total State Sources</b>	<b>28,106,639</b>	<b>(3,075,737)</b>	<b>25,030,902</b>	<b>29,996,560</b>	<b>4,965,658</b>
<b>Federal Sources:</b>					
<b>ARRA Equalization Aid:</b>					
Education Stabilization Fund		2,961,108	2,961,108	2,961,108	
Government Services Fund		114,629	114,629	114,629	
<b>Total Federal Sources</b>		<b>3,075,737</b>	<b>3,075,737</b>	<b>3,075,737</b>	
<b>TOTAL REVENUES</b>	<b>67,666,468</b>		<b>67,666,468</b>	<b>72,780,968</b>	<b>5,114,500</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 638,500	\$ 31,000	\$ 669,500	\$ 666,525	\$ 2,975
Grades 1-5 - Salaries of Teachers	6,735,000	(155,000)	6,580,000	6,576,998	3,002
Grades 6-8 - Salaries of Teachers	6,046,000	(184,500)	5,861,500	5,856,896	4,604
Grades 9-12 - Salaries of Teachers	8,929,000	(227,300)	8,701,700	8,688,926	12,774
Regular Programs - Home Instruction:					
Salaries of Teachers	61,372	19,000	80,372	59,710	20,662
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)		404,000	404,000	324,712	79,288
General Supplies	794,196	66,964	861,160	709,586	151,574
Textbooks	327,729	(117,293)	210,436	196,726	13,710
Other Objects	16,400	(1,755)	14,645	9,379	5,266
<b>Total Regular Programs - Instruction</b>	<u>23,548,197</u>	<u>(164,884)</u>	<u>23,383,313</u>	<u>23,089,458</u>	<u>293,855</u>
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	814,000	(113,000)	701,000	700,050	950
Other Salaries for Instruction	255,000	(42,000)	213,000	212,005	995
General Supplies	2,500	(2,379)	121	121	
<b>Total Learning and/or Language Disabilities</b>	<u>1,071,500</u>	<u>(157,379)</u>	<u>914,121</u>	<u>912,176</u>	<u>1,945</u>
Multiple Disabilities:					
Salaries of Teachers	372,000	(16,000)	356,000	349,596	6,404
Other Salaries for Instruction	123,000	(44,000)	79,000	78,773	227
General Supplies	8,000	(6,854)	1,146	1,146	
<b>Total Multiple Disabilities</b>	<u>503,000</u>	<u>(66,854)</u>	<u>436,146</u>	<u>429,515</u>	<u>6,631</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Special Education Cont'd:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 3,088,000	\$ (167,000)	\$ 2,921,000	\$ 2,920,440	\$ 560
Other Salaries for Instruction	520,000	132,000	652,000	651,132	868
<b>Total Resource Room/Resource Center</b>	<b>3,608,000</b>	<b>(35,000)</b>	<b>3,573,000</b>	<b>3,571,572</b>	<b>1,428</b>
Autism:					
Salaries of Teachers	82,000	13,000	95,000	93,879	1,121
Other Salaries for Instruction	203,000	143,600	346,600	338,406	8,194
General Supplies	15,000	(6,225)	8,775	8,751	24
<b>Total Autism</b>	<b>300,000</b>	<b>150,375</b>	<b>450,375</b>	<b>441,036</b>	<b>9,339</b>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	260,000	(84,700)	175,300	174,464	836
Other Salaries for Instruction	135,000	(89,000)	46,000	44,628	1,372
General Supplies	1,500	(1,380)	120	120	
<b>Total Preschool Disabilities - Part-Time</b>	<b>396,500</b>	<b>(175,080)</b>	<b>221,420</b>	<b>219,212</b>	<b>2,208</b>
Home Instruction - Special Education:					
Salaries of Teachers	72,200	(23,000)	49,200	44,471	4,729
<b>Total Home Instruction - Special Education</b>	<b>72,200</b>	<b>(23,000)</b>	<b>49,200</b>	<b>44,471</b>	<b>4,729</b>
<b>Total Special Education Instruction</b>	<b>5,951,200</b>	<b>(306,938)</b>	<b>5,644,262</b>	<b>5,617,982</b>	<b>26,280</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	\$ 415,000	36,000	\$ 451,000	\$ 450,861	\$ 139
<b>Total Basic Skills/Remedial - Instruction</b>	<b>415,000</b>	<b>36,000</b>	<b>451,000</b>	<b>450,861</b>	<b>139</b>
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	86,500		86,500	86,195	305
<b>Total Bilingual Education - Instruction</b>	<b>86,500</b>		<b>86,500</b>	<b>86,195</b>	<b>305</b>
<b>School-Sponsored Cocurricular Activities - Instruction:</b>					
Salaries	246,600	110,440	357,040	356,168	872
Purchased Services (300-500 series)	4,000	(2,440)	1,560	810	750
Supplies and Materials	7,770	6,670	14,440	8,047	6,393
Other Objects	39,049	(4,699)	34,350	9,414	24,936
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>297,419</b>	<b>109,971</b>	<b>407,390</b>	<b>374,439</b>	<b>32,951</b>
<b>School-Sponsored Cocurricular Athletics - Instruction:</b>					
Salaries	460,000	(15,500)	444,500	443,120	1,380
Purchased Services (300-500 series)	9,000	510	9,510	4,826	4,684
Supplies and Materials	121,843	(32,509)	89,334	86,231	3,103
Other Objects	157,352	(16,510)	140,842	136,358	4,484
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>748,195</b>	<b>(64,009)</b>	<b>684,186</b>	<b>670,535</b>	<b>13,651</b>
<b>Total Instruction</b>	<b>31,046,511</b>	<b>(389,860)</b>	<b>30,656,651</b>	<b>30,289,470</b>	<b>367,181</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>Undistributed Expenditures:</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State - Special	\$ 980,105	\$ (34,687)	\$ 945,418	\$ 807,776	\$ 137,642
Tuition to County Vocational School District - Regional Day Schools	4,158	58,642	62,800	62,705	95
Tuition to Private Schools for the Handicapped - Within State	1,549,070	(280,632)	1,268,438	1,234,545	33,893
Tuition to Private Schools for the Handicapped	264,299	1,031	265,330	223,674	41,656
Tuition - State Facilities	75,148		75,148	75,148	
<b>Total Undistributed Expenditures - Instruction:</b>	<b>2,872,780</b>	<b>(255,646)</b>	<b>2,617,134</b>	<b>2,403,848</b>	<b>213,286</b>
<b>Health Services:</b>					
Salaries	601,000	(4,520)	596,480	595,901	579
Purchased Professional and Technical Services	20,000	7,150	27,150	21,049	6,101
Supplies and Materials	17,000	(350)	16,650	15,128	1,522
<b>Total Health Services</b>	<b>638,000</b>	<b>2,280</b>	<b>640,280</b>	<b>632,078</b>	<b>8,202</b>
<b>Other Support Services - Students - Related Services:</b>					
Salaries	660,000	(33,000)	627,000	613,777	13,223
Purchased Professional - Educational Services	20,000	500	20,500	20,500	
Supplies and Materials	10,838	999	11,837	10,059	1,778
<b>Total Other Support Services - Students - Related Services</b>	<b>690,838</b>	<b>(31,501)</b>	<b>659,337</b>	<b>644,336</b>	<b>15,001</b>
<b>Other Support Services - Students - Guidance:</b>					
Salaries of Other Professional Staff	1,538,000	(106,500)	1,431,500	1,429,835	1,665
Salaries of Secretarial and Clerical Assistants	246,000	(3,000)	243,000	239,963	3,037
Purchased Professional and Technical Services	25,000	(23,000)	2,000		2,000
Supplies and Materials	5,600	2,720	8,320	3,596	4,724
<b>Total Other Support Services - Students - Guidance</b>	<b>1,814,600</b>	<b>(129,780)</b>	<b>1,684,820</b>	<b>1,673,394</b>	<b>11,426</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	\$ 1,262,000	\$ (4,180)	\$ 1,257,820	\$ 1,256,852	\$ 968
Salaries of Secretarial and Clerical Assistants	170,000	1,300	171,300	169,288	2,012
Other Salaries	19,310	380	19,690	19,010	680
Purchased Professional - Educational Services	636,344	42,002	678,346	649,626	28,720
Supplies and Materials	24,315	(8,175)	16,140	13,515	2,625
Other Objects	2,000	23,113	25,113	23,915	1,198
<b>Total Other Support Services - Students - Child Study Teams</b>	<b>2,113,969</b>	<b>54,440</b>	<b>2,168,409</b>	<b>2,132,206</b>	<b>36,203</b>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	641,000	3,000	644,000	643,760	240
Salaries of Other Professional Staff	125,000	12,500	137,500	135,941	1,559
Salaries of Secretarial and Clerical Assistants	95,000		95,000	94,566	434
<b>Total Improvement of Instructional Services</b>	<b>861,000</b>	<b>15,500</b>	<b>876,500</b>	<b>874,267</b>	<b>2,233</b>
Educational Media Services/School Library:					
Salaries	506,000		506,000	504,170	1,830
Supplies and Materials	44,289	(2,008)	42,281	37,886	4,395
Other Objects	7,000	584	7,584	5,540	2,044
<b>Total Educational Media Services/School Library</b>	<b>557,289</b>	<b>(1,424)</b>	<b>555,865</b>	<b>547,596</b>	<b>8,269</b>
Instructional Staff Training Services:					
Salaries of Other Professional Staff					
Purchased Professional - Educational Services	297,524	(6,903)	290,621	211,409	79,212
Other Purchased Services (400-500 series)	74,000	(23,413)	50,587	11,034	39,553
<b>Total Instructional Staff Training Services</b>	<b>371,524</b>	<b>(30,316)</b>	<b>341,208</b>	<b>222,443</b>	<b>118,765</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Support Services - General Administration:</b>					
Salaries	\$ 625,419	\$ 93,839	\$ 719,258	\$ 608,358	\$ 110,900
Legal Services	55,000	(17,000)	38,000	33,523	4,477
Audit Fees	44,000		44,000	44,000	
Other Purchased Professional Services	34,000	17,000	51,000	50,025	975
Communications/Telephone	213,022	(7,491)	205,531	156,580	48,951
Miscellaneous Purchased Services (400-500 series)	334,600	(141)	334,459	227,557	106,902
General Supplies	7,500	13,979	21,479	17,563	3,916
Miscellaneous Expenditures	51,454	(3,358)	48,096	26,691	21,405
Board of Education Membership Dues and Fees	29,000		29,000	28,166	834
<b>Total Support Services - General Administration</b>	<b>1,393,995</b>	<b>96,828</b>	<b>1,490,823</b>	<b>1,192,463</b>	<b>298,360</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	1,308,500	(15,500)	1,293,000	1,251,574	41,426
Salaries of Other Professional Staff	45,000		45,000	43,687	1,313
Salaries of Secretarial and Clerical Assistants	1,204,000	3,000	1,207,000	1,190,334	16,666
Other Salaries	271,000	(42,000)	229,000	224,763	4,237
Other Purchased Services		14,690	14,690	7,348	7,342
Supplies and Materials	115,244	18,574	133,818	110,450	23,368
Other Objects	48,000	(3,966)	44,034	26,791	17,243
<b>Total Support Services - School Administration</b>	<b>2,991,744</b>	<b>(25,202)</b>	<b>2,966,542</b>	<b>2,854,947</b>	<b>111,595</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Support Services - Central Services:</b>					
Salaries	\$ 424,000	\$ (7,800)	\$ 416,200	\$ 399,669	\$ 16,531
Purchased Professional Services	66,188	(5,838)	60,350	43,367	16,983
Purchased Technical Services	45,000		45,000	36,735	8,265
Miscellaneous Purchased Services (400-500 series)	69,533	2,190	71,723	50,116	21,607
Supplies and Materials	53,500	(5,000)	48,500	35,283	13,217
<b>Total Support Services - Central Services</b>	<b>658,221</b>	<b>(16,448)</b>	<b>641,773</b>	<b>565,170</b>	<b>76,603</b>
<b>Support Services - Administration Information Technology:</b>					
Salaries	163,500	7,800	171,300	171,201	99
Supplies and Materials	79,700	(27,428)	52,272	49,422	2,850
<b>Total Support Services - Administration Information Technology</b>	<b>243,200</b>	<b>(19,628)</b>	<b>223,572</b>	<b>220,623</b>	<b>2,949</b>
<b>Required Maintenance of School Facilities:</b>					
Salaries	489,983	(54,000)	435,983	430,476	5,507
Cleaning, Repair and Maintenance Services	540,476	(167,105)	373,371	204,004	169,367
General Supplies	295,584	(1,721)	293,863	190,408	103,455
Other Objects	3,000		3,000	2,274	726
<b>Total Required Maintenance of School Facilities</b>	<b>1,329,043</b>	<b>(222,826)</b>	<b>1,106,217</b>	<b>827,162</b>	<b>279,055</b>
<b>Other Custodial Services:</b>					
Salaries	2,055,000	(68,500)	1,986,500	1,959,930	26,570
Purchased Professional and Technical Services	124,914	10,886	135,800	131,345	4,455
Cleaning, Repair and Maintenance Services	143,000	(58,000)	85,000	83,443	1,557
Other Purchased Property Services	29,375	(350)	29,025	20,902	8,123
Insurance	193,000	(6,520)	186,480	186,340	140

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Custodial Services (Cont'd):					
General Supplies	\$ 105,560	\$ 6,695	\$ 112,255	\$ 100,974	\$ 11,281
Energy (Electricity)	1,617,100	(51,455)	1,565,645	1,304,539	261,106
Energy (Natural Gas)	35,500	8,000	43,500	25,241	18,259
Energy (Oil)	326,000	(28,550)	297,450	208,576	88,874
Other Objects	9,000		9,000	8,438	562
Total Other Custodial Services	<u>4,638,449</u>	<u>(187,794)</u>	<u>4,450,655</u>	<u>4,029,728</u>	<u>420,927</u>
Care & Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services		478,775	478,775	113,376	365,399
Total Care & Upkeep of Grounds		<u>478,775</u>	<u>478,775</u>	<u>113,376</u>	<u>365,399</u>
Security:					
Salaries		146,000	146,000	145,040	960
Total Security		<u>146,000</u>	<u>146,000</u>	<u>145,040</u>	<u>960</u>
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	96,000		96,000	94,435	1,565
Other Purchased Professional and Technical Services	2,000	2,950	4,950	4,749	201
Contracted Services:					
Between Home and School - Vendors	4,021,000	(574,200)	3,446,800	3,445,889	911
Other than Between Home and School - Vendors	313,000	8,000	321,000	309,185	11,815
Joint Agreements	61,000	(19,000)	42,000	41,103	897
Special Education Students - Vendors	1,950,000	406,300	2,356,300	2,344,742	11,558
Regular Students - ESCs & CTSA's	22,000	(11,000)	11,000	10,741	259

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services (Cont'd):					
Special Education Students - ESCs & CTSA's	\$ 10,000	\$ 56,000	\$ 66,000	\$ 58,108	\$ 7,892
Aid in Lieu of Payments - Non Public Schools	40,000	(22,400)	17,600	15,429	2,171
Supplies and Materials	5,074	(5,000)	74	74	
Transportation Supplies		25,000	25,000	23,321	1,679
<b>Total Student Transportation Services</b>	<u>6,520,074</u>	<u>(133,350)</u>	<u>6,386,724</u>	<u>6,347,776</u>	<u>38,948</u>
Unallocated Benefits:					
Social Security Contributions	725,000	(32,000)	693,000	682,694	10,306
PERS Contribution	518,000	177,089	695,089	682,870	12,219
Workmen's Compensation	338,000	6,520	344,520	335,513	9,007
Health Benefits	8,773,501	(156,844)	8,616,657	10,183,431	(1,566,774)
Other Employee Benefits	294,089	514,631	808,720	764,556	44,164
<b>Total Unallocated Benefits</b>	<u>10,648,590</u>	<u>509,396</u>	<u>11,157,986</u>	<u>12,649,064</u>	<u>(1,491,078)</u>
On-Behalf Contributions:					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				115,044	(115,044)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,160,684	(2,160,684)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,534,050	(2,534,050)
<b>Total On-Behalf Contributions</b>				<u>4,809,778</u>	<u>(4,809,778)</u>
<b>Total Personal Services - Employee Benefits</b>	<u>10,648,590</u>	<u>509,396</u>	<u>11,157,986</u>	<u>17,458,842</u>	<u>(6,300,856)</u>
<b>Total Undistributed Expenses</b>	<u>38,343,316</u>	<u>249,304</u>	<u>38,592,620</u>	<u>42,885,295</u>	<u>(4,292,675)</u>
<b>TOTAL CURRENT EXPENSE</b>	<u>69,389,827</u>	<u>(140,556)</u>	<u>69,249,271</u>	<u>73,174,765</u>	<u>(3,925,494)</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Grades 1-5		\$ 7,193	\$ 7,193	\$ 7,193	
Regular Programs - Grades 9-12		26,696	26,696	26,422	\$ 274
Undistributed Expenditures:					
Instruction	\$ 89,351	100,807	190,158	130,158	60,000
Total Equipment	89,351	134,696	224,047	163,773	60,274
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	75,000		75,000	15,478	59,522
Construction Services	474,373	(200,000)	274,373	220,904	53,469
Total Facilities Acquisition and Construction Services	549,373	(200,000)	349,373	236,382	112,991
TOTAL CAPITAL OUTLAY	638,724	(65,304)	573,420	400,155	173,265
Transfer of Funds to Charter Schools	212,432	5,860	218,292	218,292	
TOTAL EXPENDITURES	70,240,983	(200,000)	70,040,983	73,793,212	(3,752,229)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,574,515)	200,000	(2,374,515)	(1,012,244)	1,362,271
Other Financing Sources/(Uses):					
Transfer in from Capital Projects Fund				474	474
Transfer from Capital Outlay to Capital Projects Fund		(200,000)	(200,000)	(200,000)	
Transfer from Capital Reserve to Capital Projects Fund		(30,514)	(30,514)	(30,514)	
Total Other Financing Sources/(Uses)		(230,514)	(230,514)	(230,040)	474

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	\$ (2,574,515)	\$ (30,514)	\$ (2,605,029)	\$ (1,242,284)	\$ 1,362,745
Fund Balance, July 1	<u>4,531,308</u>		<u>4,531,308</u>	<u>4,531,308</u>	
Fund Balance, June 30	<u>\$ 1,956,793</u>	<u>\$ (30,514)</u>	<u>\$ 1,926,279</u>	<u>\$ 3,289,024</u>	<u>\$ 1,362,745</u>
 <u>Recapitulation:</u>					
Reserve for Encumbrances				\$ 1,296,995	
Capital Reserve				567,788	
Unreserved Designated for Subsequent Year's Expenditures				407,847	
Unreserved/Undesignated Fund Balance				<u>1,016,394</u>	
				3,289,024	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(2,773,137)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 515,887</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources		\$ 13,193	\$ 13,193	\$ 12,843	\$ (350)
State Sources	\$ 6,521	25,574	32,095	31,947	(148)
Federal Sources	1,001,600	1,409,066	2,410,666	1,862,055	(548,611)
<b>Total Revenues</b>	<u>1,008,121</u>	<u>1,447,833</u>	<u>2,455,954</u>	<u>1,906,845</u>	<u>(549,109)</u>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers	455,062	51,451	506,513	506,513	
Purchased Professional and Technical Services		4,000	4,000	4,000	
Other Purchased Professional Services	152,338	462,293	614,631	505,252	109,379
General Supplies		98,996	98,996	86,172	12,824
Textbooks	2,138	1,703	3,841	3,693	148
Other Objects		7,384	7,384	7,382	2
<b>Total Instruction</b>	<u>609,538</u>	<u>625,827</u>	<u>1,235,365</u>	<u>1,113,012</u>	<u>122,353</u>
<b>Support Services:</b>					
Salaries of Other Professional Staff	394,200	346,816	741,016	471,282	269,734
Personal Services - Employee Benefits		224,806	224,806	137,653	87,153
Purchased Professional and Technical Services		30,857	30,857	15,873	14,984
Other Purchased Professional Services	4,383	171	4,554	4,554	
Purchased Property Services		25,000	25,000	18,036	6,964
Other Purchased Services		152,493	152,493	111,323	41,170
Travel		1,350	1,350	1,217	133
Supplies and Materials		26,549	26,549	19,931	6,618
<b>Total Support Services</b>	<u>398,583</u>	<u>808,042</u>	<u>1,206,625</u>	<u>779,869</u>	<u>426,756</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Facilities Acquisition and Construction Services:					
Building/Renovations		\$ 3,400	\$ 3,400	\$ 3,400	
Non-Instructional Equipment		10,564	10,564	10,564	
Total Facilities Acquisition and Construction Services		<u>13,964</u>	<u>13,964</u>	<u>13,964</u>	
Total Expenditures	<u>\$ 1,008,121</u>	<u>\$ 1,447,833</u>	<u>\$ 2,455,954</u>	<u>\$ 1,906,845</u>	<u>\$ 549,109</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 72,780,968	\$ 1,906,845
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(39,482)
Prior Year Encumbrances, Net of Cancellations		8,770
Prior Year State Aid Payments Recognized for GAAP Statements	2,740,205	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,773,137)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	\$ 72,748,036	\$ 1,876,133
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,793,212	\$ 1,906,845
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(39,482)
Prior Year Encumbrances, Net of Cancellations		8,770
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 73,793,212	\$ 1,876,133

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

VERNON TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	No Child Left Behind					
	Title I	Title I Carryover	Title II A	Title IIA Carryover	Title IID	
<b>REVENUE:</b>						
Local Sources						
State Sources						
Federal Sources	\$ 96,880	\$ 58,322	\$ 39,711	\$ 56,231	\$ 1,864	\$ 2,081
<b>Total Revenue</b>	<u>96,880</u>	<u>58,322</u>	<u>39,711</u>	<u>56,231</u>	<u>1,864</u>	<u>2,081</u>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers	60,862					
Purchased Professional and Technical Services						
Other Purchased Services			303	28,382	1,864	2,081
General Supplies	4,128	50,160				
Textbooks						
Other Objects						
<b>Total Instruction</b>	<u>64,990</u>	<u>50,160</u>	<u>303</u>	<u>28,382</u>	<u>1,864</u>	<u>2,081</u>
<b>Support Services:</b>						
Salaries of Other Professional Staff						
Personal Services - Employee Benefits	8,892					
Purchased Professional & Technical Services	14,073					
Other Purchased Professional Services						
Purchased Property Services						
Other Purchased Services	8,925	8,162	39,408	27,849		
Travel						
Supplies and Materials						
<b>Total Support Services</b>	<u>31,890</u>	<u>8,162</u>	<u>39,408</u>	<u>27,849</u>		
<b>Facilities Acquisition:</b>						
Building/Renovations						
Instructional Equipment						
<b>Total Facilities Acquisition</b>						
<b>Total Expenditures</b>	<u>\$ 96,880</u>	<u>\$ 58,322</u>	<u>\$ 39,711</u>	<u>\$ 56,231</u>	<u>\$ 1,864</u>	<u>\$ 2,081</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	No Child Left Behind		Perkings Secondary	NJ Clean Energy Program	IDEA, Part B	
	Title IV	Title V Carryover			Basic	Preschool
<b>REVENUE:</b>						
Local Sources						
State Sources				\$ 23,700		
Federal Sources	\$ 7,344	\$ 11	\$ 41,032		\$ 865,581	\$ 28,674
<b>Total Revenue</b>	<b>7,344</b>	<b>11</b>	<b>41,032</b>	<b>23,700</b>	<b>865,581</b>	<b>28,674</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers	6,408				414,224	25,019
Purchased Professional and Technical Services			4,000			
Other Purchased Professional Services						
General Supplies			14,890			
Textbooks						
Other Objects			7,382			
<b>Total Instruction</b>	<b>6,408</b>		<b>26,272</b>		<b>414,224</b>	<b>25,019</b>
<b>Support Services:</b>						
Salaries of Other Professional Staff					341,016	
Personal Services - Employee Benefits	936				110,341	3,655
Purchased Professional & Technical Services						
Other Purchased Professional Services						
Purchased Property Services						
Other Purchased Services			2,979	23,700		
Travel			1,217			
Supplies and Materials		11				
<b>Total Support Services</b>	<b>936</b>	<b>11</b>	<b>4,196</b>	<b>23,700</b>	<b>451,357</b>	<b>3,655</b>
<b>Facilities Acquisition:</b>						
Building/Renovations						
Instructional Equipment			10,564			
<b>Total Facilities Acquisition</b>			<b>10,564</b>			
<b>Total Expenditures</b>	<b>\$ 7,344</b>	<b>\$ 11</b>	<b>\$ 41,032</b>	<b>\$ 23,700</b>	<b>\$ 865,581</b>	<b>\$ 28,674</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	ARRA - IDEA, Part B		Nonpublic		Local Grants	Totals June 30, 2010
	Basic	Preschool	Textbook	Nursing		
<b>REVENUE:</b>						
Local Sources					\$ 12,843	\$ 12,843
State Sources			\$ 3,693	\$ 4,554		31,947
Federal Sources	\$ 648,218	\$ 16,106				1,862,055
<b>Total Revenue</b>	<b>648,218</b>	<b>16,106</b>	<b>3,693</b>	<b>4,554</b>	<b>12,843</b>	<b>1,906,845</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers						506,513
Purchased Professional and Technical Services						4,000
Other Purchased Professional Services	472,622					505,252
General Supplies	3,483	2,768			10,743	86,172
Textbooks			3,693			3,693
Other Objects						7,382
<b>Total Instruction</b>	<b>476,105</b>	<b>2,768</b>	<b>3,693</b>		<b>10,743</b>	<b>1,113,012</b>
<b>Support Services:</b>						
Salaries of Other Professional Staff	130,266					471,282
Personal Services - Employee Benefits	13,829					137,653
Purchased Professional & Technical Services					1,800	15,873
Other Purchased Professional Services				4,554		4,554
Purchased Property Services	18,036					18,036
Other Purchased Services					300	111,323
Travel						1,217
Supplies and Materials	9,982	9,938				19,931
<b>Total Support Services</b>	<b>172,113</b>	<b>9,938</b>		<b>4,554</b>	<b>2,100</b>	<b>779,869</b>
<b>Facilities Acquisition:</b>						
Building/Renovations		3,400				3,400
Instructional Equipment						10,564
<b>Total Facilities Acquisition</b>		<b>3,400</b>				<b>13,964</b>
<b>Total Expenditures</b>	<b>\$ 648,218</b>	<b>\$ 16,106</b>	<b>\$ 3,693</b>	<b>\$ 4,554</b>	<b>\$ 12,843</b>	<b>\$ 1,906,845</b>

CAPITAL PROJECTS FUND

VERNON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 153,676
Transfer from Capital Outlay	200,000
Transfer from Capital Reserve	30,514
Interest on Investments	<u>474</u>
Total Revenue and Other Financing Sources	<u>384,664</u>
Expenditures and Other Financing Uses:	
Construction Services	13,635
Operating Transfer Out - General Fund	<u>474</u>
Total Expenditures and Other Financing Uses	<u>14,109</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	370,555
Fund Balance - Beginning of Year	<u>32,047</u>
Fund Balance - End of Year	<u>\$ 402,602</u>
<u>Recapitulation:</u>	
Reserve for Encumbrances	\$ 294,326
Unreserved/Undesignated	<u>108,276</u>
	402,602
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(153,676)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 248,926</u>

VERNON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
SEPTEMBER 2006 REFERENDUM  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
<b>Revenue and Other Financing Sources:</b>				
Bond Proceeds	\$ 6,222,000		\$ 6,222,000	\$ 6,222,850
<b>Total Revenue and Other Financing Sources</b>	<b>6,222,000</b>		<b>6,222,000</b>	<b>6,222,850</b>
<b>Expenditures and Other Financing Uses:</b>				
Purchased Professional and Technical Services	643,933		643,933	673,597
Construction Services	5,546,020	\$ 13,635	5,559,655	5,549,253
<b>Total Expenditures and Other Financing Uses</b>	<b>6,189,953</b>	<b>13,635</b>	<b>6,203,588</b>	<b>6,222,850</b>
<b>Excess/(Deficit) of Revenue and Other Financing Sources over/(under) Expenditures and Other Financing Uses</b>	<b>\$ 32,047</b>	<b>\$ (13,635)</b>	<b>\$ 18,412</b>	<b>\$ -0-</b>
<b>Additional Project Information:</b>				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	01/15/07			
Bonds Authorized	\$ 6,222,850			
Bond Issued	\$ 6,222,000			
Original Authorized Cost	\$ 6,222,850			
Additional Authorized Costs	-0-			
Revised Authorized Costs	\$ 6,222,850			
Change Order Percentage	0%			
Percentage Completion	99.69%			
Original Target Completion Date	12/31/07			
Revised Target Completion Date	09/01/10			

VERNON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
CEDAR MOUNTAIN ELEMENTARY SCHOOL ROOF REPLACEMENT  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 153,676	\$ 153,676	\$ 153,676
Transfer from Capital Outlay		200,000	200,000	200,000
Transfer from Capital Reserve		30,514	30,514	30,514
Total Revenue and Other Financing Sources		<u>384,190</u>	<u>384,190</u>	<u>384,190</u>
Expenditures and Other Financing Uses:				
Construction Services				<u>384,190</u>
Total Expenditures and Other Financing Uses				<u>384,190</u>
Excess/(Deficit) of Revenue and Other Financing Sources over/(under) Expenditures and Other Financing Uses	<u>\$ -0-</u>	<u>\$ 384,190</u>	<u>\$ 384,190</u>	<u>\$ -0-</u>

## Additional Project Information:

Project Number	5360-023-09-0ZNW
Grant Date	1/8/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bond Issued	N/A
Original Authorized Cost	\$ 384,190
Additional Authorized Costs	-0-
Revised Authorized Costs	\$ 384,190
Change Order Percentage	0%
Percentage Completion	0%
Original Target Completion Date	12/31/10
Revised Target Completion Date	N/A

PROPRIETARY FUNDS

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

ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 395,016
Intergovernmental Accounts Receivable:	
State	1,066
Federal	15,560
Inventories	21,721

Total Current Assets	<u>433,363</u>
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## Non-Current Assets:

Capital Assets	535,787
Less: Accumulated Depreciation	<u>(470,785)</u>

Total Non-Current Assets	<u>65,002</u>
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Total Assets	<u>498,365</u>
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LIABILITIES:

Accounts Payable - Vendors	85,382
Deferred Revenue	<u>7,902</u>

Total Liabilities	<u>93,284</u>
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NET ASSETS:

Investment in Capital Assets Net of Related Debt	65,002
Unrestricted	<u>340,079</u>

Total Net Assets	<u><u>\$ 405,081</u></u>
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VERNON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 499,487
Daily Sales - Non-Reimbursable Programs	316,144
Special Events	25,498
School Store	31,216
	<hr/>
Total Operating Revenue	872,345
Operating Expenses:	
Cost of Sales	438,932
Salaries, Benefits & Payroll Taxes	451,829
Supplies, Insurance & Other Costs	116,765
Management Fee	118,946
Depreciation Expense	14,152
School Store	28,264
	<hr/>
Total Operating Expenses	1,168,888
Operating Loss	(296,543)
Non-Operating Income:	
Local Sources:	
Interest Earnings	8,402
State Sources:	
State School Lunch Program	15,479
Federal Sources:	
National School Lunch Program	220,501
Special Milk Program	1,865
Food Distribution Program	50,690
	<hr/>
Total Non-Operating Income	296,937
Change in Net Assets	394
Net Assets - Beginning of Year	404,687
	<hr/>
Net Assets - End of Year	\$ 405,081
	<hr/> <hr/>

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

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 872,345
Payments to Food Service Contractor	(958,671)
Payments to Suppliers	(145,029)
	<hr/>
Net Cash Used for Operating Activities	(231,355)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	15,537
Federal Sources	221,203
	<hr/>
Net Cash Provided by Noncapital Financing Activities	236,740
	<hr/>
Cash Flows from Financing Activities:	
Interest Income	8,402
	<hr/>
Net Cash Provided by Financing Activities	8,402
	<hr/>
Net Increase in Cash and Cash Equivalents	13,787
Cash and Cash Equivalents, July 1	381,229
	<hr/>
Cash and Cash Equivalents, June 30	\$ 395,016
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (296,543)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	14,152
Food Distribution Program	50,690
Changes in Assets and Liabilities:	
(Increase) in Inventory	(2,660)
Increase in Accounts Payable	4,108
(Decrease) in Deferred Revenue	(1,102)
	<hr/>
Net Cash Used by Operating Activities	\$ (231,355)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program valued at \$49,588 and Utilized Commodities Valued at \$50,690.

FIDUCIARY FUNDS

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

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 590,028	\$ 397,974	\$ 93,984	\$ 1,081,986
Total Assets	<u>590,028</u>	<u>397,974</u>	<u>93,984</u>	<u>1,081,986</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	366,422			366,422
Intefund Payable	11,743			11,743
Due to Student Groups	<u>211,863</u>			<u>211,863</u>
Total Liabilities	<u>590,028</u>			<u>590,028</u>
<u>NET ASSETS:</u>				
Held in Trust for Unemployment Claims		397,974		397,974
Reserved for Scholarships			<u>93,984</u>	<u>93,984</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 397,974</u>	<u>\$ 93,984</u>	<u>\$ 491,958</u>

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

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Totals
<b>Additions:</b>			
<b>Contributions:</b>			
Plan Members	\$ 4,835		\$ 4,835
Donations		\$ 15,156	15,156
<b>Total Contributions</b>	<b>4,835</b>	<b>15,156</b>	<b>19,991</b>
<b>Investment Earnings:</b>			
Interest	21,149	2,055	23,204
<b>Net Investment Earnings</b>	<b>21,149</b>	<b>2,055</b>	<b>23,204</b>
<b>Total Additions</b>	<b>25,984</b>	<b>17,211</b>	<b>43,195</b>
<b>Deductions:</b>			
Unemployment Claims	119,877		119,877
Scholarships Awarded		17,205	17,205
<b>Total Deductions</b>	<b>119,877</b>	<b>17,205</b>	<b>137,082</b>
<b>Change in Net Assets</b>	<b>(93,893)</b>	<b>6</b>	<b>(93,887)</b>
<b>Net Assets - Beginning of the Year</b>	<b>491,867</b>	<b>93,978</b>	<b>585,845</b>
<b>Net Assets - End of the Year</b>	<b>\$ 397,974</b>	<b>\$ 93,984</b>	<b>\$ 491,958</b>

VERNON TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 189,794	\$ 843,943	\$ 821,874	\$ 211,863
Total Assets	<u>\$ 189,794</u>	<u>\$ 843,943</u>	<u>\$ 821,874</u>	<u>\$ 211,863</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 189,794	\$ 843,943	\$ 821,874	\$ 211,863
Total Liabilities	<u>\$ 189,794</u>	<u>\$ 843,943</u>	<u>\$ 821,874</u>	<u>\$ 211,863</u>

VERNON TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 465,243	\$ 47,187,111	\$ 47,274,189	\$ 378,165
Total Assets	<u>\$ 465,243</u>	<u>\$ 47,187,111</u>	<u>\$ 47,274,189</u>	<u>\$ 378,165</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings Due to General Fund	\$ 465,243	\$ 47,175,368 11,743	\$ 47,274,189	\$ 366,422 11,743
Total Liabilities	<u>\$ 465,243</u>	<u>\$ 47,187,111</u>	<u>\$ 47,274,189</u>	<u>\$ 378,165</u>

LONG-TERM DEBT

VERNON TOWNSHIP BOARD OF EDUCATION  
LONG TERM DEBT  
STATEMENT OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
School Bonds	12/01/99	\$ 19,250,000				\$ 1,000,000	\$ 1,000,000	\$ -0-
School Refunding Bonds	04/01/05	11,715,000	12/01/10	\$ 1,085,000	3.75%			
			12/01/11	1,270,000	3.75%			
			12/01/12	1,255,000	4.00%			
			12/01/13	1,240,000	4.00%			
			12/01/14	1,230,000	4.25%			
			12/01/15	1,215,000	4.00%			
			12/01/16	1,205,000	5.00%			
			12/01/17	1,205,000	5.00%			
			12/01/18	1,200,000	5.00%			
			12/01/19	640,000	4.25%	11,545,000		11,545,000
School Bonds	01/15/07	6,222,000	02/01/11	400,000	3.95%			
			02/01/12	200,000	3.95%			
			02/01/13	325,000	3.95%			
			02/01/14	325,000	3.95%			
			02/01/15	350,000	3.95%			
			02/01/16	375,000	3.95%			
			02/01/17	375,000	3.95%			
			02/01/18	325,000	3.95%			
			02/01/19	325,000	3.95%			

VERNON TOWNSHIP BOARD OF EDUCATION  
LONG TERM DEBT  
STATEMENT OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2009	Retired or Matured	Balance June 30, 2010
			Date	Outstanding June 30, 2010 Amount				
School Bonds	01/15/07	\$ 6,222,000	02/01/20	\$ 400,000	3.95%			
			02/01/21	400,000	3.95%			
			02/01/22	300,000	4.00%			
			02/01/23	300,000	4.00%			
			02/01/24	300,000	4.05%			
			02/01/25	300,000	4.05%			
			02/01/26	300,000	4.05%			
			02/01/27	322,000	4.05%			
						\$ 6,022,000	\$ 400,000	\$ 5,622,000
						<u>\$ 18,567,000</u>	<u>\$ 1,400,000</u>	<u>\$ 17,167,000</u>

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

NOT APPLICABLE

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 1,229,223		\$ 1,229,223	\$ 1,229,223	
State Sources:					
Debt Service Aid Type II	804,532		804,532	804,532	
Total Revenues	<u>2,033,755</u>		<u>2,033,755</u>	<u>2,033,755</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	762,329		762,329	762,328	\$ 1
Redemption of Principal	<u>1,400,000</u>		<u>1,400,000</u>	<u>1,400,000</u>	
Total Regular Debt Service	<u>2,162,329</u>		<u>2,162,329</u>	<u>2,162,328</u>	<u>1</u>
Total Expenditures	<u>2,162,329</u>		<u>2,162,329</u>	<u>2,162,328</u>	<u>1</u>
Deficit of Revenues Under Expenditures	(128,574)		(128,574)	(128,573)	1
Fund Balance, July 1	<u>228,424</u>		<u>228,424</u>	<u>228,424</u>	
Fund Balance, June 30	<u>\$ 99,850</u>	<u>\$ -0-</u>	<u>\$ 99,850</u>	<u>\$ 99,851</u>	<u>\$ 1</u>
Unreserved - Designated for Subsequent Year's Expenditures				<u>\$ 99,851</u>	

**STATISTICAL SECTION**

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

**Contents**

**Exhibit**

**Financial Trends**

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

J-1 thru J-5

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

**Operating Information**

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

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

VERNON TOWNSHIP BOARD OF EDUCATION  
NET ASSETS BY COMPONENT  
LAST SIX FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
<b>Governmental Activities:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 8,854,906	\$ 9,345,430	\$ 3,252,713	\$ 9,082,634	\$ 9,842,105	\$ 10,519,221
Restricted	2,507,922	2,263,656	10,734,289	4,224,359	3,425,419	2,621,407
Unrestricted/(Deficit)	(1,871,062)	(2,288,540)	(1,600,113)	(2,162,004)	(4,126,160)	(4,458,376)
<b>Total Governmental Activities Net Assets</b>	<b>\$ 9,491,766</b>	<b>\$ 9,320,546</b>	<b>\$ 12,386,889</b>	<b>\$ 11,144,989</b>	<b>\$ 9,141,364</b>	<b>\$ 8,682,252</b>
<b>Business-Type Activities:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 78,324	\$ 63,844	\$ 50,270	\$ 61,968	\$ 79,154	\$ 65,002
Unrestricted	179,980	247,438	348,137	345,916	325,533	340,079
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 258,304</b>	<b>\$ 311,282</b>	<b>\$ 398,407</b>	<b>\$ 407,884</b>	<b>\$ 404,687</b>	<b>\$ 405,081</b>
<b>District-Wide:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 8,933,230	\$ 9,409,274	\$ 3,302,983	\$ 9,144,602	\$ 9,921,259	\$ 10,584,223
Restricted	2,507,922	2,263,656	10,734,289	4,224,359	3,425,419	2,621,407
Unrestricted/(Deficit)	(1,691,082)	(2,041,102)	(1,251,976)	(1,816,088)	(3,800,627)	(4,118,297)
<b>Total District Net Assets</b>	<b>\$ 9,750,070</b>	<b>\$ 9,631,828</b>	<b>\$ 12,785,296</b>	<b>\$ 11,552,873</b>	<b>\$ 9,546,051</b>	<b>\$ 9,087,333</b>

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

Source: School District Financial Reports

VERNON TOWNSHIP BOARD OF EDUCATION  
CHANGES IN NET ASSETS  
LAST SIX FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
<b>Expenses:</b>						
<b>Governmental Activities</b>						
<b>Instruction:</b>						
Regular	\$ 28,848,942	\$ 29,031,091	\$ 30,569,809	\$ 32,860,992	\$ 32,292,910	\$ 32,556,413
Special Education	6,949,935	8,368,629	7,962,116	8,574,581	8,466,218	9,607,612
Other Education	673,367	623,169	986,253	1,109,082	1,035,718	1,283,694
School-Sponsored Instruction	909,512	871,838	922,929	971,217	960,781	1,048,218
<b>Support Services:</b>						
Tuition	1,836,276	1,940,689	2,208,728	2,200,228	2,953,467	2,403,848
Student & Instructional Related Services	7,365,297	6,915,288	8,018,759	9,077,271	8,650,780	9,221,185
General Administrative Services	1,378,586	1,343,917	1,501,505	1,489,783	1,375,442	1,455,681
School Administrative Services	3,533,637	3,661,558	3,524,453	3,954,917	3,843,111	3,861,478
Central Services	842,366	945,255	984,706	1,112,870	963,186	734,665
Administrative Information Technology	332,661	200,019	184,187	252,145	262,464	293,225
Plant Operations and Maintenance	4,776,966	5,279,026	5,861,962	7,229,890	6,377,449	6,279,721
Pupil Transportation	5,503,758	5,676,501	5,555,430	5,858,372	6,133,568	6,388,160
Special Schools	2,334					
Interest on Long-term Debt	709,179	825,919	759,969	942,586	879,186	807,994
Unallocated Depreciation	1,751,801	1,752,791	1,660,256	960,300	964,943	957,324
Capital Outlay	230,430	105,438	(49,385)	59,243	118,237	
Charter Schools	109,565	138,538	171,792	251,455	359,096	218,292
<b>Total Governmental Activities Expenses</b>	<b>65,754,612</b>	<b>67,679,666</b>	<b>70,823,469</b>	<b>76,904,932</b>	<b>75,636,556</b>	<b>77,117,510</b>
<b>Business-Type Activities:</b>						
Food Service	1,249,003	1,249,825	1,281,357	1,307,463	1,215,975	1,168,888
<b>Total Business-type Activities Expense</b>	<b>1,249,003</b>	<b>1,249,825</b>	<b>1,281,357</b>	<b>1,307,463</b>	<b>1,215,975</b>	<b>1,168,888</b>
<b>Total District Expenses</b>	<b>\$ 67,003,615</b>	<b>\$ 68,929,491</b>	<b>\$ 72,104,826</b>	<b>\$ 78,212,395</b>	<b>\$ 76,852,531</b>	<b>\$ 78,286,398</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
CHANGES IN NET ASSETS  
LAST SIX FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Program Revenues						
Governmental Activities:						
Charges for Services:						
Tuition	\$ 311,603	\$ 261,419	\$ 200,218	\$ 179,577	\$ 190,297	\$ 223,703
Operating Grants and Contributions	10,345,166	11,380,689	13,373,465	13,588,998	10,762,771	11,610,768
Capital Grants and Contributions	109,196	220,267	35,424	8,548		
Total Governmental Activities Program Revenues	<u>10,765,965</u>	<u>11,862,375</u>	<u>13,609,107</u>	<u>13,777,123</u>	<u>10,953,068</u>	<u>11,834,471</u>
Business-Type Activities:						
Charges for Services:						
Food Service	\$ 1,019,709	\$ 1,037,454	\$ 1,094,310	\$ 1,043,934	\$ 945,935	\$ 872,345
Operating Grants and Contributions	250,129	252,791	256,141	259,135	258,367	288,535
Total Business-type Activities Program Revenues	<u>1,269,838</u>	<u>1,290,245</u>	<u>1,350,451</u>	<u>1,303,069</u>	<u>1,204,302</u>	<u>1,160,880</u>
Total District Program Revenues	<u>\$ 12,035,803</u>	<u>\$ 13,152,620</u>	<u>\$ 14,959,558</u>	<u>\$ 15,080,192</u>	<u>\$ 12,157,370</u>	<u>\$ 12,995,351</u>
Net (Expense)/Revenue						
Governmental Activities	\$ (54,988,647)	\$ (55,817,291)	\$ (57,214,362)	\$ (63,127,809)	\$ (64,683,488)	\$ (65,283,039)
Business-type Activities	20,835	40,420	69,094	(4,394)	(11,673)	(8,008)
Total District-wide Net Expense/Revenues	<u>\$ (54,967,812)</u>	<u>\$ (55,776,871)</u>	<u>\$ (57,145,268)</u>	<u>\$ (63,132,203)</u>	<u>\$ (64,695,161)</u>	<u>\$ (65,291,047)</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
CHANGES IN NET ASSETS  
LAST SIX FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Property Taxes Levied for General Purposes, net	\$ 31,620,197	\$ 31,695,572	\$ 36,216,741	\$ 37,000,411	\$ 37,707,888	\$ 39,216,204
Taxes Levied for Debt Service	949,304	1,139,861	1,105,054	1,195,462	1,260,827	1,229,223
Unrestricted Grants and Contributions	22,402,875	22,481,901	22,357,840	23,229,803	23,386,350	24,109,262
Investment Earnings	109,462	248,948	504,624	416,912	214,359	163,128
Miscellaneous Income	66,038	79,789	96,446	43,321	110,439	106,110
Total Governmental Activities	<u>55,147,876</u>	<u>55,646,071</u>	<u>60,280,705</u>	<u>61,885,909</u>	<u>62,679,863</u>	<u>64,823,927</u>
Business-Type Activities:						
Investment Earnings	<u>2</u>	<u>12,558</u>	<u>18,031</u>	<u>13,871</u>	<u>8,476</u>	<u>8,402</u>
Total Business-Type Activities	<u>2</u>	<u>12,558</u>	<u>18,031</u>	<u>13,871</u>	<u>8,476</u>	<u>8,402</u>
Total District-Wide	<u>\$ 55,147,878</u>	<u>\$ 55,658,629</u>	<u>\$ 60,298,736</u>	<u>\$ 61,899,780</u>	<u>\$ 62,688,339</u>	<u>\$ 64,832,329</u>
Change in Net Assets:						
Governmental Activities	\$ 159,229	\$ (171,220)	\$ 3,066,343	\$ (1,241,900)	\$ (2,003,625)	\$ (459,112)
Business-type Activities	<u>20,837</u>	<u>52,978</u>	<u>87,125</u>	<u>9,477</u>	<u>(3,197)</u>	<u>394</u>
Total District	<u>\$ 180,066</u>	<u>\$ (118,242)</u>	<u>\$ 3,153,468</u>	<u>\$ (1,232,423)</u>	<u>\$ (2,006,822)</u>	<u>\$ (458,718)</u>

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

Source: School District Financial Reports

VERNON TOWNSHIP BOARD OF EDUCATION  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SIX FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 2,604,940	\$ 2,158,630	\$ 5,391,816	\$ 3,918,032	\$ 1,814,948	\$ 1,864,783
Unreserved:						
Designated for Subsequent Year's Expenditures	814,430	362,396		134,767	1,350,000	407,847
Undesignated/(Deficit)	124,332	128,628	126,657	169,381	(1,373,845)	(1,756,743)
<b>Total General Fund</b>	<b>\$ 3,543,702</b>	<b>\$ 2,649,654</b>	<b>\$ 5,518,473</b>	<b>\$ 4,222,180</b>	<b>\$ 1,791,103</b>	<b>\$ 515,887</b>
All Other Governmental Funds:						
Reserved	\$ 125,000	\$ 94,000	\$ 4,974,926	\$ 164,105	\$ 5,000	\$ 294,326
Unreserved, Reported in:						
Capital Projects Fund/(Deficit)	(222,018)		338,824	13,648	27,047	(45,400)
Debt Service Fund		11,026	28,723	128,574	228,424	99,851
<b>Total All Other Governmental Funds/(Deficit)</b>	<b>\$ (97,018)</b>	<b>\$ 105,026</b>	<b>\$ 5,342,473</b>	<b>\$ 306,327</b>	<b>\$ 260,471</b>	<b>\$ 348,777</b>

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

Source: School District Financial Reports

VERNON TOWNSHIP BOARD OF EDUCATION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SIX FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>						
Tax Levy	\$ 32,569,501	\$ 32,835,433	\$ 37,321,795	\$ 38,195,873	\$ 38,968,715	\$ 40,445,427
Tuition Charges	311,603	261,419	200,218	179,577	190,297	223,703
Interest Earnings on Capital Reserve Funds	59	3,838	10,257	17,863	12,246	12,869
Miscellaneous	186,441	328,899	590,813	442,370	321,364	269,353
State Sources	31,484,282	32,475,775	34,356,622	35,417,799	32,740,067	30,800,107
Federal Sources	1,361,955	1,603,082	1,410,109	1,409,550	1,400,242	4,906,939
<b>Total Revenue</b>	<b>65,913,841</b>	<b>67,508,446</b>	<b>73,889,814</b>	<b>75,663,032</b>	<b>73,632,931</b>	<b>76,658,398</b>
<b>Expenditures</b>						
<b>Instruction:</b>						
Regular Instruction	21,799,446	22,645,847	22,405,007	23,298,894	23,606,221	23,408,427
Special Education Instruction	4,889,655	5,749,230	6,043,003	6,390,338	6,480,799	7,164,582
Other Instruction	478,311	459,432	538,950	587,193	586,178	537,056
School -Sponsored Instruction	839,996	876,389	922,631	971,070	958,839	1,044,974
<b>Support Services:</b>						
Tuition	1,836,276	1,940,689	2,208,728	2,200,228	2,953,467	2,403,848
Student & Instruction Related Services	6,011,272	5,995,993	6,039,023	6,842,403	6,663,972	6,726,320
General Administrative Services	1,214,477	1,261,085	1,283,533	1,254,752	1,183,946	1,192,463
School Administrative Services	2,583,795	2,613,807	2,566,203	2,867,459	2,916,777	2,854,947
Central Services and Administrative Information Technology	927,628	966,636	1,029,759	1,135,728	1,013,922	785,793
Plant Operations and Maintenance	4,032,871	4,369,957	4,963,729	6,673,646	5,449,073	5,115,306
Student Transportation	5,450,413	5,621,967	5,524,982	5,825,378	6,102,701	6,347,776
Unallocated Benefits	13,088,004	13,060,107	14,969,418	16,261,606	15,016,247	17,458,842
Special Schools	2,334					

VERNON TOWNSHIP BOARD OF EDUCATION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SIX FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Support Services:						
Charter Schools	\$ 109,565	\$ 138,538	\$ 171,792	\$ 251,455	\$ 587,106	\$ 218,292
Capital Outlay	1,188,257	435,520	1,339,486	5,338,402	359,096	424,354
Debt Service:						
Principal	1,020,000	1,285,000	1,285,000	1,200,000	1,398,000	1,400,000
Interest and Other Charges	709,179	780,253	714,303	896,920	833,520	762,328
Total Expenditures	<u>66,183,484</u>	<u>68,202,456</u>	<u>72,007,554</u>	<u>81,995,472</u>	<u>76,109,864</u>	<u>77,845,308</u>
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	<u>(269,643)</u>	<u>(694,010)</u>	<u>1,882,260</u>	<u>(6,332,440)</u>	<u>(2,476,933)</u>	<u>(1,186,910)</u>
Other Financing Sources/(Uses):						
Long Term Debt Issued	11,250,000					
Payment to Bond Escrow Agent	(11,250,000)					
Proceeds from Sale of Bonds			\$ 6,222,000			
Transfers In	307,481	\$ 172,480	132,869	\$ 89,808	\$ 2,174	\$ 230,988
Transfers Out	<u>(307,481)</u>	<u>(172,480)</u>	<u>(132,869)</u>	<u>(89,808)</u>	<u>(2,174)</u>	<u>(230,988)</u>
Total Other Financing Sources/(Uses)			<u>6,222,000</u>			
Net Change in Fund Balances	<u>\$ (269,643)</u>	<u>\$ (694,010)</u>	<u>\$ 8,104,260</u>	<u>\$ (6,332,440)</u>	<u>\$ (2,476,933)</u>	<u>\$ (1,186,910)</u>
Debt Service as a Percentage of Noncapital Expenditures	2.66%	3.05%	2.83%	2.74%	2.95%	2.79%

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

Source: School District Financial Reports

VERNON TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Other</u> <u>Refunds</u>	<u>Rentals - Use</u> <u>of Facilities</u>	<u>Other</u>	<u>Total</u>
2001	\$ 153,436	\$ 84,975	\$ 3,573	\$ 22,636	\$ 68,572	\$ 333,192
2002	106,724	117,792	11,239	15,949	50,298	302,002
2003	51,744	125,029	1,170	29,185	53,932	261,060
2004	53,082	215,700	47,032	30,589	312,966	659,369
2005	109,312	311,603	29,591	21,194	15,253	486,953
2006	239,689	261,419	40,197	39,592		580,897
2007	375,577	200,218	23,813	28,123	40,688	668,419
2008	327,104	179,577	17,656	15,608	10,057	550,002
2009	214,359	190,927	45,210		62,425	512,921
2010	163,128	223,703	18,487		87,149	492,467

Source: Vernon Township Board of Education records

VERNON TOWNSHIP BOARD OF EDUCATION  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST SIX FISCAL YEARS  
 UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Actual (County Equalized Value)
2004	\$ 61,775,092	\$ 1,234,770,000	\$ 21,311,500	\$ 1,851,400	\$ 109,287,278	\$ 8,132,600	\$ 1,117,700	\$ 1,438,245,570	\$ 127,613,254	\$ 7,652,340	\$ 1,445,897,910	\$ 2.260	\$ 2,012,664,128
2005	54,116,782	1,254,741,600	21,056,100	1,792,200	106,966,112	8,130,300	1,117,700	1,447,920,794	129,426,754	7,051,429	1,454,972,223	2.250	2,312,048,662
2006	65,219,948	1,269,768,200	21,166,800	1,681,100	107,985,112	8,801,700	1,117,700	1,475,740,560	129,623,894	6,480,026	1,482,220,586	2.370	2,639,055,397
2007	49,982,114	1,315,066,200	21,629,700	1,638,100	108,149,120	9,085,600	1,416,500	1,506,967,334	131,327,154	5,470,748	1,512,438,082	2.500	3,051,888,011
2008	48,061,526	1,337,443,700	21,635,100	1,640,860	108,671,820	9,085,600	1,416,500	1,527,955,106	135,564,154	5,016,750	1,532,971,856	2.600	3,316,685,106
2009 *	97,612,500	2,436,680,800	36,943,400	1,503,400	210,385,700	16,655,200	2,686,700	2,802,467,700	203,464,400	9,650,445	2,812,118,145	1.410	3,310,050,113

\* - Revaluation of Property

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

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

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

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

Source: Municipal Tax Assessor

VERNON TOWNSHIP BOARD OF EDUCATION  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(rate per \$100 of assessed value)*

Year Ended December 31,	Vernon Township Board of Education Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General			Township of Vernon	Sussex County	
	Basic Rate <sup>a</sup>	Obligation Debt Service <sup>b</sup>	Total Direct			
2000	\$ 1.77	\$ 0.10	\$ 1.87	\$ 0.53	\$ 0.53	\$ 2.93
2001	1.82	0.13	1.95	0.53	0.54	3.02
2002	1.92	0.13	2.05	0.64	0.65	3.34
2003	2.04	0.09	2.13	0.68	0.67	3.48
2004	2.19	0.07	2.26	0.72	0.67	3.65
2005	2.18	0.07	2.25	0.74	0.71	3.70
2006	2.29	0.08	2.37	0.79	0.76	3.92
2007	2.42	0.08	2.50	0.82	0.80	4.12
2008	2.52	0.08	2.60	0.91	0.80	4.31
2009 *	1.37	0.04	1.41	0.55	0.45	2.41

\* - Revaluation of Property

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

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

b Rates for debt service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

VERNON TOWNSHIP BOARD OF EDUCATION  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mountain Creek/Great Gorge	\$ 63,495,700	1	4.14%	\$ 20,904,000	1	1.51%
Minerals Spa& Resort	38,651,000	2	2.52%			
Metaire Corporation	24,730,000	3	1.61%	14,408,700	2	1.04%
Shinnihon USA, Ltd.	17,244,300	4	1.13%	7,566,900	5	0.55%
Vernon Valley Associates	13,647,200	5	8.90%	3,999,300	7	0.29%
Newark Watershed	12,995,500	6	4.84%	10,981,100	3	0.79%
SES American	8,256,300	7	5.39%			
Glenwood Management	7,337,700	8	4.79%			
Hidden Valley/Begraft	6,038,500	9	3.94%	2,931,800	10	0.21%
Sirius (American Tower Corp.)	4,059,400	10	2.65%			
Ames Rubber Corp				3,871,600	9	0.28%
ATC/Teleports				3,879,100	8	0.28%
Stonehill Recreation				10,094,500	4	0.73%
GE American Communications Inc.				7,443,000	6	0.54%
<b>Total</b>	<b>\$ 196,455,600</b>		<b>39.91%</b>	<b>\$ 86,080,000</b>		<b>6.22%</b>

Source: Municipal Tax Assessor

VERNON TOWNSHIP BOARD OF EDUCATION  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy<sup>a</sup></u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2001	\$ 25,800,576	\$ 25,800,576	100.00%	\$ -0-
2002	28,353,681	28,353,681	100.00%	-0-
2003	28,750,783	28,750,783	100.00%	-0-
2004	32,440,171	32,440,171	100.00%	-0-
2005	32,569,501	32,569,501	100.00%	-0-
2006	32,835,433	32,835,433	100.00%	-0-
2007	37,321,795	37,321,795	100.00%	-0-
2008	38,195,873	38,195,873	100.00%	-0-
2009	38,968,715	38,968,715	100.00%	-0-
2010	40,445,427	40,445,427	100.00%	-0-

Source: Vernon Township Board of Education 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 Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

VERNON TOWNSHIP BOARD OF EDUCATION  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST SIX FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2005	\$ 17,513,000	\$ 138,513	\$ -0-	\$ -0-	\$ 17,651,513	1.71%	\$ 702.66	
2006	16,228,000	-0-	-0-	-0-	16,228,000	1.52%	647.20	
2007	21,165,000	-0-	-0-	-0-	21,165,000	1.86%	845.96	
2008	19,965,000	-0-	-0-	-0-	19,965,000	1.65%	801.20	
2009	18,567,000	-0-	-0-	-0-	18,567,000	1.50%	747.76	
2010	17,167,000	-0-	-0-	-0-	17,167,000	1.39%	691.38	

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

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

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

Source: School District Financial Reports

VERNON TOWNSHIP BOARD OF EDUCATION  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST SIX FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation Taxable <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 17,651,513	-0-	\$ 17,651,513	1.22%	\$ 702.66
2006	16,228,000	-0-	16,228,000	1.12%	647.20
2007	21,165,000	-0-	21,165,000	1.43%	845.96
2008	19,965,000	-0-	19,965,000	1.35%	797.99
2009	18,567,000	-0-	18,567,000	1.23%	745.09
2010	17,167,000	-0-	17,167,000	0.61%	691.38

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

Source: School District Financial Reports

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

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

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

VERNON TOWNSHIP BOARD OF EDUCATION  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2009  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Township of Vernon	\$ 25,615,575	100.00%	\$ 25,615,575
Sussex County General Obligation Debt	77,111,415	15.31% <sup>a</sup>	<u>11,805,758</u>
Subtotal, Overlapping Debt			37,421,333
Vernon Township School District Direct Debt			<u>17,167,000</u>
Total Direct And Overlapping Debt			<u>\$ 54,588,333</u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that that is borne by the residents and businesses of Vernon. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

<sup>a</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Vernon Township's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

VERNON TOWNSHIP BOARD OF EDUCATION  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2010	
Equalized Valuation Basis:	Vernon Township
2007	\$ 3,230,369,419
2008	3,305,831,039
2009	3,181,007,605
	\$ 9,717,208,063
Average Equalized Valuation of Taxable Property	\$ 3,239,069,354
Debt Limit (4% of average equalization value) <sup>a</sup>	129,562,774
Net Bonded School Debt as of June 30, 2010	17,167,000
Legal Debt Margin	\$ 112,395,774

	Fiscal Year Ended June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$57,624,108	\$60,383,123	\$64,331,269	\$71,092,618	\$80,134,273	\$91,390,278	\$ 104,559,482	\$117,158,155	\$ 126,859,815	\$ 129,562,774
Total Net Debt Applicable to Limit	21,595,000	20,345,000	19,095,000	17,848,000	17,513,000	16,228,000	21,165,000	19,965,000	18,567,000	17,167,000
Legal Debt Margin	\$36,029,108	\$40,038,123	\$45,236,269	\$53,244,618	\$62,621,273	\$75,162,278	\$ 83,394,482	\$ 97,193,155	\$ 108,292,815	\$ 112,395,774
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	37.48%	33.69%	29.68%	25.11%	21.85%	17.76%	20.24%	17.04%	14.64%	13.25%

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

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

VERNON TOWNSHIP BOARD OF EDUCATION  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Sussex County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2001	24,788	\$ 956,246,676	\$ 38,577	4.20%
2002	25,128	973,031,544	38,723	6.00%
2003	25,201	991,306,536	39,336	6.40%
2004	25,225	1,029,659,275	40,819	4.80%
2005	25,121	1,066,386,450	42,450	3.30%
2006	25,074	1,139,563,152	45,448	3.60%
2007	25,019	1,212,771,006	48,474	3.30%
2008	24,919	1,240,044,197	49,763 *	4.40%
2009	24,830 **	1,235,615,290	49,763 *	9.50%
2010	24,830 **	1,235,615,290	49,763 *	N/A

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

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

N/A - Information Unavailable

Sources:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

VERNON TOWNSHIP BOARD OF EDUCATION  
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

<u>2010</u>			<u>2001*</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Resort	2,000	Not Available	Selective Insurance	954	Not Available
Newton Memorial Hospital	1,490	Not Available	Andover Subacute & Rehab Center	906	Not Available
Selective Insurance Co.	900	Not Available	County of Sussex	815	Not Available
County of Sussex	830	Not Available	Mountain Creek Resort	800	Not Available
Mountain Creek Resort	800	Not Available	Newton Memorial Hospital	757	Not Available
Ames Rubber Corp	445	Not Available	Ronetco Supermarkets, Inc.	711	Not Available
Shop Rite Supermarkets (Ronetco)	301	Not Available	Vernon Township Board of Education	629	Not Available
Andover Subacute and Rehab Center	300	Not Available	F.O. Phoenix, Inc.	600	Not Available
Sussex County Community College	300	Not Available	Hopatcong Board of Education	450	Not Available
Raider Express	250	Not Available	Wal-Mart	380	Not Available
<b>Total</b>	<u><u>7,616</u></u>	Not Available		<u><u>7,002</u></u>	Not Available

\* 2001 Employment information is used as employment information is unavailable for 2000.

Source: Sussex County Economic Development Partnership

VERNON TOWNSHIP BOARD OF EDUCATION  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST SIX FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Instruction:</b>						
Regular	318.0	309.5	292.0	288.0	296.0	273.0
Special Education	169.5	170.0	170.0	174.0	177.0	181.0
Other Instruction	9.0	8.0	7.0	7.0	7.0	7.0
<b>Support Services:</b>						
Student & Instruction Related Services	45.0	45.0	48.0	53.0	42.0	61.0
School Administrative Services	40.0	40.0	44.0	43.0	41.5	46.0
General Administrative Services	5.0	5.0	5.0	5.0	5.0	5.0
Plant Operations and Maintenance	53.0	53.5	56.0	56.0	53.5	54.0
Pupil Transportation	2.0	2.0	2.0	2.0	2.0	2.0
Business and Other Support Services	7.0	9.0	9.0	9.0	8.0	9.0
<b>Total</b>	<u>648.5</u>	<u>642.0</u>	<u>633.0</u>	<u>637.0</u>	<u>632.0</u>	<u>638.0</u>

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

Source: District Personnel Records

VERNON TOWNSHIP BOARD OF EDUCATION  
OPERATING STATISTICS  
LAST SIX FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools	Middle Schools	High Schools				
2005	5,242	\$ 63,266,048	\$ 12,069.07	N/A	439	1:14.69	1:12.50	1:11.58	5,242	4,932	-0.55%	94.70%
2006	5,201	65,701,683	12,632.51	4.67%	442	1:12.70	1:11.30	1:11.17	5,201	4,754	-0.77%	91.40%
2007	4,929	68,668,765	13,931.58	10.28%	434	1:10.63	1:12.30	1:11.31	4,929	4,570	-5.23%	92.72%
2008	4,657	74,560,150	16,010.34	14.92%	435	1:10.72	1:10.72	1:10.67	4,657	4,322	-5.52%	92.80%
2009	4,461	73,519,248	16,480.44	2.94%	422	1:11.91	1:10.03	1:10.89	4,461	4,169	-4.21%	93.40%
2010	4,232	75,258,626	17,783.23	7.91%	412	1:12.18	1:10.01	1:10.21	4,232	3,974	-5.13%	93.31%

N/A - Not Available

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

Sources: School District of Vernon Township 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).
- d The Cost per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST SIX FISCAL YEARS  
UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Building</u>						
Walnut Ridge Primary School (1957,1964,1992)						
Square Feet	49,683	49,683	49,683	49,683	49,683	49,683
Capacity (students)	610	610	610	610	610	610
Enrollment	659	650	662	608	591	588
Cedar Mountain Primary School (1985)						
Square Feet	49,899	49,899	49,899	49,899	49,899	49,899
Capacity (students)	563	563	563	563	563	563
Enrollment	500	445	448	394	419	401
Rolling Hills Primary School (1972,1991)						
Square Feet	46,814	46,814	46,814	46,814	46,814	46,814
Capacity (students)	615	615	615	615	615	615
Enrollment	583	545	505	451	483	460
Lounsberry Hollow Middle School (1968,1977,1992)						
Square Feet	83,515	83,515	83,515	83,515	83,515	83,515
Capacity (students)	875	875	875	875	875	875
Enrollment	841	835	744	716	635	622
Glen Meadow Middle School (1982)						
Square Feet	85,452	85,452	85,452	85,452	85,452	85,452
Capacity (students)	876	876	876	876	876	876
Enrollment	987	950	817	763	722	649
Vernon Township High School (1973,1985,1992,1996,1997)						
Square Feet	218,392	218,392	218,392	218,392	218,392	218,392
Capacity (students)	1,800	1,800	1,800	1,800	1,800	1,800
Enrollment	1,672	1,776	1,753	1,725	1,611	1,512

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST SIX FISCAL YEARS  
UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Building</u>						
Child Study Team Office						
Square Feet	1,354	1,354	1,354	1,354	1,354	1,354
Board Office						
Square Feet	3,765	3,765	3,765	3,765	3,765	3,765
Maintenance Garage						
Square Feet	4,000	4,000	4,000	4,000	4,000	4,000
Number of Schools at June 30, 2010						
Elementary = 3						
Middle School = 2						
High School = 1						

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

Source: School District of Vernon Township Records

Note: Year of original construction along with additions is shown in parentheses. Enrollment is based on the annual October district count.

VERNON TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED  
 MAINTENANCE FOR SCHOOL FACILITIES  
 11-000-261-XXX

<u>Facility</u>	<u>Project #(s)</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>School Facilities:</u>											
Walnut Ridge	N/A	\$ 119,592	\$ 178,634	\$ 93,820	\$ 55,344	\$ 91,676	\$ 115,242	\$ 98,151	\$ 487,754	\$ 90,308	\$ 83,901
Cedar Mountain	N/A	167,060	249,538	88,119	81,140	100,584	141,796	116,134	238,771	114,067	97,709
Rolling Hills	N/A	172,514	257,686	99,261	64,870	70,292	86,195	121,487	245,743	74,032	68,796
Lonsberry Hollow	N/A	254,158	379,638	120,834	88,408	99,278	145,241	142,839	401,912	85,981	100,390
Glen Meadow	N/A	297,174	443,890	108,292	82,214	131,555	215,757	192,924	311,119	152,185	141,628
Vernon Township High School	N/A	725,535	1,083,737	259,356	206,398	229,713	303,134	401,881	608,023	302,057	205,000
Total School Facilities		<u>1,736,033</u>	<u>2,593,123</u>	<u>769,682</u>	<u>578,374</u>	<u>723,098</u>	<u>1,007,365</u>	<u>1,073,416</u>	<u>2,293,322</u>	<u>818,630</u>	<u>697,424</u>
<u>Other Facilities:</u>											
Child Study Team and Board Office	N/A	31,181	46,575	93,099	44,731	74,948	194,821	70,067	70,871	227,766	129,738
Grand Total		<u>\$1,767,214</u>	<u>\$2,639,698</u>	<u>\$ 862,781</u>	<u>\$ 623,105</u>	<u>\$ 798,046</u>	<u>\$1,202,186</u>	<u>\$1,143,483</u>	<u>\$2,364,193</u>	<u>\$1,046,396</u>	<u>\$ 827,162</u>

N/A - Not Applicable

Source: District records

VERNON TOWNSHIP BOARD OF EDUCATION  
INSURANCE SCHEDULE  
JUNE 30, 2010  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund:		
Property - Blanket Building and Contents (Pooled Coverage)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability: (Per Occurrence)	(Included)	500
Products - Completed Operations	(Included)	
Personnel & Advertising Injury	(Included)	
Fire Damage	(Included)	
Medical Expense	(Included)	
Comprehensive Auto Liability (Per Occurrence)	5,000,000	
Comprehensive Crime Coverage	50,000	1,000
Employee Benefits	(Included)	1,000
Boiler and Machinery - School Alliance Insurance Fund		
Property Damage	100,000,000	1,000
Umbrella Liability - Selective Insurance Umbrella Policy	5,000,000	
School Board Legal Liability - School Alliance Insurance Fund	5,000,000	10,000
Workers' Compensation & Employer's Liability - School Alliance Insurance Fund	5,000,000	
Public Employees' Faithful Performance Blanket		
Position Bond - Selective Insurance	100,000 per person 400,000 per loss	
Public Official Bond - Treasurer of School Monies	500,000	
Public Official Bond - Business Administrator/Board Secretary	500,000	

Source: School District of Vernon Township Records

SINGLE AUDIT SECTION



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

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

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Vernon Township Board of Education, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

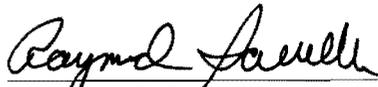
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated September 23, 2010.

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

September 23, 2010  
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



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Raymond G. Sarinelli  
Licensed Public School Accountant #864  
Certified Public Accountant

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

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

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

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

Compliance

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

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

As described in item 2010-01 in the accompanying schedule of findings and questioned costs, the Board did not comply with certain requirements that are applicable to its ARRA – IDEA Part B, Basic and Preschool Grants. Compliance with such requirements is necessary, in our opinion, the Board to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the preceding paragraph, the Board 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 federal and state programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

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

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

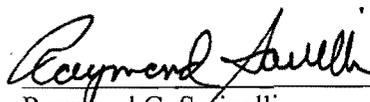
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.

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

September 23, 2010  
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



Raymond G. Sarinelli  
Licensed Public School Accountant #864  
Certified Public Accountant

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Paid to Grantor	Balance at June 30, 2010		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
<b>General Fund:</b>														
New Jersey Department of Education:														
American Recovery and Reinvestment Act:														
Equalization Aid - ESF	84.394	N/A	7/1/09-6/30/10	\$ 2,961,108				\$ 2,961,108	\$ (2,961,108)					
Equalization Aid - GSF	84.397	N/A	7/1/09-6/30/10	114,629				114,629	(114,629)					
<b>Total General Fund</b>								<b>3,075,737</b>	<b>(3,075,737)</b>					
<b>Special Revenue Fund:</b>														
U.S. Department of Education Passed-through State Department of Education:														
No Child Left Behind Consolidated Grant:														
Title I	84.010A	NCLB536010	9/1/09-8/31/10	145,287				41,513	(96,880)			\$ 55,367		
Title II, Part A	84.367A	NCLB536010	9/1/09-8/31/10	141,592				33,092	(39,711)			6,619		
Title II, Part D	84.318X	NCLB536010	9/1/09-8/31/10	1,864					(1,864)			1,864		
Title IV	84.184A	NCLB536010	9/1/09-8/31/10	7,690				5,121	(7,344)			2,223		
No Child Left Behind Consolidated Grant:														
Title I	84.010A	NCLB536009	9/1/08-8/31/09	250,917	\$ 134,567			134,567	(58,322)			58,322		
Title I	84.010A	NCLB536008	9/1/07-8/31/08	261,640			\$ 2,856				\$ 2,856			
Title II, Part A	84.278A	NCLB536009	9/1/08-8/31/09	138,821	32,138			32,138	(56,231)			56,231		
Title II, Part D	84.318X	NCLB536009	9/1/08-8/31/09	2,081					(2,081)			2,081		
Title IV	84.184A	NCLB536009	9/1/08-8/31/09	9,834	6,884			5,678				1,206		
Title V	84.298A	NCLB536008	9/1/07-8/31/08	5,607		\$ 11	20		(11)		20			
Special Education/IDEA Combined Grant Cluster:														
I.D.E.A. Part B, Basic	84.027	IDEA536010	9/1/09-8/31/10	906,288				490,905	(865,581)			374,676		
I.D.E.A. Part B, Basic	84.027	IDEA536009	9/1/08-8/31/09	927,605	350,430			350,430						
I.D.E.A. Part B, Preschool	84.173	IDEA536010	9/1/09-8/31/10	30,023				15,011	(28,674)			13,663		
I.D.E.A. Part B, Preschool	84.173	IDEA536009	9/1/08-8/31/09	30,281	11,440			11,440						
ARRA - I.D.E.A. Part B, Basic	84.391	ARRA536011	7/1/09-8/31/11	966,561				609,872	(648,218)			38,346		
ARRA - I.D.E.A. Part B, Preschool	84.392	ARRA536011	7/1/09-8/31/11	34,938				9,938	(16,106)			6,168		
<b>Special Education/IDEA Combined Grant Cluster Subtotal</b>					<b>361,870</b>			<b>1,487,596</b>	<b>(1,558,579)</b>			<b>432,853</b>		
Carl D. Perkins Secondary Education	84.048A	PERK536010	7/01/09-6/30/10	41,236				27,014	(41,032)			14,018		
Carl D. Perkins Secondary Education	84.048A	PERK536009	7/01/08-6/30/09	37,401	1,017					\$ 160		857		
Foreign Languages Education	84.293C	T293B060177	9/15/08-9/14/09	53,840	53,840			54,050						\$ 210
<b>Total U.S. Department of Education</b>					<b>590,316</b>	<b>11</b>	<b>2,876</b>	<b>1,820,769</b>	<b>(1,862,055)</b>	<b>160</b>	<b>2,876</b>	<b>631,641</b>		<b>210</b>
<b>Total Special Revenue Fund</b>					<b>590,316</b>	<b>11</b>	<b>2,876</b>	<b>1,820,769</b>	<b>(1,862,055)</b>	<b>160</b>	<b>2,876</b>	<b>631,641</b>		<b>210</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Paid to Grantor	Balance at June 30, 2010		
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor
<u>Enterprise Fund</u>														
U.S. Department of Agriculture:														
Child Nutrition Program Cluster:														
Food Distribution Program	10.555	N/A	7/1/09-6/30/10	\$ 49,588			\$ 49,588	\$ (41,686)				\$ 7,902		
Food Distribution Program	10.555	N/A	7/1/08-6/30/09	53,132		\$ 9,004		(9,004)						
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	220,501			205,130	(220,501)			\$ 15,371			
National School Lunch Program	10.555	N/A	7/1/08-6/30/09	186,710	\$ 13,983		13,983							
Special Milk Program for Children	10.556	N/A	7/1/09-6/30/10	1,865			1,676	(1,865)				189		
Special Milk Program for Children	10.556	N/A	7/1/08-6/30/09	5,561	414		414							
Child Nutrition Program Cluster Subtotal					14,397	9,004	270,791	(273,056)				15,560	7,902	
Total Enterprise Fund					14,397	9,004	270,791	(273,056)				15,560	7,902	
Total Federal Awards					\$ 604,713	\$ 9,015	\$ 2,876	\$ 5,167,297	\$ (5,210,848)	\$ 160	\$ 2,876	\$ 647,201	\$ 7,902	\$ 210

N/A - Not Applicable

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009			Balance at June 30, 2010			MEMO		
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Cash Received	Budgetary Expenditures	GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
<b>New Jersey Department of Education</b>												
<u>General Fund:</u>												
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	\$ 13,875,510			\$ 12,304,422	\$ (13,875,510)			\$ 1,571,088	\$ 13,875,510	
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	2,100,282			1,862,472	(2,100,282)			237,810	2,100,282	
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	310,299			275,165	(310,299)			35,134	310,299	
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	5,974,301			5,297,846	(5,974,301)			676,455	5,974,301	
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	2,231,348			1,978,698	(2,231,348)			252,650	2,231,348	
Extraordinary Special Education Costs	N/A	7/1/09-6/30/10	679,096				(679,096)	\$ 679,096		679,096	679,096	
Nonpublic Transportation Aid	N/A	7/1/09-6/30/10	15,946				(15,946)	15,946		15,946	15,946	
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09-6/30/10	2,534,050			2,408,115	(2,534,050)	125,935		125,935	2,534,050	
Equalization Aid	09-495-034-5120-078	7/1/08-6/30/09	\$ 18,410,041	\$ 1,825,346		1,825,346					18,410,041	
Special Education Aid	09-495-034-5120-089	7/1/08-6/30/09	2,136,994	211,360		211,360					2,136,994	
Security Aid	09-495-034-5120-084	7/1/08-6/30/09	311,636	30,822		30,822					311,636	
Adjustment Aid	09-495-034-5120-085	7/1/08-6/30/09	4,844,150	479,113		479,113					4,844,150	
Transportation Aid	09-495-034-5120-014	7/1/08-6/30/09	1,821,363	180,142		180,142					1,821,363	
Extraordinary Special Education Costs	N/A	7/1/08-6/30/09	717,662	513,945		513,945					717,662	
Nonpublic Transportation Aid	N/A	7/1/08-6/30/09	22,243	22,243		22,243					22,243	
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08-6/30/09	2,544,437	127,016		127,016					2,544,437	
<b>Total General Fund State Aid</b>				<b>3,389,987</b>		<b>27,516,705</b>	<b>(27,720,832)</b>	<b>820,977</b>		<b>3,594,114</b>	<b>58,529,358</b>	
<u>Special Revenue Fund:</u>												
New Jersey Nonpublic Aid:												
Textbook Aid	10-100-034-5120-064	9/1/09-6/30/10	3,841			3,841	(3,693)		\$ 148		3,693	
Nursing Services	10-100-034-5120-070	9/1/09-6/30/10	4,554			4,554	(4,554)				4,554	
New Jersey Board of Public Utilities:												
New Jersey Clean Energy Program	NJEN-00592MA	9/24/09-12/30/10	23,700			23,700	(23,700)				23,700	
<b>Total Special Revenue Fund</b>						<b>32,095</b>	<b>(31,947)</b>		<b>148</b>		<b>31,947</b>	
<u>Debt Service Fund:</u>												
Debt Service Aid - State Support	10-495-034-5120-125	7/1/09-6/30/10	804,532			804,532	(804,532)				804,532	
<b>Total Debt Service Fund</b>						<b>804,532</b>	<b>(804,532)</b>				<b>804,532</b>	
<u>Enterprise Fund</u>												
National School Lunch Program	10-100-010-3350-023	9/1/09-6/30/10	15,479			14,413	(15,479)	1,066		1,066	15,479	
National School Lunch Program	09-100-010-3350-023	9/1/08-6/30/09	15,507	1,124		1,124					15,507	
<b>Total Enterprise Fund</b>				<b>1,124</b>		<b>15,537</b>	<b>(15,479)</b>	<b>1,066</b>		<b>1,066</b>	<b>30,986</b>	
<b>Total State Awards</b>				<b>\$ 3,391,111</b>	<b>\$ -0-</b>	<b>\$ 28,368,869</b>	<b>\$ (28,572,790)</b>	<b>\$ 822,043</b>	<b>\$ -0-</b>	<b>\$ 148</b>	<b>\$ 3,595,180</b>	<b>\$59,396,823</b>

N/A - Not Available

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(32,932) for the general fund, and \$(30,853) for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. . Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non-Contributory Insurance and Post Retirement Contributions revenue of \$115,044 and \$2,160,684 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 3,075,737	\$ 29,963,628	\$ 33,039,365
Special Revenue Fund	1,831,202	31,947	1,863,149
Debt Service Fund		804,532	804,532
Food Service Fund	273,056	15,479	288,535
Total Financial Assistance	<u>\$ 5,179,995</u>	<u>\$ 30,815,586</u>	<u>\$ 35,995,581</u>

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

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

NOTE 6. NJ SCHOOL DEVELOPMENT AUTHORITY (SDA) GRANT

The District has an active grant awarded in the amount of \$ 153,676 from the School Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2010, no funds have been expended or drawn down. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended.

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

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal and state programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did disclose audit finding 2010-01 which is required to be reported under Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.
- The District's major federal and state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
ARRA - Equalization Aid (ESF)	84.394	7/1/09 - 6/30/10	\$ 2,961,108	\$ 2,961,108
ARRA - Equalization Aid (GSF)	84.397	7/1/09 - 6/30/10	114,629	114,629
I.D.E.A. Part B, Basic	84.027	9/1/09 - 8/31/10	906,288	865,581
I.D.E.A. Part B, Preschool	84.173	9/1/09 - 8/31/10	30,023	28,674
ARRA - I.D.E.A. Part B, Basic	84.391	7/1/09 - 8/31/11	966,561	648,218
ARRA- I.D.E.A. Part B, Preschool	84.392	7/1/09 - 8/31/11	34,938	16,106
<u>State:</u>				
Equalization Aid	10-495-034-5120-078	7/1/09 - 6/30/10	\$ 13,875,510	\$ 13,875,510
Special Education Aid	10-495-034-5120-089	7/1/09 - 6/30/10	2,100,282	2,100,282
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	310,299	310,299
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	5,974,301	5,974,301

- The threshold for distinguishing Type A and Type B federal programs was \$300,000.
- The threshold for distinguishing Type A and Type B state programs was \$857,184.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

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

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

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

Findings and Questioned Costs for Federal Awards:

Finding 2010-01: U.S. Department of Education – Passed through State Department of Education – American Recovery and Reinvestment Act (ARRA) Grants

<u>Grant</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Questioned Costs</u>
ARRA - I.D.E.A. Part B, Basic	84.391	9/1/09 - 8/31/11	\$ 966,561	\$ -0-
ARRA- I.D.E.A. Part B, Preschool	84.392	9/1/09 - 8/31/11	34,938	-0-

Condition:

An audit was completed by the State of New Jersey Department of Education for the grants detailed above. This review was required by the U.S. Department of Education to monitor the implementation of the federal programs by sub recipients and to determine whether the ARRA funds were being used by the District for their intended purpose and achieving the overall objective of the funding initiatives.

Program Elements: The District has not established a method to provide evidence of the impact that the ARRA- IDEA Part B, Basic and Preschool funded service will have on the students. The District has also not established expectations for success for activities included in the grant plan. The district also did not maintained adequate personnel records and approvals in the form of reappointment of IDEA staff in the minutes, a master schedule for employees paid with grant funds and timesheets/confirmation of staff activity charged to the grant.

Financial Management and Reporting: The District did not establish the appropriate account codes within the general ledger system to properly account for the expenditures. The District also did not ensure that the grant appropriations reflected in the general ledger system were in agreement with the final award. The District, in a few minor instances, did not properly execute purchase orders prior to services being rendered or charge expenditures to the appropriate general ledger accounts.

Criteria:

1. The District must have a detailed plan for the evaluation of each activity specified in the ARRA Plan (IDEA Regulations 34CFR §300.202).
2. The District must establish accounts using the appropriate program codes in the general ledger and transfer the balances from the incorrect accounts (Uniform Minimum Chart of Accounts for New Jersey Public Schools).
3. All staff charged against grants should be reappointed annually by board resolution (EDGAR, Part 80 – Uniform Administrative Requirements to State and Local Governments, Section 20, Standards for financial management systems).
4. All staff charged against grants should be included in a master schedule (EDGAR, Part 80 – Uniform Administrative Requirements to State and Local Governments, Section 20, Standards for Section 20, Standards for financial management systems).
5. The District must maintain records to verify the time and activity of staff charged to the grant (OMB Circular A-87, Attachment B, Section 8(h): Cost Principles for State, Local and Indian Tribal Governments).
6. Purchase orders should be issued to all vendors prior to goods or services being provided (EDGAR, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreement to State and Local Governments Section 20, Standards for financial management systems and N.J.S.A 18A:8A(2)(v) Public School Contract Law).

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

Findings and Questioned Costs for Federal Awards: (Cont'd)

Criteria: (Cont'd)

7. All District expenditures should be recorded in the proper general ledger account in accordance with the Uniform Minimum Chart of Accounts EDGAR, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreement to State and Local Governments Section 20, Standards for financial management systems).
8. The District should ensure that grant appropriations agree to the amount of the award (EDGAR, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreement to State and Local Governments Section 20, Standards for financial management systems).

Effect:

The District was required to file a formal corrective action plan regarding the findings for the items that the District was not in compliance by September 1, 2010. The District had taken corrective action prior to our audit for certain findings with the remainder being implemented during the 2010/2011 school year.

Cause:

The reporting requirements from the Department of Education were continually being revised throughout the 2009-2010 school year. The District implemented changes as they became available; however some of the requirements were unknown by the District and corrective action was implemented once they became aware.

Recommendation:

The District resolve all items reported by the State Department of Education regarding the review of American Recovery and Reinvest Act (ARRA) grants and ensure that they are in compliance with all federal grant requirements in the future.

Management's Response:

The District's Administration has formally adopted a corrective action plan to address all the items in the report filed by the State Department of Education. Corrective action has been taken on criteria points 2, 6, 7, and 8. They are currently implementing the corrective action on the remaining items. The District also will review the grant requirements and to ensure non-compliance does not occur in the future.

Findings and Questioned Costs for State Awards:

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

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

Status of Prior Year Findings:

The District had no prior year audit findings.