

**VERNON TOWNSHIP SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**VERNON TOWNSHIP BOARD OF EDUCATION**

**Vernon, New Jersey**

**For the Fiscal Year Ended June 30, 2015**

**Prepared by**

**Vernon Township Board of Education  
Business Office**

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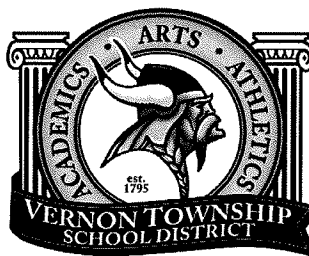
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INTRODUCTORY SECTION



## OFFICE OF THE BUSINESS ADMINISTRATOR/BOARD SECRETARY

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November 20, 2015

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

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, 2015, 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 Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected 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 Non-Profit Organizations*, and the New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on 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 Governmental 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 also 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.

The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
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November 20, 2015

The District provides a full range of education services appropriate to grades pre-K through 12. These services include regular, vocational, and special education for handicapped students. The District completed the 2014-2015 school year with an Average Daily Enrollment (ADE) of 3,316, which is 171 students less than the previous year's ADE. The following details the changes in student ADE of the District over the last five years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2008	4,657	-5.52%
2009	4,461	-4.21%
2010	4,232	-5.13%
2011	4,013	-5.17%
2012	3,735	-6.93%
2013	3,610	-3.35%
2014	3,487	-3.40%
2015	3,316	-4.90%

**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 is a thriving recreational area within the township. There are five mini-malls located in various parts of the Township. 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 have 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. In addition, the District has approved an Energy Savings Project and has sold Bonds in the estimated amount of \$6,000,000, which will be paid back over the next 15 years.

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 2011, the Board of Education convened an Ad Hoc Committee to review projected student enrollment, land use and classroom availability. In 2010, the district contracted with a demographer to do an enrollment study, and had an update completed in 2013. The report showed a decline in enrollment while attempting to keep the impact to the taxpayer to a minimum.

**3) MAJOR INITIATIVES:**

During the 2014-15 school year, the Vernon Township School District continued to work with instruction based around the Common Core Standards.



The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
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November 20, 2015

### **3) MAJOR INITIATIVES: (Cont'd)**

The goal was to ensure students reach their maximum potential and show appropriate educational progress. The first year of PARCC testing was completed and the District will continue to work towards efficiencies in implementing PARCC testing during the 2015-16 school year.

The budget that was implemented by the Directors and Supervisors was reflective of keeping student achievement at the forefront. In all of the academic areas, budgetary initiatives and programs were implemented on the needs of students in the content areas. In the "assessed" areas of language arts and math, there will be continued work with, and where appropriate adjusting, readers and writers workshop. Specific to math, Math in Focus, in the vein of Singapore Math, will be of priority.

Moreover, in all content areas the creation of pre and post assessments to create and measure student growth will be a major focal point of the school year. In line with the dictates of ACHIEVE NJ, the Vernon Township School District will continue to focus on using evaluation as a powerful instrument to assess both the performance of teachers and students.

Throughout the 2014-15 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. Job embedded and sustained professional development will be prioritized. 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. Plans have begun to prepare for the implementation of a new, state-required staff evaluation process

### **4) INTERNAL ACCOUNTING CONTROLS:**

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

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

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

### **5) BUDGETARY CONTROLS:**

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality.

The Honorable President and Members  
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Vernon Township School District  
Page 4  
November 20, 2015

**BUDGETARY CONTROLS: (Cont'd)**

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 restrictions, assignments or commitments of fund balance at June 30, 2015.

**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) 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.

**8) 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.

**9) OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. 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 Non-Profit Organizations*, and the New Jersey's OMB Circulars 04-04 and 15-08, *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.

The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
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**10) ACKNOWLEDGEMENTS:**

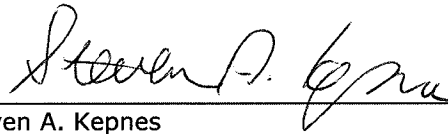
We would like to express our appreciation to the members of the Vernon Township School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial 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,



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Arthur DiBenedetto  
Interim Superintendent



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Steven A. Kepnes  
Business Administrator

**VERNON TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2015**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
David Zweier, President	2016
Cynthia Auberger, Vice President	2017
Rober Walsh	2017
Edward A. DeYoung	2017
Edward Gilson	2015
William J. Higgins	2015
Robert P. Hughes	2015
Lori LePera	2016
John F. McGowan	2016
 <u>Other Officers</u>	
Charles Maranzano, Jr. Ed.D., Interim Superintendent of Schools (through 2/28/15)	
Arthur DiBenedetto, Interim Superintendent of Schools (from 2/28/15)	
Steven A. Kepnes, Business Administrator/Board Secretary	
Kyle C. Arlington, Assistant Superintendent	
 <u>Vernon Township Public Schools</u>	
Vernon Township High School	
Timothy Dunnigan, Principal	
Drew Krause, Assistant Principal	
Nancy LoPresti, Assistant Principal	
James Trusa, Assistant Principal	
 Glen Meadow Middle School	
Pauline Anderson, Ed.D., Principal	
Eric W. Kosek, Assistant Principal	
 Lounsberry Hollow Middle School	
Charles McKay, Ed.D., Principal	
Edwina Piszczek, Assistant Principal	
 Cedar Mountain Primary School	
Dennis Mudrick, Principal	
 Rolling Hills Primary School	
Stewart Stumper Ed.D., Principal	
 Walnut Ridge Primary School	
Rosemary Gebhardt, Principal	

**VERNON TOWNSHIP SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

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Liberty Corner, NJ 07938

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P.O. Box 2355  
Morristown, NJ 07962

**Attorney (Bonding)**

Wilentz, Goldman & Spitzer, PA  
90 Woodbridge Center Drive  
Suite 900, Box 10  
Woodbridge, NJ 07095-0958

**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

**VERNON TOWNSHIP SCHOOL DISTRICT  
Consultants and Advisors  
(Continued)**

**Official Depositories (Continued)**

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  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

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

## Independent Auditors' Report

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

### **Report on the Financial Statements**

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 (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
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### ***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 School District, in the County of Sussex, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 8 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 19 to the basic financial statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members  
of the Board of Education  
Vernon Township School District  
Page 3

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

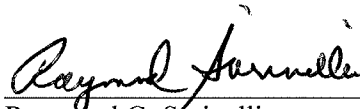
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 20, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Vernon Township Board of Education  
Management's 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, 2015. 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**

- Overall revenue was \$84.85 million.
- Overall expenditures were \$84.71 million
- Enrollment in the District has been slightly decreasing for the last several years.

**Overview of the Financial Statements**

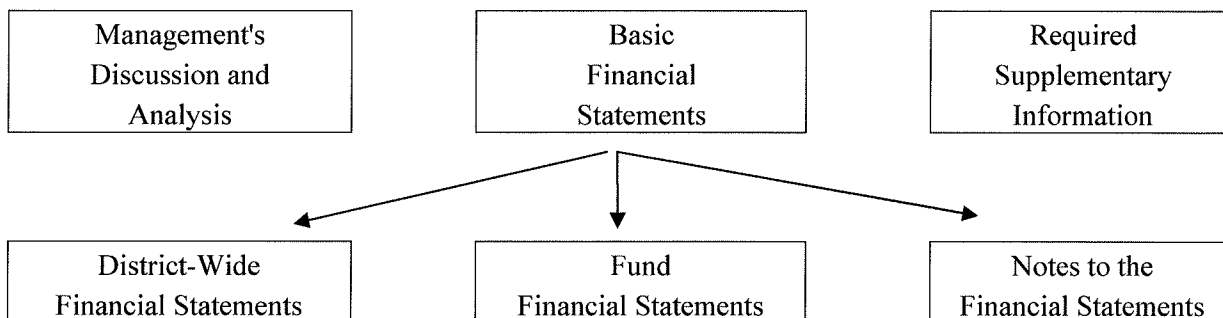
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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's 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 position</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 position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</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

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### **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 position includes all of the District's assets, deferred inflows and outflows 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 position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is 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 Basic 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 Position.* The District's combined net position increased by \$140,393. Net position from governmental activities increased by \$126,420 combined with an increase of net position from business activities of \$13,973. Net investment in capital assets increased by \$1,154,896, restricted net position decreased by \$193,679, and unrestricted net position decreased by \$809,760.

Figure A-3

	Condensed Statement of Net Position						Total Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2014/2015	2013/2014*	2014/2015	2013/2014	2014/2015	2013/2014*	
Current and Other Assets	\$ 4,147,959	\$ 5,405,595	\$ 269,203	\$ 292,712	\$ 4,417,162	\$ 5,698,307	-22.48%
Capital Assets, Net	30,726,086	31,553,233	157,574	132,537	30,883,660	31,685,770	-2.53%
Total Assets	<u>34,874,045</u>	<u>36,958,828</u>	<u>426,777</u>	<u>425,249</u>	<u>35,300,822</u>	<u>37,384,077</u>	-5.57%
Deferred Outflows of Resources	<u>765,904</u>	<u>322,886</u>			<u>765,904</u>	<u>322,886</u>	137.21%
Long-Term Debt Outstanding	33,354,590	36,080,851			33,354,590	36,080,851	-7.56%
Other Liabilities	261,118	595,816	80,920	93,365	342,038	689,181	-50.37%
Total Liabilities	<u>33,615,708</u>	<u>36,676,667</u>	<u>80,920</u>	<u>93,365</u>	<u>33,696,628</u>	<u>36,770,032</u>	-8.36%
Deferred Inflows of Resources	<u>1,292,774</u>				<u>1,292,774</u>		#DIV/0!
Net Position:							
Net Investment in Capital Assets	15,634,181	14,504,322	157,574	132,537	15,791,755	14,636,859	7.89%
Restricted	3,646,007	3,839,686			3,646,007	3,839,686	-5.04%
Unrestricted/(Deficit)	<u>(18,548,721)</u>	<u>(17,738,961)</u>	<u>188,283</u>	<u>199,347</u>	<u>(18,360,438)</u>	<u>(17,539,614)</u>	-4.68%
Total Net Position	<u>\$ 731,467</u>	<u>\$ 605,047</u>	<u>\$ 345,857</u>	<u>\$ 331,884</u>	<u>\$ 1,077,324</u>	<u>\$ 936,931</u>	14.98%

\* As Restated

*Changes in Net Position.* The District's combined net position was \$1,077,324 June 30, 2015, or \$140,393 more than it was the year before. (See Figure A-3). The increase in the District's combined net position is primarily due to the fact that the District made a significant pay down in debt, increasing its investment in Capital Assets. This large pay down was offset by the depreciation of Capital Assets and a large decrease in certain State Aid. Additionally there was an increase in net position of \$13,973 in business-type activities.

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Management's Discussion and Analysis  
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**Figure A-4  
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 172,397	\$ 155,666	\$ 718,885	\$ 737,588	\$ 891,282	\$ 893,254	-0.22%
Operating Grants & Contributions	20,455,722	12,440,856	339,416	333,018	20,795,138	12,773,874	62.79%
<b>General Revenue:</b>							
Property Taxes	41,526,971	41,737,911			41,526,971	41,737,911	-0.51%
Unrestricted Federal & State Aid	21,556,412	21,479,286			21,556,412	21,479,286	0.36%
Other	80,180	455,218	485	580	80,665	455,798	-82.30%
<b>Total Revenue</b>	<b>83,791,682</b>	<b>76,268,937</b>	<b>1,058,786</b>	<b>1,071,186</b>	<b>84,850,468</b>	<b>77,340,123</b>	<b>9.71%</b>
<b>Expenses:</b>							
Instruction	45,536,581	39,984,137			45,536,581	39,984,137	13.89%
Pupil and Instruction Services	16,620,550	14,262,908			16,620,550	14,262,908	16.53%
Administrative and Business	6,645,068	6,236,369			6,645,068	6,236,369	6.55%
Maintenance and Operations	7,164,009	7,313,393			7,164,009	7,313,393	-2.04%
Transportation	5,179,050	5,053,738			5,179,050	5,053,738	2.48%
Other	2,520,004	3,035,176	1,044,813	1,113,829	3,564,817	4,149,005	-14.08%
<b>Total Expenses</b>	<b>83,665,262</b>	<b>75,885,721</b>	<b>1,044,813</b>	<b>1,113,829</b>	<b>84,710,075</b>	<b>76,999,550</b>	<b>10.01%</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 126,420</b>	<b>\$ 383,216</b>	<b>\$ 13,973</b>	<b>\$ (42,643)</b>	<b>\$ 140,393</b>	<b>\$ 340,573</b>	<b>-58.78%</b>

*Revenue Sources.* The District's total revenue for the school year was \$84,850,468, (See Figure A-4). Property taxes accounted for approximately half of the District's revenue in the amount of \$41,526,971 of the total, or 48.94 percent. (See Figure A-5). Approximately 49.91 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5  
Sources of School District Revenue - Fiscal Year 2015**

	Amount	Percentage
<b>Sources of Income:</b>		
State Formula Aid	\$ 21,556,412	25.41%
Property Taxes	41,526,971	48.94%
Federal and State Categorical Grants	20,795,138	24.50%
Charges for Services	891,282	1.05%
Other	80,665	0.10%
	<b>\$ 84,850,468</b>	<b>100.00%</b>

The total cost of all programs and services was \$84,850,468. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.49 percent). (See Figure A-6). The District's administrative and maintenance and operations costs accounted for 16.30 percent of total costs. It is important to remember that \$1,664,176 in depreciation is included in expenses for the year.



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**Figure A-6  
Sources of School District Expenses - Fiscal Year 2015**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 45,536,581	53.76%
Pupil and Instruction Services	16,620,550	19.62%
Administrative and Business	6,645,068	7.84%
Maintenance and Operations	7,164,009	8.46%
Transportation	5,179,050	6.11%
Other	3,564,817	4.21%
	<u>\$ 84,710,075</u>	<u>100.00%</u>

***Governmental Activities***

As discussed elsewhere in this commentary, the financial position of the District improved. However, 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 (PEGAS) resulting in low cost property, liability and workers compensation insurance. The District continues to realize savings through a Safety Incentive program offered by PEGAS.
- The District altered the Health Insurance plan by converting from a Retrospective plan type, to a Prospective Plan type several years ago and the percent increases had been minimized due to this change, until recent years. The percent increase has grown for the 2014-2015 school year more so than in prior years, and will do so again for the 2015-2016 school year.
- Due to State law requiring employee contributions for health benefits, the District will continue to realize budgetary relief related to health care costs.
- Maximization of school buses by staggering school schedules.
- Participation in joint purchasing agreements through various Co-ops both State-Wide and Nation-Wide
- The District is a member of Educational Data, Inc., which provides a bidding service and ultimately reduces expenditures by providing competition among vendors.
- The Board is expecting to complete a solar project that will off-set electric costs related to Rolling Hills Elementary School and Lounsberry Hollow Middle school. This project is expected to be completed during the 2015-2016 school year.

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**

	Total Costs of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 45,536,581	\$ 39,984,137	\$ 30,514,954	\$ 31,022,836
Pupil and Instruction Services	16,620,550	14,262,908	14,158,685	13,188,701
Administrative and Business	6,645,068	6,236,369	5,729,036	5,897,821
Maintenance and Operations	7,164,009	7,313,393	7,164,009	7,313,393
Transportation	5,179,050	5,053,738	2,950,455	2,831,272
Other	2,520,004	3,035,176	2,520,004	3,035,176
	<u>\$ 83,665,262</u>	<u>\$ 75,885,721</u>	<u>\$ 63,037,143</u>	<u>\$ 63,289,199</u>

- The cost of all governmental activities this year was \$83.67 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$42.01 million.
- Approximately \$41.53 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 position from the District's business-type activity increased by \$13,973, (Refer to Figure A-4). Factors contributing to these results included:

- Food service revenues exceeded expenses by \$13,973, accounting for all of the increase in the net position of the business-type activities.
- This increase was primarily a result of the decrease in current year expenses versus the prior year.

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

The District's financial position remains relatively stable. Expenditures during the recent year have decreased due to declining enrollment and a reduction in staff. The completion of an Energy Services Improvement Plan will also assist in reducing expenditures. Also, in the area of benefits, due to the implementation of P.L. 2011, c.78, the districts expenditures are being decreased as employees reach the maximum required contribution percentages. Lastly, a continued effort in developing programs to allow our out-of-district special education students to return to district being maintained. This process allows for quality programs to be offered to these students, while at the same time, reducing costs.

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.

#### **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.

**Vernon Township Board of Education  
Management's Discussion and Analysis  
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**Capital Asset and Debt Administration**

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

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Land	\$ 1,935,348	\$ 1,935,348			\$ 1,935,348	\$ 1,935,348	0.00%
Site Improvements	671,385	580,952			671,385	580,952	15.57%
Building and Building Improvements	26,412,007	21,675,817			26,412,007	21,675,817	21.85%
Machinery and Equipment	1,707,346	1,667,255	\$ 157,574	\$ 132,537	1,864,920	1,799,792	3.62%
Construction in Progress		5,693,861				5,693,861	-100.00%
<b>Total Capital Assets (Net)</b>	<b>\$ 30,726,086</b>	<b>\$ 31,553,233</b>	<b>\$ 157,574</b>	<b>\$ 132,537</b>	<b>\$ 30,883,660</b>	<b>\$ 31,685,770</b>	<b>-2.53%</b>

- The change in Capital Assets is a result of the acquisition of assets net of deletions and related accumulated depreciation, in the amount of \$837,029 offset by depreciation expense of \$1,664,176.

**Long-term Debt**

At year-end, the District had a net of \$14,922,000 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
	2014/2015	2013/2014*	
General Obligation Bonds (Financed with Property Taxes)	\$ 14,922,000	\$ 16,672,000	-10.50%
Net Pension Liability	15,799,844	16,544,073	-4.50%
Other Long-Term Liabilities	2,632,746	2,864,778	-8.10%
	<b>\$ 33,354,590</b>	<b>\$ 36,080,851</b>	<b>-7.56%</b>

\* As restated

- The District continued to pay down its debt, retiring \$1,750,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$28,788.
- The District has \$438,977 in outstanding capital leases and paid down \$260,820 during the year.
- The District had a net decrease of 744,229 in net pension liability.

**Vernon Township Board of Education  
Management's 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 originally established a 4% cap on tax levy increases and is currently at an allowable 2% increase, 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.
- The District has contracted to undergo an Energy Savings Improvement Plan (ESIP) during the summer of 2013 and has completed the project. The full amount of annual energy savings was realized in the 2014-2015 school year. It is expected that this will significantly reduce costs related to the District's electric costs.
- 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 significantly reduced the Board's fund balance to the point that it was projected to be less than 1% on June 30, 2010. During the 2011-2012 school year, the Board was able to re-coupe its fund balance to the maximum permitted 2%. The following contributed to the additional fund balance:
  1. Collections of various percentages of Teachers' salaries to off-set health insurance cost with an increase due to the phase-in requirement by the law.
  2. Reduced exit leave expenses as fewer staff members applied for retirement
  3. Reduced costs related to Health Care due to fewer staff members taking advantage of the benefits offered by the District and more staff opting for the allowable waiver.
  4. Reduced cost in Energy related line accounts
  5. Reduced cost related to reimbursement to Teachers for college level course taken during the year

**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

Exhibit A-1

VERNON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 2,366,031	\$ 221,269	\$ 2,587,300
Receivables from Federal Government	284,241	27,447	311,688
Receivables from State Government	818,958	807	819,765
Receivables from Other Governments	11,793		11,793
Other Accounts Receivable	1,963		1,963
Inventory		19,680	19,680
Restricted Assets:			
Capital Reserve - Cash and Cash Equivalents	609,698		609,698
Maintenance Reserve - Cash and Cash Equivalents	55,275		55,275
Capital Assets:			
Sites (Land) and Construction in Progress	1,935,348		1,935,348
Depreciable Site Improvements, Building and Building Improvements and Machinery and Equipment	28,790,738	157,574	28,948,312
Total Assets	<u>34,874,045</u>	<u>426,777</u>	<u>35,300,822</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amount on Refunding	269,072		269,072
Changes in Assumptions - Pensions	496,832		496,832
Total Deferred Outflows of Resources	<u>765,904</u>		<u>765,904</u>
<u>LIABILITIES:</u>			
Accounts Payable	150,082	79,750	229,832
Payable to State Government	4,782		4,782
Unamortized Bond Issuance Premium	98,884		98,884
Unearned Revenue	7,370	1,170	8,540
Noncurrent Liabilities:			
Due Within One Year, Net	1,948,567		1,948,567
Due Beyond One Year, Net	31,406,023		31,406,023
Total Liabilities	<u>33,615,708</u>	<u>80,920</u>	<u>33,696,628</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Investment Gains - Pensions	941,585		941,585
Changes in Proportion - Pensions	351,189		351,189
Total Deferred Inflows of Resources	<u>1,292,774</u>		<u>1,292,774</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	15,634,181	157,574	15,791,755
Restricted for:			
Capital Projects	609,698		609,698
Debt Service	1		1
Other Purposes	3,036,308		3,036,308
Unrestricted/(Deficit)	<u>(18,548,721)</u>	<u>188,283</u>	<u>(18,360,438)</u>
Total Net Position	<u>\$ 731,467</u>	<u>\$ 345,857</u>	<u>\$ 1,077,324</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, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 35,202,758		\$ 8,857,571	\$ (26,345,187)		\$ (26,345,187)
Special Education	8,613,154	\$ 172,397	5,635,325	(2,805,432)		(2,805,432)
Other Instruction	630,218		356,334	(273,884)		(273,884)
School -Sponsored Instruction	1,090,451			(1,090,451)		(1,090,451)
<b>Support Services:</b>						
Tuition	2,366,014			(2,366,014)		(2,366,014)
Student and Instruction Related Services	14,254,536		2,461,865	(11,792,671)		(11,792,671)
General Administration Services	1,573,097		264,287	(1,308,810)		(1,308,810)
School Administration Services	4,001,972		586,664	(3,415,308)		(3,415,308)
Central Services	935,407		65,081	(870,326)		(870,326)
Administrative Information Technology	134,592			(134,592)		(134,592)
Plant Operations and Maintenance	7,164,009			(7,164,009)		(7,164,009)
Pupil Transportation	5,179,050		2,228,595	(2,950,455)		(2,950,455)
Interest on Long-Term Debt	490,691			(490,691)		(490,691)
Unallocated Depreciation	1,437,408			(1,437,408)		(1,437,408)
Capital Outlay	9,419			(9,419)		(9,419)
Transfer to Charter School	582,486			(582,486)		(582,486)
<b>Total Governmental Activities</b>	<b>83,665,262</b>	<b>172,397</b>	<b>20,455,722</b>	<b>(63,037,143)</b>		<b>(63,037,143)</b>
<b>Business-Type Activities:</b>						
Food Service	1,044,813	718,885	339,416		\$ 13,488	13,488
<b>Total Business-Type Activities</b>	<b>1,044,813</b>	<b>718,885</b>	<b>339,416</b>		<b>13,488</b>	<b>13,488</b>
<b>Total Primary Government</b>	<b>84,710,075</b>	<b>891,282</b>	<b>20,795,138</b>	<b>(63,037,143)</b>	<b>13,488</b>	<b>(63,023,655)</b>



VERNON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues:						
Taxes:						
				\$ 40,290,085		\$ 40,290,085
				1,236,886		1,236,886
				21,556,412		21,556,412
				19,459	\$ 485	19,944
				60,721		60,721
				<u>63,163,563</u>	485	<u>63,164,048</u>
				126,420	13,973	140,393
				<u>605,047</u>	<u>331,884</u>	<u>936,931</u>
				<u>\$ 731,467</u>	<u>\$ 345,857</u>	<u>\$ 1,077,324</u>

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, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 2,366,030			\$ 1	\$ 2,366,031
Interfund Receivable	261,279				261,279
Receivables From Federal Government		\$ 284,241			284,241
Receivables From State Government	818,958				818,958
Receivables From Other Governments	11,793				11,793
Other Accounts Receivables		1,963			1,963
Restricted Cash and Cash Equivalents	664,973				664,973
Total Assets	\$ 4,123,033	\$ 286,204	\$ -0-	\$ 1	\$ 4,409,238
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Interfund Payable		\$ 261,279			\$ 261,279
Accounts Payable	\$ 137,309	12,773			150,082
Payable to State Government		4,782			4,782
Unearned Revenue		7,370			7,370
Total Liabilities	137,309	286,204			423,513
Fund Balances:					
Restricted for:					
Excess Surplus - 2015-2016	1,318,159				1,318,159
Excess Surplus - 2016-2017	1,662,874				1,662,874
Capital Reserve Account	609,698				609,698
Maintenance Reserve Account	55,275				55,275
Debt Service				\$ 1	1
Assigned for:					
Other Purposes	339,718				339,718
Total Fund Balances	3,985,724			1	3,985,725
Total Liabilities and Fund Balances	\$ 4,123,033	\$ 286,204	\$ -0-	\$ 1	

Amounts Reported for Governmental Activities in the Statement of Net Position (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 \$63,513,576 and the Accumulated Depreciation is \$32,787,490.	30,726,086
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount for non-Energy Savings Obligation Refunding Bonds was \$296,654 and accumulated amortization is \$197,770.	(98,884)
Deferred Interest costs are not reported as expenditures in the governmental funds in the year of the expenditure.	269,072

VERNON TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

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

The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(15,799,844)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Changes in Assumptions - Pensions	496,832
Investments in Gains - Pensions	(941,585)
Changes in Proportions - Pensions	(351,189)
Long-Term Liabilities, Including Bonds Payable, Are Not Due and Payable in the Current Period and Therefore are Not Reported as Liabilities in the Funds (see Note 6)	<u>(17,554,746)</u>
Net Position of Governmental Activities	<u><u>\$ 731,467</u></u>

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, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 40,290,085			\$ 1,236,886	\$ 41,526,971
Tuition	172,397				172,397
Interest Earned on Capital Reserve Funds	1,831				1,831
Miscellaneous	78,032	\$ 1,508	\$ 317		79,857
Total - Local Sources	40,542,345	1,508	317	1,236,886	41,781,056
State Sources	32,182,426	8,531		799,768	32,990,725
Federal Sources	105,269	1,288,077			1,393,346
Total Revenues	72,830,040	1,298,116	317	2,036,654	76,165,127
EXPENDITURES:					
Current:					
Regular Instruction	21,873,492	439,683			22,313,175
Special Education Instruction	4,644,377	858,433			5,502,810
Other Special Instruction	70,766				70,766
School-Sponsored/Other Instruction	1,083,638				1,083,638
Support Services and Undistributed Costs:					
Tuition	2,366,014				2,366,014
Student and Other Instruction Related Services	9,582,214				9,582,214
General Administration Services	1,171,592				1,171,592
School Administration Services	2,667,399				2,667,399
Central Services	697,832				697,832
Administrative Information Technology	89,250				89,250
Plant Operations and Maintenance	6,262,441				6,262,441
Student Transportation	5,132,623				5,132,623
Unallocated Benefits	16,718,479				16,718,479
Debt Service:					
Principal				1,580,000	1,580,000
Interest and Other Charges				456,654	456,654
Capital Outlay	488,629		341,840		830,469
Transfer of Funds to Charter School	582,486				582,486
Total Expenditures	73,431,232	1,298,116	341,840	2,036,654	77,107,842
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(601,192)		(341,523)		(942,715)
OTHER FINANCING SOURCES/(USES):					
Transfers In	317				317
Transfers Out			(317)		(317)
Total Other Financing Sources/(Uses)	317		(317)		
Net Change in Fund Balances	(600,875)		(341,840)		(942,715)
Fund Balance - July 1	4,586,599		341,840	1	4,928,440
Fund Balance - June 30	\$ 3,985,724	\$ -0-	\$ -0-	\$ 1	\$ 3,985,725

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

Exhibit B-3

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, 2015

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ (942,715)
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 differs from capital outlays and deletions in the period.		
	Depreciation Expense	\$ (1,664,176)
	Capital outlays, net of deletions	<u>837,029</u>
		(827,147)
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 (+).		
		(28,788)
Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		
		1,580,000
Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		
		430,820
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.		
		(53,814)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
	Changes in Net Pension Liability	744,229
	Deferred Outflows:	
	Changes in Assumptions	496,832
	Deferred Inflows:	
	Net Difference between projected and actual investment earnings on	(941,585)
	Pension Plan Investments	(351,189)
The governmental funds report the effect of non-Energy Savings Obligation Refunding premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)		
		<u>19,777</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 126,420</u>

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

Exhibit B-4

VERNON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	<u>Business-type Activities - Enterprise Funds Food Service</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 221,269
Intergovernmental Accounts Receivable:	
State	807
Federal	27,447
Inventories	<u>19,680</u>
Total Current Assets	<u>269,203</u>
Non-Current Assets:	
Capital Assets	585,119
Less: Accumulated Depreciation	<u>(427,545)</u>
Total Non-Current Assets	<u>157,574</u>
Total Assets	<u>426,777</u>
<u>LIABILITIES:</u>	
Accounts Payable - Vendors	79,750
Unearned Revenue	<u>1,170</u>
Total Liabilities	<u>80,920</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	157,574
Unrestricted	<u>188,283</u>
Total Net Position	<u>\$ 345,857</u>

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

Exhibit B-5

VERNON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales	\$ 691,512
Special Events	24,594
School Store	2,779
Total Operating Revenue	718,885
Operating Expenses:	
Cost of Sales	438,420
Salaries, Benefits & Payroll Taxes	432,987
Supplies, Insurance & Other Costs	30,164
Management Fee	127,275
Depreciation Expense	13,503
School Store	2,464
Total Operating Expenses	1,044,813
Operating Loss	(325,928)
Non-Operating Revenue:	
Local Sources:	
Interest Earnings	485
State Sources:	
State School Lunch Program	8,878
Federal Sources:	
National School Lunch Program	265,179
Special Milk Program	116
School Breakfast Program	29,406
Food Distribution Program	35,837
Total Non-Operating Revenue	339,901
Change in Net Position	13,973
Net Position - Beginning of Year	331,884
Net Position - End of Year	\$ 345,857

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



Exhibit B-6

VERNON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 718,885
Payments to Food Service Contractor	(996,322)
Payments to Suppliers	(15,990)
Net Cash Used for Operating Activities	<u>(293,427)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(38,540)
Net Cash Used for Capital and Related Financing Activities	<u>(38,540)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	8,934
Federal Sources	294,176
Net Cash Provided by Noncapital Financing Activities	<u>303,110</u>
Cash Flows from Investing Activities:	
Interest Income	485
Net Cash Provided by Investing Activities	<u>485</u>
Net Decrease in Cash and Cash Equivalents	(28,372)
Cash and Cash Equivalents, July 1	<u>249,641</u>
Cash and Cash Equivalents, June 30	<u>\$ 221,269</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (325,928)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	13,503
Food Distribution Program	35,837
Changes in Assets and Liabilities:	
(Increase) in Inventory	(4,395)
(Decrease) in Accounts Payable	(12,971)
Increase in Unearned Revenue	527
Net Cash Used for Operating Activities	<u>\$ (293,427)</u>

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 \$36,363 and Utilized Commodities Valued at \$35,837.

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

VERNON TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 776,902	\$ 130,290	\$ 89,792	\$ 17,028
Total Assets	<u>\$ 776,902</u>	<u>\$ 130,290</u>	<u>\$ 89,792</u>	<u>\$ 17,028</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings Due to Student Groups	\$ 545,126 231,776			
Total Liabilities	<u>776,902</u>			
<u>NET POSITION:</u>				
Restricted for Unemployment Claims		\$ 130,290		
Restricted for Flexible Spending Claims				\$ 17,028
Restricted for Scholarships			\$ 89,792	
Total Net Position	<u>\$ -0-</u>	<u>\$ 130,290</u>	<u>\$ 89,792</u>	<u>\$ 17,028</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 POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
Additions:			
Contributions:			
Plan Members	\$ 134,383		\$ 14,403
Donations		\$ 13,173	
Total Contributions	<u>134,383</u>	<u>13,173</u>	<u>14,403</u>
Investment Earnings:			
Interest	<u>268</u>	<u>217</u>	<u>24</u>
Net Investment Earnings	<u>268</u>	<u>217</u>	<u>24</u>
Total Additions	<u>134,651</u>	<u>13,390</u>	<u>14,427</u>
Deductions:			
Unemployment Claims	116,105		
Flexible Spending Claims			6,758
Scholarships Awarded		<u>20,300</u>	
Total Deductions	<u>116,105</u>	<u>20,300</u>	<u>6,758</u>
Change in Net Position	18,546	(6,910)	7,669
Net Position - Beginning of the Year	<u>111,744</u>	<u>96,702</u>	<u>9,359</u>
Net Position - End of the Year	<u>\$ 130,290</u>	<u>\$ 89,792</u>	<u>\$ 17,028</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, 2015

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 and a resulting financial benefit or burden relationship, 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 position 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 non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program 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, 2015  
(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 and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

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

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

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

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

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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 include the Student Activities Fund, Payroll Agency Fund, Flexible Spending Trust 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.

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position 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.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. 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 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.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 72,835,869	\$ 1,295,973
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		(7,443)
Prior Year Encumbrances, Net of Cancellations		9,586
Prior Year State Aid Payments Recognized for GAAP Statements	2,475,791	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,481,620)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 72,830,040</u>	<u>\$ 1,298,116</u>

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,431,232	\$ 1,295,973
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		(7,443)
Prior Year Encumbrances, Net of Cancellations		<u>9,586</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 73,431,232</u>	<u>\$ 1,298,116</u>

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.

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 sources/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 position, except for amounts due between governmental and business-type activities, which are presented as internal balances.



VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

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.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

K. Capital Assets: (Cont'd)

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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital 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 position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premiums 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 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.

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, 2015.

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 or negotiated contracts. Upon termination, employees are paid for accrued vacation. The District's policy or negotiated contracts permit 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 or the District's personnel policy.

In the district-wide *Statement of Net Position*, 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.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
 (Continued)

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

O. Unearned Revenue:

Unearned 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 \$3,985,724 General Fund fund balance at June 30, 2015, \$339,718 is assigned for year-end encumbrances, which is \$416,260 less than the budgetary year end encumbrances due to the final two state aid payments; \$609,698 is restricted in the capital reserve account; \$55,275 is restricted in the maintenance reserve account; \$2,981,033 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) (\$1,318,159 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2016; \$1,662,874 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017); \$0- of assigned fund balance, which is \$700,000 less than the amount that has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016; and \$0- is unassigned fund balance, which is \$1,365,360 less than the calculated maximum unassigned 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, 2016.

Debt Service Fund: The Debt Service Fund has \$1 of restricted fund balance at June 30, 2015.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund 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 \$2,981,033 in excess surplus as detailed above.

Unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis in the amount of \$1,365,360; assigned fund balance in the General Fund for year-end encumbrances is less on a GAAP basis than the budgetary basis in the amount of \$416,260; and assigned fund balance in the General Fund for designated for subsequent year's expenditures is less on a GAAP basis than the budgetary basis in the amount of \$700,000 as of June 30, 2015 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these 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 last two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments noted above.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

Q. Deficit Net Position

The District has a deficit in unrestricted net position from governmental activities in the amount of \$18,548,721. This is primarily due to \$339,718 of governmental funds fund balance assigned for encumbrances and \$496,832 of changes in pension assumptions; net of \$2,193,769 of compensated absences payable, \$15,799,844 of net pension liability, \$941,585 of investment gains in pensions, \$351,189 of changes in proportion in pensions and an unamortized bond premium of \$98,884. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2015 for the deferred amount on refunding of debt related to the District's 2005 refunding bonds and changes in assumptions in pensions.

The District had deferred inflows of resources at June 30, 2015 for the changes in proportion in pension and the net difference between projected and actual investments earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established for excess surplus, a capital reserve, a maintenance reserve, and debt service at June 30, 2015.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had no committed resources at June 30, 2015.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances and amounts appropriated in the 2015/2016 budget in the General Fund on a budgetary basis at June 30, 2015.

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, 2015  
(Continued)

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

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

Deposits: (Cont'd)

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

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

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

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

Investments:

New Jersey statutes permit the 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.

**VERNON TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
(Continued)

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

**Investments: (Cont'd)**

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital Reserve Account	Maintenance Reserve Account	
Checking Accounts	\$ 3,601,312	\$ 609,698	\$ 55,275	\$ 4,266,285
	<u>\$ 3,601,312</u>	<u>\$ 609,698</u>	<u>\$ 55,275</u>	<u>\$ 4,266,285</u>

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$4,266,285 and the bank balance was \$4,909,602.

**NOTE 4. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Sites (Land)	\$ 1,935,348			\$ 1,935,348
Construction in Progress	5,693,861	\$ 341,840	\$ (6,035,701)	
Total Capital Assets Not Being Depreciated	<u>7,629,209</u>	<u>341,840</u>	<u>(6,035,701)</u>	<u>1,935,348</u>
<b>Capital Assets Being Depreciated:</b>				
Site Improvements	1,277,734	159,953		1,437,687
Buildings and Building Improvements	50,271,897	6,104,078		56,375,975
Machinery and Equipment	3,561,090	266,859	\$ (63,383)	3,764,566
Total Capital Assets Being Depreciated	<u>55,110,721</u>	<u>6,530,890</u>	<u>(63,383)</u>	<u>61,578,228</u>
Governmental Activities Capital Assets	<u>62,739,930</u>	<u>6,872,730</u>	<u>(6,099,084)</u>	<u>63,513,576</u>
Less Accumulated Depreciation for:				
Site Improvements	(696,782)	(69,520)		(766,302)
Buildings and Building Improvements	(28,596,080)	(1,367,888)		(29,963,968)
Machinery and Equipment	(1,893,835)	(226,768)	63,383	(2,057,220)
	<u>(31,186,697)</u>	<u>(1,664,176)</u>	<u>63,383</u>	<u>(32,787,490)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,553,233</u>	<u>\$ 5,208,554</u>	<u>\$ (6,035,701)</u>	<u>\$ 30,726,086</u>
<b>Business Type Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Machinery and Equipment	\$ 579,476	\$ 38,540	\$ (32,897)	\$ 585,119
Less Accumulated Depreciation	(446,939)	(13,503)	32,897	(427,545)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 132,537</u>	<u>\$ 25,037</u>	<u>\$ -0-</u>	<u>\$ 157,574</u>



VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 86,758
Special Education	1,564
Other Instruction	7,864
Student and Instruction Related Services	6,813
School Administration	8,820
Operations and Maintenance of Plant	114,949
Unallocated	<u>1,437,408</u>
	<u>\$ 1,664,176</u>

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, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 607,017
Add:	
Transfer from Unassigned Fund Balance as per Board Resolution - June 19, 2015	200,000
Budgeted Deposit from Unassigned Fund Balance	100,000
Interest Earnings	<u>1,831</u>
	908,848
Withdrawals:	
Board resolutions	<u>(299,150)</u>
Ending Balance, June 30, 2015	<u>\$ 609,698</u>

The June 30, 2015 LRFP balance of local support costs of uncompleted capital projects at June 30, 2015 exceeds the balance in the capital reserve account as of June 30, 2015. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, 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	\$ 16,672,000		\$ 1,750,000	\$ 14,922,000
Capital Leases Payable	699,797		260,820	438,977
Net Pension Liability	16,544,073		744,229	15,799,844
Compensated Absences Payable	2,164,981	434,243	405,455	2,193,769
	<u>\$ 36,080,851</u>	<u>\$ 434,243</u>	<u>\$ 3,160,504</u>	<u>\$ 33,354,590</u>

A. Bonds Payable:

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

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.

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 July 19, 2012, the District issued energy savings obligation refunding bonds of \$5,645,000 with interest rates ranging from 2.0% to 4.0%. The bonds mature on July 15, 2013 through 2027 and July 15, 2023 is the first optional redemption date at 100% of par. The energy savings obligation refunding bonds were issued to fund the implementation of the District's energy savings improvement plan ("ESIP"), entailing various permitted energy conservation measures under the ESIP Law, at all six schools in the District. This includes installation of interior and exterior lighting upgrades and replacements, lighting occupancy sensors, energy management systems, HVAC systems and control systems, building exterior weatherization improvements and small-scale solar PV systems.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

Bonds Payable (Cont'd)

The ESIP Law (P.L. 2009, c. 4) allowed the District to issue energy savings obligation refunding bonds without voter approval to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements (collectively, "ECMs"); provided that the value of the savings will cover the cost of the ECMs. The ESIP law provides, however, that notwithstanding any law to the contrary, energy savings obligation refunding bonds shall not be excepted from any budget or school levy limitation otherwise provided by law, and shall be funded through appropriations in the General Fund annual budget, on the basis that the costs of implemented energy conservation measures should be fully offset by energy savings to be generated by such measures (on both an annual and aggregate basis).

The District had serial bonds outstanding as of June 30, 2015 as follows:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2015</u>
School Refunding Bonds	4/1/2005	4.00%-5.00%	12/01/19	\$ 5,465,000
School Bonds	01/15/07	3.95%-4.05%	02/01/27	4,022,000
				<u>\$ 9,487,000</u>

Additionally, the District had the following bonds:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2015</u>
Energy Savings Obligation Refunding Bonds	07/19/12	3.00%-4.00%	07/15/27	<u>\$ 5,435,000</u>

Principal and interest due on bonds outstanding are as follows:

Year	Serial Bonds			Energy Savings Obligation Refunding Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,590,000	\$ 392,391	\$ 1,982,391	\$ 180,000	\$ 190,025	\$ 370,025
2016	1,580,000	323,154	1,903,154	285,000	183,050	468,050
2017	1,530,000	248,091	1,778,091	310,000	174,125	484,125
2018	1,525,000	175,129	1,700,129	335,000	164,450	499,450
2019	1,040,000	118,691	1,158,691	360,000	164,450	524,450
2020-2024	1,600,000	311,105	1,911,105	2,235,000	506,437	2,741,437
2025-2028	622,000	38,232	660,232	1,730,000	93,100	1,823,100
	<u>\$ 9,487,000</u>	<u>\$ 1,606,793</u>	<u>\$ 11,093,793</u>	<u>\$ 5,435,000</u>	<u>\$ 1,475,637</u>	<u>\$ 6,910,637</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board had no bonds authorized but not issued.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
 (Continued)

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

C. Capital Leases Payable:

The District is leasing a new telephone system and laptops and computers under capital leases valued at \$1,052,803 of which \$613,826 has been amortized. The capital leases are for terms of five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2015.

<u>Year</u>	<u>Amount</u>
2016	\$ 198,857
2017	145,022
2018	<u>134,255</u>
	478,134
Less: Amount Representing Interest	<u>(39,157)</u>
Present Value Net of Minimum Lease Payments	<u><u>\$ 438,977</u></u>

The current portion of capital leases payable at June 30, 2015 is \$178,567 and the long-term portion is \$260,410. The General Fund will be used to liquidate the capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the long-term liabilities. The long-term liability balance of compensated absences is \$2,193,769.

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, 2015, 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.

E. Net Pension Liability

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$15,799,844. See Note 8 for further information on the PERS.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. OPERATING LEASES

The District has a commitment to lease 300 Lenovo laptops under an operating lease which expires in 2017 as well as a commitment to lease Savin Copiers which will expire in 2019. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2016	\$ 120,771
June 30, 2017	122,273
June 30, 2018	42,769
June 30, 2019	<u>33,135</u>
Total future minimum lease payments	<u>\$ 318,948</u>

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$695,687 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$15,799,844 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.084%, which was a decrease of 0.002% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$695,687. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

## NOTE 8. PENSION PLANS (Cont'd)

## A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 496,832	
Changes in Proportion		\$ 351,189
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		941,585
	\$ 496,832	\$ 1,292,774

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2015	\$ (144,067)
2016	(144,067)
2017	(144,067)
2018	(144,067)
2019	91,330
Thereafter	40,185
	\$ (444,753)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.



VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 19,876,742	\$ 15,799,844	\$ 12,376,287

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$1,667,200 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$9,293,755.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$172,716,234. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.323%, which was a decrease of 0.009% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>172,716,234</u>
Total	<u><u>\$ 172,716,234</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$9,293,755 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		1,741,236,574
	\$ 2,306,623,861	\$ 1,763,205,593

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as deferred outflows of resources related to pensions resulting from differences between expected and actual experience will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

Fiscal Year Ending June 30,	Total
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	\$ 543,418,268

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. 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.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$43,357 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$87,275 for the fiscal year ended June 30, 2015.

NOTE 9. POST-RETIREMENT BENEFITS

P.L. 1987, C.384 and P.L. 1990, C.6 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS (Cont'd)

Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$2,646,680, \$2,241,499 and \$2,424,044 for 2015, 2014 and 2013, respectively.

NOTE 10. RISK MANAGEMENT

The District maintains commercial and risk management pool 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.

The audit report for the year ending June 30, 2015 was not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2014 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,508,569
Net Position	\$ 5,114,269
Total Revenue	\$ 34,091,773
Total Expenses	\$ 37,253,827
Change in Net Position	\$ (3,162,054)
Member Dividends	\$ -0-

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

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>
2015	\$ -0-	\$ 134,651	\$ 116,105	\$ 130,290
2014	\$ -0-	\$ 9,106	\$ 110,882	\$ 111,744
2013	\$ -0-	\$ 101,230	\$ 201,733	\$ 213,520

NOTE 11. 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 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 261,279	
Special Revenue Fund		\$ 261,279
	<u>\$ 261,279</u>	<u>\$ 261,279</u>

The interfund between the General Fund and the Special Revenue Fund represents funds advanced to the Special Revenue Fund as a result of the delay in the receipt of grant funds due to the reimbursement basis of the federal grants.



VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 13. 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 on the following page, 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:

- Equitable Life Assurance
- Metropolitan Life Insurance Company
- Lincoln Life Insurance Company
- Lincoln Investments
- 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 plans.

NOTE 14. 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 15. COMMITMENTS AND CONTINGENCIES

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 is periodically involved in claims or lawsuits arising in the normal course of business, including a claim regarding employment matters. The District does not believe that the ultimate outcome of these cases will have a material adverse effect on the District's financial position.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30,2015  
(Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES (Cont'd)

Arbitrage

The District may have a liability for arbitrage payable to the federal government relative to its \$11,715,000 School Refunding Bonds dated April 1, 2005 and its \$6,222,000 School Bonds dated January 15, 2007. The amount of liability at June 30, 2015, if any, is unknown.

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
\$ 755,978	\$ 7,443	\$ 763,421

On the District's Governmental Funds Balance Sheet as of June 30, 2015, \$339,718 is assigned for year-end encumbrances in the General Fund, which is \$416,260 less on a GAAP basis than the budgetary basis. This is due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016. On the District's Governmental Funds Balance Sheet as of June 30, 2015, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$7,443 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized on a GAAP basis and are reflected as either a reduction in grants receivables or an increase in deferred revenue.

NOTE 16. ACCOUNTS PAYABLE

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>	<u>Proprietary Funds</u>
Accrued Payroll	\$ 11,324		\$ 11,324	
Vendors	125,985	12,773	138,758	\$ 79,750
	<u>\$ 137,309</u>	<u>\$ 12,773</u>	<u>\$ 150,082</u>	<u>\$ 79,750</u>

NOTE 17. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015, the District transferred \$146,420 to capital outlay accounts. The entire transfer of \$146,420 was made for equipment and therefore did not require approval from the County Superintendent.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30,2015  
(Continued)

NOTE 18. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$100,000 was established by the District on June 19, 2014. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes

Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities.

If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Beginning Balance, July 1, 2014	\$ 100,000
Less:	
Transfer to Maintenance Line by Board Resolutions	<u>(44,725)</u>
Ending Balance, June 30, 2015	<u><u>\$ 55,275</u></u>

NOTE 19. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30,2015

(Continued)

NOTE 19. PRIOR PERIOD ADJUSTMENTS (Cont'd)

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/14 as Restated
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
<u>Statement of Net Position:</u>			
<u>Liabilities:</u>			
Non-Current Liabilities	\$ 19,536,778	\$ 16,544,073	\$ 36,080,851
Total Liabilities	20,132,594	16,544,073	36,676,667
<u>Net Position:</u>			
Unrestricted/(Deficit)	(1,194,888)	(16,544,073)	(17,738,961)
Total Net Position	17,149,120	(16,544,073)	605,047

REQUIRED SUPPLEMENTARY INFORMATION

VERNON TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0865638594%	0.0843885458%
District's proportionate share of the net pension liability	\$ 16,544,073	\$ 15,799,844
District's covered employee payroll	\$ 5,689,415	\$ 5,770,861
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	290.79%	273.79%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

VERNON TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 652,241	\$ 695,687
Contributions in relation to the contractually required contribution	<u>(652,241)</u>	<u>(695,687)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 5,689,415	\$ 5,770,861
Contributions as a percentage of covered employee payroll	11.46%	12.06%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

VERNON TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.3317708115%	0.3231557554%
State's proportionate share of the net pension liability attributable to the District	\$ 167,674,358	\$ 172,716,234
District's covered employee payroll	\$ 28,611,058	\$ 29,611,739
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	586.05%	583.27%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.



VERNON TOWNSHIP BOARD OF EDUCATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 40,290,085		\$ 40,290,085	\$ 40,290,085	
Tuition from Other LEAs	30,000		30,000	60,067	\$ 30,067
Tuition from Individuals	70,002		70,002	99,905	29,903
Tuition from Other Sources				12,425	12,425
Interest Earned on Capital Reserve Funds	100		100	1,831	1,731
Unrestricted Miscellaneous Revenues	377,000		377,000	78,032	(298,968)
<b>Total - Local Sources</b>	<b>40,767,187</b>		<b>40,767,187</b>	<b>40,542,345</b>	<b>(224,842)</b>
State Sources:					
Special Education Aid	2,093,078		2,093,078	2,093,078	
Equalization Aid	14,888,366		14,888,366	14,888,366	
School Choice	83,304		83,304		(83,304)
Security Aid	326,271		326,271	326,271	
Adjustment Aid	5,263,253	\$ 111,072	5,374,325	5,374,325	
Transportation Aid	2,202,151		2,202,151	2,202,151	
Extraordinary Aid for Special Education Costs	800,000		800,000	673,036	(126,964)
Extraordinary Aid - Excess Prior Year				11,420	11,420
Other State Aids	178,032	(111,072)	66,960	66,960	
Nonpublic Transportation Aid				27,101	27,101
Homeless Tuition Reimbursement				7,267	7,267
On-Behalf TPAF Pension Contributions (non-budgeted)				1,667,200	1,667,200
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,646,680	2,646,680
Reimbursed TPAF Social Security Contributions (non-budgeted)				2,204,400	2,204,400
<b>Total State Sources</b>	<b>25,834,455</b>		<b>25,834,455</b>	<b>32,188,255</b>	<b>6,353,800</b>
Federal Sources:					
Medicaid Reimbursement	36,593		36,593	105,269	68,676
<b>Total Federal Sources</b>	<b>36,593</b>		<b>36,593</b>	<b>105,269</b>	<b>68,676</b>
<b>TOTAL REVENUES</b>	<b>66,638,235</b>		<b>66,638,235</b>	<b>72,835,869</b>	<b>6,197,634</b>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 772,308	\$ (40,245)	\$ 732,063	\$ 730,063	\$ 2,000
Grades 1-5 - Salaries of Teachers	7,221,608	(328,444)	6,893,164	6,866,952	26,212
Grades 6-8 - Salaries of Teachers	4,445,661	50,649	4,496,310	4,492,310	4,000
Grades 9-12 - Salaries of Teachers	7,067,150	199,410	7,266,560	7,227,741	38,819
Regular Programs - Home Instruction:					
Salaries of Teachers	55,438	11,000	66,438	59,817	6,621
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	410,353	(18,212)	392,141	375,940	16,201
General Supplies	1,133,067	156,312	1,289,379	1,145,813	143,566
Textbooks	225,264	(156,468)	68,796	68,193	603
Other Objects	862,433	173,709	1,036,142	906,663	129,479
Total Regular Programs - Instruction	<u>22,193,282</u>	<u>47,711</u>	<u>22,240,993</u>	<u>21,873,492</u>	<u>367,501</u>
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	670,855	107,397	778,252	775,490	2,762
Other Salaries for Instruction	190,024	(190,024)			
General Supplies	8,020	(1,202)	6,818	6,708	110
Total Learning and/or Language Disabilities	<u>868,899</u>	<u>(83,829)</u>	<u>785,070</u>	<u>782,198</u>	<u>2,872</u>
Behavioral Disabilities:					
Salaries of Teachers	132,055	(123,692)	8,363	8,363	
Other Salaries for Instruction	84,408	(84,408)			
General Supplies	5,106	(5,000)	106	38	68
Total Behavioral Disabilities	<u>221,569</u>	<u>(213,100)</u>	<u>8,469</u>	<u>8,401</u>	<u>68</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<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)					
Multiple Disabilities:					
Salaries of Teachers	\$ 179,737	\$ 8,647	\$ 188,384	\$ 187,839	\$ 545
Other Salaries for Instruction	121,314	(121,314)			
General Supplies	5,125	10,180	15,305	14,297	1,008
Total Multiple Disabilities	<u>306,176</u>	<u>(102,487)</u>	<u>203,689</u>	<u>202,136</u>	<u>1,553</u>
Resource Room/Resource Center:					
Salaries of Teachers	3,079,263	245,379	3,324,642	3,287,199	37,443
Other Salaries for Instruction	347,715	(347,715)			
General Supplies	10,000	(9,000)	1,000	712	288
Total Resource Room/Resource Center	<u>3,436,978</u>	<u>(111,336)</u>	<u>3,325,642</u>	<u>3,287,911</u>	<u>37,731</u>
Autism:					
Salaries of Teachers	142,402	(48,067)	94,335	90,898	3,437
Other Salaries for Instruction	84,678	(84,678)			
General Supplies	7,050	3,180	10,230	9,580	650
Total Autism	<u>234,130</u>	<u>(129,565)</u>	<u>104,565</u>	<u>100,478</u>	<u>4,087</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	166,532	2,309	168,841	168,841	
Other Salaries for Instruction	75,107	(75,107)			
General Supplies	5,051	500	5,551	5,363	188
Total Preschool Disabilities - Part-Time	<u>246,690</u>	<u>(72,298)</u>	<u>174,392</u>	<u>174,204</u>	<u>188</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers	54,327		54,327	54,277	50
Other Salaries for Instruction	55,439	(55,439)			
Total Preschool Disabilities - Full-Time	<u>109,766</u>	<u>(55,439)</u>	<u>54,327</u>	<u>54,277</u>	<u>50</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<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)					
Home Instruction - Special Education:					
Salaries of Teachers	\$ 70,000	\$ (12,000)	\$ 58,000	\$ 34,772	\$ 23,228
Total Home Instruction - Special Education	<u>70,000</u>	<u>(12,000)</u>	<u>58,000</u>	<u>34,772</u>	<u>23,228</u>
 Total Special Education Instruction	 <u>5,494,208</u>	 <u>(780,054)</u>	 <u>4,714,154</u>	 <u>4,644,377</u>	 <u>69,777</u>
 Basic Skills/Remedial - Instruction:					
General Supplies	350	(200)	150		150
Total Basic Skills/Remedial - Instruction	<u>350</u>	<u>(200)</u>	<u>150</u>		<u>150</u>
 Bilingual Education - Instruction:					
Salaries of Teachers	70,329	437	70,766	70,766	
Total Bilingual Education - Instruction	<u>70,329</u>	<u>437</u>	<u>70,766</u>	<u>70,766</u>	
 School-Sponsored Cocurricular Activities - Instruction:					
Salaries	311,000	104,375	415,375	403,355	12,020
Purchased Services (300-500 series)	4,000		4,000	488	3,512
Supplies and Materials	4,000		4,000	3,798	202
Other Objects	42,880	82,300	125,180	81,215	43,965
Total School-Sponsored Cocurricular Activities - Instruction	<u>361,880</u>	<u>186,675</u>	<u>548,555</u>	<u>488,856</u>	<u>59,699</u>
 School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	467,000		467,000	346,822	120,178
Purchased Services (300-500 series)	8,652		8,652	6,082	2,570
Supplies and Materials	154,271	(22,005)	132,266	121,990	10,276
Other Objects	159,691	(18,252)	141,439	119,888	21,551
Total School-Sponsored Cocurricular Athletics - Instruction	<u>789,614</u>	<u>(40,257)</u>	<u>749,357</u>	<u>594,782</u>	<u>154,575</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Total Instruction	\$ 28,909,663	\$ (585,688)	\$ 28,323,975	\$ 27,672,273	\$ 651,702
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		68,403	68,403	52,309	16,094
Tuition to Other LEAs Within the State - Special	68,000	25,560	93,560	93,560	
Tuition to County Vocational School District - Regular	237,100	(81,118)	155,982	154,097	1,885
Tuition to County Vocational School District - Special	57,200	(9,061)	48,139	42,000	6,139
Tuition to CSSD & Regional Day Schools	410,000	(9,127)	400,873	398,238	2,635
Tuition to Private Schools for the Handicapped - Within State	1,237,334	390,959	1,628,293	1,625,810	2,483
Tuition to Private Schools for the Handicapped - Outside State					
Tuition - State Facilities					
Total Undistributed Expenditures - Instruction	<u>2,009,634</u>	<u>385,616</u>	<u>2,395,250</u>	<u>2,366,014</u>	<u>29,236</u>
Health Services:					
Salaries	606,313	26,414	632,727	632,255	472
Purchased Professional and Technical Services	24,100	(9,660)	14,440	12,387	2,053
Supplies and Materials	25,595	1,632	27,227	21,566	5,661
Total Health Services	<u>656,008</u>	<u>18,386</u>	<u>674,394</u>	<u>666,208</u>	<u>8,186</u>
Speech, OT, PT & Related Services:					
Salaries	734,400	(132,993)	601,407	601,276	131
Purchased Professional - Educational Services	22,250	2,850	25,100	25,100	
Supplies and Materials	5,209	(3,584)	1,625	1,273	352
Total Speech, OT, PT & Related Services	<u>761,859</u>	<u>(133,727)</u>	<u>628,132</u>	<u>627,649</u>	<u>483</u>
Other Support Services - Students - Extraordinary Services					
Other Salaries for Instruction	723,707	1,061,380	1,785,087	1,778,890	6,197
Total Other Support Services - Students - Extraordinary Services	<u>723,707</u>	<u>1,061,380</u>	<u>1,785,087</u>	<u>1,778,890</u>	<u>6,197</u>
Guidance:					
Salaries of Other Professional Staff	1,325,170	(87,005)	1,238,165	1,227,131	11,034
Salaries of Secretarial and Clerical Assistants	214,482	1,288	215,770	215,770	
Purchased Professional and Educational Services	250,000	40,000	290,000	265,356	24,644
Supplies and Materials	10,900	304	11,204	10,145	1,059
Total Guidance	<u>1,800,552</u>	<u>(45,413)</u>	<u>1,755,139</u>	<u>1,718,402</u>	<u>36,737</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 1,825,496	\$ (215,235)	\$ 1,610,261	\$ 1,607,221	\$ 3,040
Salaries of Secretarial and Clerical Assistants	187,220	(35,226)	151,994	151,052	942
Other Salaries	4,000	55,525	59,525	53,735	5,790
Purchased Professional - Educational Services	585,622	50,475	636,097	609,518	26,579
Supplies and Materials	20,000	(2,841)	17,159	16,606	553
Other Objects	13,524	5,804	19,328	19,328	
Total Child Study Teams	<u>2,635,862</u>	<u>(141,498)</u>	<u>2,494,364</u>	<u>2,457,460</u>	<u>36,904</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	1,120,281	91,373	1,211,654	1,177,346	34,308
Salaries of Other Professional Staff	154,651	2,730	157,381	157,381	
Salaries of Secretarial and Clerical Assistants	269,880	(40,292)	229,588	225,707	3,881
Other Purchased Services (400-500)	100,000	(74,169)	25,831	4,394	21,437
Total Improvement of Instructional Services	<u>1,644,812</u>	<u>(20,358)</u>	<u>1,624,454</u>	<u>1,564,828</u>	<u>59,626</u>
Educational Media Services/School Library:					
Salaries	421,978	6,565	428,543	426,564	1,979
Supplies and Materials	38,299	4,532	42,831	42,060	771
Other Objects	13,580	61,357	74,937	9,399	65,538
Total Educational Media Services/School Library	<u>473,857</u>	<u>72,454</u>	<u>546,311</u>	<u>478,023</u>	<u>68,288</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	400,395	(87,649)	312,746	271,323	41,423
Other Purchased Services (400-500 series)	33,993	(1,901)	32,092	19,431	12,661
Total Instructional Staff Training Services	<u>434,388</u>	<u>(89,550)</u>	<u>344,838</u>	<u>290,754</u>	<u>54,084</u>



VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<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	\$ 538,423	\$ 70,589	\$ 609,012	\$ 608,882	\$ 130
Legal Services	70,000	(3,279)	66,721	61,309	5,412
Audit Fees	40,000		40,000	40,000	
Other Purchased Professional Services	57,650	15,230	72,880	64,636	8,244
Communications/Telephone	200,456	(15,000)	185,456	162,493	22,963
Miscellaneous Purchased Services (400-500 series)	187,026	3,064	190,090	182,806	7,284
General Supplies	17,500	206	17,706	17,248	458
Miscellaneous Expenditures	10,999		10,999	7,555	3,444
Board of Education Membership Dues and Fees	27,500		27,500	26,663	837
<b>Total Support Services - General Administration</b>	<u>1,149,554</u>	<u>70,810</u>	<u>1,220,364</u>	<u>1,171,592</u>	<u>48,772</u>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	1,358,922	5,328	1,364,250	1,351,591	12,659
Salaries of Secretarial and Clerical Assistants	1,214,606	(22,937)	1,191,669	1,174,148	17,521
Other Salaries	50,000	7,018	57,018	57,018	
Other Purchased Services	5,008	1,658	6,666	3,931	2,735
Supplies and Materials	11,500	550	12,050	11,488	562
Other Objects	48,569	31,925	80,494	69,223	11,271
<b>Total Support Services - School Administration</b>	<u>2,688,605</u>	<u>23,542</u>	<u>2,712,147</u>	<u>2,667,399</u>	<u>44,748</u>
<b>Support Services - Central Services:</b>					
Salaries	554,597		554,597	553,343	1,254
Purchased Professional Services	25,000	5,843	30,843	25,060	5,783
Purchased Technical Services	33,000	635	33,635	33,635	
Miscellaneous Purchased Services (400-500 series)	57,214	9,921	67,135	66,607	528
Supplies and Materials	26,349	(8,416)	17,933	14,697	3,236

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - Central Services (Cont'd):					
Interest on Lease Purchase Agreements	\$ 4,900	\$ (2)	\$ 4,898	\$ 4,490	\$ 408
Total Support Services - Central Services	<u>701,060</u>	<u>7,981</u>	<u>709,041</u>	<u>697,832</u>	<u>11,209</u>
Support Services - Administration Information Technology:					
Salaries	89,250	1,860	91,110	89,250	1,860
Purchased Technical Services	<u>5,000</u>	<u></u>	<u>5,000</u>	<u></u>	<u>5,000</u>
Total Support Services - Administration Information Technology	<u>94,250</u>	<u>1,860</u>	<u>96,110</u>	<u>89,250</u>	<u>6,860</u>
Required Maintenance of School Facilities:					
Salaries	794,196	35,609	829,805	802,556	27,249
Cleaning, Repair and Maintenance Services	646,101	296,928	943,029	572,844	370,185
General Supplies	341,817	(2,579)	339,238	294,419	44,819
Other Objects	<u>8,100</u>	<u></u>	<u>8,100</u>	<u>6,358</u>	<u>1,742</u>
Total Required Maintenance of School Facilities	<u>1,790,214</u>	<u>329,958</u>	<u>2,120,172</u>	<u>1,676,177</u>	<u>443,995</u>
Custodial Services:					
Salaries	1,918,905	(2,449)	1,916,456	1,836,798	79,658
Purchased Professional and Technical Services	11,000		11,000	2,629	8,371
Cleaning, Repair and Maintenance Services	88,000	(10,696)	77,304	60,335	16,969
Other Purchased Property Services	110,000	1,811	111,811	105,168	6,643
Insurance	272,000		272,000	270,046	1,954
General Supplies	133,856	(2,052)	131,804	112,073	19,731
Energy (Natural Gas)	35,884		35,884	20,980	14,904
Energy (Electricity)	872,530		872,530	764,314	108,216
Energy (Oil)	<u>417,279</u>	<u></u>	<u>417,279</u>	<u>248,051</u>	<u>169,228</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
Other Objects	\$ 11,336		\$ 11,336	\$ 10,116	\$ 1,220
Interest - Energy Savings Impr Prog Bonds	194,425		194,425	194,425	
Principal - Energy Savings Impr Prog Bonds	170,000		170,000	170,000	
Total Custodial Services	<u>4,235,215</u>	<u>\$ (13,386)</u>	<u>4,221,829</u>	<u>3,794,935</u>	<u>426,894</u>
Care & Upkeep of Grounds:					
Salaries	134,613	6,741	141,354	141,354	
Cleaning, Repair and Maintenance Services	238,108	35,027	273,135	210,659	62,476
General Supplies	24,550	1,290	25,840	15,762	10,078
Total Care & Upkeep of Grounds	<u>397,271</u>	<u>43,058</u>	<u>440,329</u>	<u>367,775</u>	<u>72,554</u>
Security:					
Salaries	226,016	1,185	227,201	224,290	2,911
General Supplies	50,000	10,491	60,491	47,613	12,878
Other Objects	152,393	5,000	157,393	151,651	5,742
Total Security	<u>428,409</u>	<u>16,676</u>	<u>445,085</u>	<u>423,554</u>	<u>21,531</u>
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	131,295	3,464	134,759	133,676	1,083
Other Purchased Professional and Technical Services	5,000	3,790	8,790	8,662	128
Contracted Services:					
Between Home and School - Vendors	3,134,000	(48,770)	3,085,230	3,073,622	11,608
Other than Between Home and School - Vendors	350,845	25,855	376,700	356,431	20,269
Joint Agreements	47,000	(3,793)	43,207	20,292	22,915
Special Education Students - Vendors	1,300,000	(115,600)	1,184,400	1,135,830	48,570
Regular Students - ESCs & CTSA's	31,000	45,994	76,994	71,693	5,301
Special Education Students - ESCs & CTSA's	355,000	(12,502)	342,498	294,567	47,931
Aid in Lieu of Payments - Non Public Schools	26,000	(457)	25,543	21,221	4,322

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<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):					
Transportation Supplies	\$ 5,000	\$ 13,495	\$ 18,495	\$ 16,629	\$ 1,866
Total Student Transportation Services	<u>5,385,140</u>	<u>(88,524)</u>	<u>5,296,616</u>	<u>5,132,623</u>	<u>163,993</u>
Unallocated Benefits:					
Social Security Contributions	798,000	65,000	863,000	818,827	44,173
Other Retirement Contributions - PERS	759,000	(63,313)	695,687	695,687	
Other Retirement Contributions - Regular	34,000	13,605	47,605	43,357	4,248
Workmen's Compensation	435,000	(13,605)	421,395	415,834	5,561
Health Benefits	9,305,603	(629,209)	8,676,394	8,068,252	608,142
Other Employee Benefits	700,000	(171,086)	528,914	158,242	370,672
Total Unallocated Benefits	<u>12,031,603</u>	<u>(798,608)</u>	<u>11,232,995</u>	<u>10,200,199</u>	<u>1,032,796</u>
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (non-budgeted)				1,667,200	(1,667,200)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,646,680	(2,646,680)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,204,400	(2,204,400)
Total On-Behalf Contributions				<u>6,518,280</u>	<u>(6,518,280)</u>
Total Personal Services - Employee Benefits	<u>12,031,603</u>	<u>(798,608)</u>	<u>11,232,995</u>	<u>16,718,479</u>	<u>(5,485,484)</u>
Total Undistributed Expenses	<u>40,042,000</u>	<u>700,657</u>	<u>40,742,657</u>	<u>44,687,844</u>	<u>(3,945,187)</u>
TOTAL CURRENT EXPENSE	<u>68,951,663</u>	<u>114,969</u>	<u>69,066,632</u>	<u>72,360,117</u>	<u>(3,293,485)</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<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 - Kindergarten		\$ 6,550	\$ 6,550	\$ 6,550	
Regular Programs - Grades 1-5		4,300	4,300	4,255	\$ 45
Regular Programs - Grades 6-8		18,279	18,279	11,094	7,185
Regular Programs - Grades 9-12		35,077	35,077	35,077	
Undistributed Expenditures:					
Instruction	\$ 35,550	84,409	119,959	113,479	6,480
General Administration	30,332	(2,195)	28,137	24,332	3,805
Total Equipment	<u>65,882</u>	<u>146,420</u>	<u>212,302</u>	<u>194,787</u>	<u>17,515</u>
Facilities Acquisition and Construction Services:					
Construction Services	290,000		290,000	229,695	60,305
Lease Purchase Agreements - Principal	59,705		59,705	54,728	4,977
Other Objects - Debt Service Assessment	9,419		9,419	9,419	
Total Facilities Acquisition and Construction Services	<u>359,124</u>		<u>359,124</u>	<u>293,842</u>	<u>65,282</u>
TOTAL CAPITAL OUTLAY	<u>425,006</u>	<u>146,420</u>	<u>571,426</u>	<u>488,629</u>	<u>82,797</u>
Transfer of Funds to Charter Schools	<u>511,588</u>	<u>82,486</u>	<u>594,074</u>	<u>582,486</u>	<u>11,588</u>
TOTAL EXPENDITURES	<u>69,888,257</u>	<u>343,875</u>	<u>70,232,132</u>	<u>73,431,232</u>	<u>(3,199,100)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(3,250,022)</u>	<u>(343,875)</u>	<u>(3,593,897)</u>	<u>(595,363)</u>	<u>2,998,534</u>
Other Financing Sources:					
Capital Projects Fund - Interest Earned				317	317
Total Other Financing Sources				<u>317</u>	<u>317</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	\$ (3,250,022)	(343,875)	\$ (3,593,897)	\$ (595,046)	\$ 2,998,851
Fund Balance, July 1	7,062,390		7,062,390	7,062,390	
Fund Balance, June 30	<u>\$ 3,812,368</u>	<u>\$ (343,875)</u>	<u>\$ 3,468,493</u>	<u>\$ 6,467,344</u>	<u>\$ 2,998,851</u>

Recapitulation:

Restricted:

Excess Surplus to be Utilized for 2016-2017 school year	\$ 1,662,874
Excess Surplus - Restricted for 2015-2016 school year	1,318,159
Capital Reserve	609,698
Maintenance Reserve	55,275

Assigned:

For Subsequent Year's Expenditures	700,000
Year End Encumbrances	755,978

Unassigned Fund Balance	<u>1,365,360</u>
	6,467,344

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payments not Recognized on GAAP Basis	<u>(2,481,620)</u>
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Fund Balance per Governmental Funds (GAAP)	<u>\$ 3,985,724</u>
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VERNON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 6,016	\$ 6,016	\$ 5,615	(401)
State Sources	\$ 9,813	4,759	14,572	11,396	\$ (3,176)
Federal Sources	1,090,660	192,468	1,283,128	1,278,962	(4,166)
Total Revenues	1,100,473	203,243	1,303,716	1,295,973	(7,743)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	176,279	20,155	196,434	196,434	
Purchased Professional and Technical Services	2,643	8,980	11,623	9,823	1,800
Other Purchased Services	791,668	128,634	920,302	920,302	
General Supplies	9,813	4,900	14,713	13,537	1,176
Textbooks		1,430	1,430	1,430	
Other Objects	9,700		9,700	9,700	
Total Instruction	990,103	164,099	1,154,202	1,151,226	2,976
Support Services:					
Salaries of Other Professional Staff		6,000	6,000	6,000	
Personal Services - Employee Benefits	15,000	4,275	19,275	19,275	
Purchased Professional and Technical Services	55,370	24,049	79,419	78,299	1,120
Other Purchased Professional Services		2,751	2,751	1,375	1,376
Other Purchased Services	40,000	1,301	41,301	39,030	2,271
Supplies and Materials		768	768	768	
Total Support Services	110,370	39,144	149,514	144,747	4,767
Total Expenditures	\$ 1,100,473	\$ 203,243	\$ 1,303,716	\$ 1,295,973	\$ 7,743

VERNON TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 72,835,869	\$ 1,295,973
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(7,443)
Prior Year Encumbrances, Net of Cancellations		9,586
Prior Year State Aid Payments Recognized for GAAP Statements	2,475,791	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,481,620)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 72,830,040	\$ 1,298,116
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,431,232	\$ 1,295,973
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		(7,443)
Prior Year Encumbrances, Net of Cancellations		9,586
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 73,431,232	\$ 1,298,116

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. 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)l. 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 of the annual budgets during the year).



VERNON TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

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.

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, 2015

	Carl D. Perkins Secondary	No Child Left Behind		Textbook	Nonpublic Technology Initiative	
		Title I	Title II A			Nursing
REVENUE:						
Local Sources						
State Sources				\$ 1,430	\$ 768	\$ 1,375
Federal Sources	\$ 12,060	\$ 224,449	\$ 184,020			
Total Revenue	<u>12,060</u>	<u>224,449</u>	<u>184,020</u>	<u>1,430</u>	<u>768</u>	<u>1,375</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers		196,434				
Purchased Professional and Technical Services	2,000					
Other Purchased Services			61,869			
General Supplies	360	2,740	4,822			
Textbooks				1,430		
Other Objects	9,700					
Total Instruction	<u>12,060</u>	<u>199,174</u>	<u>66,691</u>	<u>1,430</u>		
Support Services:						
Salaries of Other Professional Staff		6,000				
Personal Services - Employee Benefits		19,275				
Purchased Professional & Technical Services			78,299			
Other Purchased Professional Services						1,375
Other Purchased Services			39,030			
Supplies and Materials					768	
Total Support Services		<u>25,275</u>	<u>117,329</u>		<u>768</u>	<u>1,375</u>
Total Expenditures	<u>\$ 12,060</u>	<u>\$ 224,449</u>	<u>\$ 184,020</u>	<u>\$ 1,430</u>	<u>\$ 768</u>	<u>\$ 1,375</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	IDEA, Part B		Chapter 193		
	Basic	Preschool	Initial Exam & Class	Supplimentary Instruction	Corrective Speech
REVENUE:					
Local Sources					
State Sources			\$ 1,974	\$ 1,747	\$ 1,414
Federal Sources	\$ 830,333	\$ 28,100			
Total Revenue	<u>830,333</u>	<u>28,100</u>	<u>1,974</u>	<u>1,747</u>	<u>1,414</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional and Technical Services			1,974	1,747	1,414
Other Purchased Services	830,333	28,100			
General Supplies					
Textbooks					
Other Objects					
Total Instruction	<u>830,333</u>	<u>28,100</u>	<u>1,974</u>	<u>1,747</u>	<u>1,414</u>
Support Services:					
Salaries of Other Professional Staff					
Personal Services - Employee Benefits					
Purchased Professional & Technical Services					
Other Purchased Professional Services					
Other Purchased Services					
Supplies and Materials					
Total Support Services	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Expenditures	<u>\$ 830,333</u>	<u>\$ 28,100</u>	<u>\$ 1,974</u>	<u>\$ 1,747</u>	<u>\$ 1,414</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Chapter 192 Compensatory Education	Local Grants	Totals June 30, 2015
REVENUE:			
Local Sources		\$ 5,615	\$ 5,615
State Sources	\$ 2,688		11,396
Federal Sources			1,278,962
Total Revenue	2,688	5,615	1,295,973
EXPENDITURES:			
Instruction:			
Salaries of Teachers			196,434
Purchased Professional and Technical Services	2,688		9,823
Other Purchased Professional Services			920,302
General Supplies		5,615	13,537
Textbooks			1,430
Other Objects			9,700
Total Instruction	2,688	5,615	1,151,226
Support Services:			
Salaries of Other Professional Staff			6,000
Personal Services - Employee Benefits			19,275
Purchased Professional & Technical Services			78,299
Other Purchased Professional Services			1,375
Other Purchased Services			39,030
Supplies and Materials			768
Total Support Services			144,747
Total Expenditures	\$ 2,688	\$ 5,615	\$ 1,295,973

VERNON TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

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, 2015

Revenue and Other Financing Sources:	
Interest on Investments	\$ 317
	<hr/>
Total Revenue and Other Financing Sources	317
	<hr/>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	180,133
Construction Services	161,707
Operating Transfer Out - General Fund	317
	<hr/>
Total Expenditures and Other Financing Uses	342,157
	<hr/>
Excess/(Deficit) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	(341,840)
	<hr/>
Fund Balance - Beginning of Year	341,840
	<hr/>
Fund Balance - End of Year	\$ -0-
	<hr/> <hr/>



Exhibit F-1A

VERNON TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
ENERGY SAVINGS IMPROVEMENT PROJECT  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Costs
<b>Revenue and Other Financing Sources:</b>				
Bond Proceeds	\$ 5,645,000		\$ 5,645,000	\$ 5,645,000
Bond Premium	390,701		390,701	390,701
<b>Total Revenue and Other Financing Sources</b>	<b>6,035,701</b>		<b>6,035,701</b>	<b>6,035,701</b>
<b>Expenditures:</b>				
Purchased Professional and Technical Services	1,837,963	\$ 180,133	2,018,096	1,999,340
Bond Issuance Costs	104,604		104,604	105,701
Construction Services	3,751,294	161,707	3,913,001	3,930,660
<b>Total Expenditures</b>	<b>5,693,861</b>	<b>341,840</b>	<b>6,035,701</b>	<b>6,035,701</b>
<b>Excess/(Deficit) of Revenue and Other Financing Sources over/(under) Expenditures</b>	<b>\$ 341,840</b>	<b>\$ (341,840)</b>	<b>\$ -</b>	<b>\$ -0-</b>
<b>Additional Project Information:</b>				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	5/20/2012			
Bonds Authorized	\$ 6,300,000			
Bond Issued	\$ 5,645,000			
Original Authorized Cost	\$ 6,035,701			
Additional Authorized Costs	-0-			
Revised Authorized Costs	\$ 6,035,701			
Change Order Percentage	0%			
Percentage Completion	100%			
Original Target Completion Date	10/31/13			
Revised Target Completion Date	11/30/14			

PROPRIETARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015

ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 221,269
Intergovernmental Accounts Receivable:	
State	807
Federal	27,447
Inventories	19,680

Total Current Assets	<u>269,203</u>
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## Non-Current Assets:

Capital Assets	585,119
Less: Accumulated Depreciation	<u>(427,545)</u>

Total Non-Current Assets	<u>157,574</u>
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Total Assets	<u>426,777</u>
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LIABILITIES:

Accounts Payable - Vendors	79,750
Unearned Revenue	<u>1,170</u>

Total Liabilities	<u>80,920</u>
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NET POSITION:

Net Investment in Capital Assets	157,574
Unrestricted	<u>188,283</u>

Total Net Position	<u>\$ 345,857</u>
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## Exhibit G-2

VERNON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenue:	
Local Sources:	
Daily Sales	\$ 691,512
Special Events	24,594
Miscellaneous Revenue	2,779
	<hr/>
Total Operating Revenue	718,885
Operating Expenses:	
Cost of Sales	438,420
Salaries, Benefits & Payroll Taxes	432,987
Supplies, Insurance & Other Costs	30,164
Management Fee	127,275
Depreciation Expense	13,503
School Store	2,464
	<hr/>
Total Operating Expenses	1,044,813
Operating Loss	(325,928)
Non-Operating Revenue:	
Local Sources:	
Interest Earnings	485
State Sources:	
State School Lunch Program	8,878
Federal Sources:	
National School Lunch Program	265,179
Special Milk Program	116
School Breakfast Program	29,406
Food Distribution Program	35,837
	<hr/>
Total Non-Operating Revenue	339,901
Change in Net Position	13,973
Net Position - Beginning of Year	331,884
Net Position - End of Year	<hr/> <hr/> \$ 345,857

Exhibit G-3

VERNON TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 718,885
Payments to Food Service Contractor	(996,322)
Payments to Suppliers	(15,990)
	<hr/>
Net Cash Used for Operating Activities	(293,427)
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(38,540)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(38,540)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	8,934
Federal Sources	294,176
	<hr/>
Net Cash Provided by Noncapital Financing Activities	303,110
	<hr/>
Cash Flows from Investing Activities:	
Interest Income	485
	<hr/>
Net Cash Provided by Investing Activities	485
	<hr/>
Net Decrease in Cash and Cash Equivalents	(28,372)
Cash and Cash Equivalents, July 1	249,641
	<hr/>
Cash and Cash Equivalents, June 30	\$ 221,269
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (325,928)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	13,503
Food Distribution Program	35,837
Changes in Assets and Liabilities:	
(Increase) in Inventory	(4,395)
(Decrease) in Accounts Payable	(12,971)
Increase in Unearned Revenue	527
	<hr/>
Net Cash Used for Operating Activities	\$ (293,427)
	<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 \$36,363 and Utilized Commodities Valued at \$35,837

FIDUCIARY FUNDS

VERNON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 776,902	\$ 130,290	\$ 89,792	\$ 17,028	\$ 1,014,012
Total Assets	<u>776,902</u>	<u>130,290</u>	<u>89,792</u>	<u>17,028</u>	<u>1,014,012</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings	545,126				545,126
Due to Student Groups	231,776				231,776
Total Liabilities	<u>776,902</u>				<u>776,902</u>
<u>NET POSITION:</u>					
Restricted for Unemployment Claims		130,290			130,290
Restricted for Flexible Spending Claims				17,028	17,028
Restricted for Scholarships			89,792		89,792
Total Net Position	<u>\$ -0-</u>	<u>\$ 130,290</u>	<u>\$ 89,792</u>	<u>\$ 17,028</u>	<u>\$ 237,110</u>

Exhibit H-2

VERNON TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR JUNE 30, 2015

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
Additions:				
Contributions:				
Plan Members	\$ 134,383		\$ 14,403	\$ 148,786
Donations		\$ 13,173		13,173
Total Contributions	134,383	13,173	14,403	161,959
Investment Earnings:				
Interest	268	217	24	509
Net Investment Earnings	268	217	24	509
Total Additions	134,651	13,390	14,427	162,468
Deductions:				
Unemployment Claims	116,105			116,105
Flexible Spending Claims			6,395	6,395
Administrative Charges			363	363
Scholarships Awarded		20,300		20,300
Total Deductions	116,105	20,300	6,758	143,163
Change in Net Position	18,546	(6,910)	7,669	19,305
Net Position - Beginning of the Year	111,744	96,702	9,359	217,805
Net Position - End of the Year	\$ 130,290	\$ 89,792	\$ 17,028	\$ 237,110



Exhibit H-3

VERNON TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 219,032	\$ 844,210	\$ 831,466	\$ 231,776
Total Assets	<u>\$ 219,032</u>	<u>\$ 844,210</u>	<u>\$ 831,466</u>	<u>\$ 231,776</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 218,710	\$ 844,210	\$ 831,144	\$ 231,776
Interfund Payable - General Fund	322		322	
Total Liabilities	<u>\$ 219,032</u>	<u>\$ 844,210</u>	<u>\$ 831,466</u>	<u>\$ 231,776</u>

Exhibit H-4

VERNON TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 560,977	\$ 44,659,256	\$ 44,675,107	\$ 545,126
Total Assets	<u>\$ 560,977</u>	<u>\$ 44,659,256</u>	<u>\$ 44,675,107</u>	<u>\$ 545,126</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 560,977	\$ 44,659,256	\$ 44,675,107	\$ 545,126
Total Liabilities	<u>\$ 560,977</u>	<u>\$ 44,659,256</u>	<u>\$ 44,675,107</u>	<u>\$ 545,126</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, 2014	Retired or Matured	Balance June 30, 2015
			Date	Amount				
School Refunding Bonds	04/01/05	\$ 11,715,000	12/01/15	\$ 1,215,000	4.00%	\$ 6,695,000	\$ 1,230,000	\$ 5,465,000
			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%			
School Bonds	01/15/07	6,222,000	02/01/16	375,000	3.95%	4,372,000	350,000	4,022,000
			02/01/17	375,000	3.95%			
			02/01/18	325,000	3.95%			
			02/01/19	325,000	3.95%			
			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%			
						<u>\$ 11,067,000</u>	<u>\$ 1,580,000</u>	<u>\$ 9,487,000</u>

VERNON TOWNSHIP BOARD OF EDUCATION  
LONG TERM DEBT  
STATEMENT OF SERIAL BONDS  
ENERGY SAVINGS OBLIGATION REFUNDING BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2014	Retired or Matured	Balance June 30, 2015
			Date	Outstanding June 30, 2015 Amount				
Energy Savings Obligation Refunding Bonds	07/19/12	\$ 5,645,000	07/15/15	\$ 180,000	3.00%			
			07/15/16	285,000	3.00%			
			07/15/17	310,000	3.00%			
			07/15/18	335,000	3.00%			
			07/15/19	360,000	4.00%			
			07/15/20	385,000	4.00%			
			07/15/21	420,000	4.00%			
			07/15/22	445,000	4.00%			
			07/15/23	475,000	3.50%			
			07/15/24	510,000	3.50%			
			07/15/25	545,000	3.50%			
			07/15/26	575,000	3.50%			
			07/15/27	610,000	3.50%			
					\$ 5,605,000	\$ 170,000	\$ 5,435,000	

VERNON TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2014</u>	<u>Matured</u>	<u>Balance June 30, 2015</u>
New Telephone System	4.63%	\$ 287,853	\$ 128,065	\$ 54,833	\$ 73,232
280 Dell Laptops	N/A	264,950	71,732	71,732	-0-
500 Dell Desktop Computers	4.98%	500,000	<u>500,000</u>	<u>134,255</u>	<u>365,745</u>
			<u>\$ 699,797</u>	<u>\$ 260,820</u>	<u>\$ 438,977</u>

N/A - Not Available

VERNON TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,236,886		\$ 1,236,886	\$ 1,236,886	
State Sources:					
Debt Service Aid Type II	799,768		799,768	799,768	
Total Revenues	<u>2,036,654</u>		<u>2,036,654</u>	<u>2,036,654</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	456,654		456,654	456,654	
Redemption of Principal	1,580,000		1,580,000	1,580,000	
Total Regular Debt Service	<u>2,036,654</u>		<u>2,036,654</u>	<u>2,036,654</u>	
Total Expenditures	<u>2,036,654</u>		<u>2,036,654</u>	<u>2,036,654</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	<u>1</u>		<u>1</u>	<u>1</u>	
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</u>
Recapitulation:					
Restricted Fund Balance				<u>\$ 1</u>	

STATISTICAL SECTION



**STATISTICAL SECTION**  
(UNAUDITED)

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

**Contents**

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

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 9,345,430	\$ 3,252,713	\$ 9,082,634	\$ 9,842,105	\$ 10,519,221	\$ 11,952,899	\$ 12,332,583	\$ 10,496,938	\$ 14,504,322	\$ 15,634,181
Restricted	2,263,656	10,734,289	4,224,359	3,425,419	2,621,407	949,287	2,725,847	6,555,025	3,839,686	3,646,007
Unrestricted/(Deficit)	<u>(2,288,540)</u>	<u>(1,600,113)</u>	<u>(2,162,004)</u>	<u>(4,126,160)</u>	<u>(4,458,376)</u>	<u>(1,676,405)</u>	<u>(614,125)</u>	<u>(286,059)</u>	<u>(17,738,961)</u>	<u>(18,548,721)</u>
<b>Total Governmental Activities Net Position</b>	<u>\$ 9,320,546</u>	<u>\$ 12,386,889</u>	<u>\$ 11,144,989</u>	<u>\$ 9,141,364</u>	<u>\$ 8,682,252</u>	<u>\$ 11,225,781</u>	<u>\$ 14,444,305</u>	<u>\$ 16,765,904</u>	<u>\$ 605,047</u>	<u>\$ 731,467</u>
<b>Business-Type Activities:</b>										
Net Investment in Capital Assets	\$ 63,844	\$ 50,270	\$ 61,968	\$ 79,154	\$ 65,002	\$ 56,409	\$ 89,380	\$ 101,259	\$ 132,537	\$ 157,574
Unrestricted	247,438	348,137	345,916	325,533	340,079	399,413	299,428	273,268	199,347	188,283
<b>Total Business-Type Activities Net Position</b>	<u>\$ 311,282</u>	<u>\$ 398,407</u>	<u>\$ 407,884</u>	<u>\$ 404,687</u>	<u>\$ 405,081</u>	<u>\$ 455,822</u>	<u>\$ 388,808</u>	<u>\$ 374,527</u>	<u>\$ 331,884</u>	<u>\$ 345,857</u>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 9,409,274	\$ 3,302,983	\$ 9,144,602	\$ 9,921,259	\$ 10,584,223	\$ 12,009,308	\$ 12,421,963	\$ 10,598,197	\$ 14,636,859	\$ 15,791,755
Restricted	2,263,656	10,734,289	4,224,359	3,425,419	2,621,407	949,287	2,725,847	6,555,025	3,839,686	3,646,007
Unrestricted/(Deficit)	<u>(2,041,102)</u>	<u>(1,251,976)</u>	<u>(1,816,088)</u>	<u>(3,800,627)</u>	<u>(4,118,297)</u>	<u>(1,276,992)</u>	<u>(314,697)</u>	<u>(12,791)</u>	<u>(17,539,614)</u>	<u>(18,360,438)</u>
<b>Total District Net Position</b>	<u>\$ 9,631,828</u>	<u>\$ 12,785,296</u>	<u>\$ 11,552,873</u>	<u>\$ 9,546,051</u>	<u>\$ 9,087,333</u>	<u>\$ 11,681,603</u>	<u>\$ 14,833,113</u>	<u>\$ 17,140,431</u>	<u>\$ 936,931</u>	<u>\$ 1,077,324</u>

\* - Restated

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 29,031,091	\$ 30,569,809	\$ 32,860,992	\$ 32,292,910	\$ 32,556,413	\$ 29,497,552	\$ 30,987,656	\$ 31,415,736	\$ 30,879,376	\$ 35,202,758
Special Education	8,368,629	7,962,116	8,574,581	8,466,218	9,607,612	10,159,562	9,810,330	9,102,888	7,671,719	8,613,154
Other Education	623,169	986,253	1,109,082	1,035,718	1,283,694	157,733	395,300	427,875	388,167	630,218
School-Sponsored Instruction	871,838	922,929	971,217	960,781	1,048,218	881,161	911,876	954,531	1,044,875	1,090,451
Support Services:										
Tuition	1,940,689	2,208,728	2,200,228	2,953,467	2,403,848	2,114,852	2,417,264	2,512,432	2,809,801	2,366,014
Student & Instructional Related Services	6,915,288	8,018,759	9,077,271	8,650,780	9,221,185	9,980,941	9,983,218	10,611,062	11,453,107	14,254,536
General Administrative Services	1,343,917	1,501,505	1,489,783	1,375,442	1,455,681	1,462,449	1,454,377	1,508,742	1,504,880	1,573,097
School Administrative Services	3,661,558	3,524,453	3,954,917	3,843,111	3,861,478	3,738,801	3,680,650	3,782,250	3,728,211	4,001,972
Central Services	945,255	984,706	1,112,870	963,186	734,665	757,777	778,908	843,334	923,412	935,407
Administrative Information Technology	200,019	184,187	252,145	262,464	293,225	444,911	130,577	129,144	79,866	134,592
Plant Operations and Maintenance	5,279,026	5,861,962	7,229,890	6,377,449	6,279,721	7,009,596	7,109,941	6,831,130	7,313,393	7,164,009
Pupil Transportation	5,676,501	5,555,430	5,858,372	6,133,568	6,388,160	5,322,419	5,132,761	4,814,578	5,053,738	5,179,050
Interest on Long-term Debt	825,919	759,969	942,586	879,186	807,994	745,607	685,645	617,203	554,464	490,691
Unallocated Depreciation	1,752,791	1,660,256	960,300	964,943	957,324	982,316	1,317,993	1,340,736	1,434,856	1,437,408
Capital Outlay	105,438	(49,385)	59,243	118,237		12,428	284,625	25,516	523,829	9,419
Charter Schools	138,538	171,792	251,455	359,096	218,292	275,034	508,652	518,587	522,027	582,486
Total Governmental Activities Expenses	<u>67,679,666</u>	<u>70,823,469</u>	<u>76,904,932</u>	<u>75,636,556</u>	<u>77,117,510</u>	<u>73,543,139</u>	<u>75,589,773</u>	<u>75,435,744</u>	<u>75,885,721</u>	<u>83,665,262</u>
Business-Type Activities:										
Food Service	1,249,825	1,281,357	1,307,463	1,215,975	1,168,888	1,131,103	1,294,219	1,155,699	1,113,829	1,044,813
Total Business-type Activities Expense	<u>1,249,825</u>	<u>1,281,357</u>	<u>1,307,463</u>	<u>1,215,975</u>	<u>1,168,888</u>	<u>1,131,103</u>	<u>1,294,219</u>	<u>1,155,699</u>	<u>1,113,829</u>	<u>1,044,813</u>
Total District Expenses	<u>\$ 68,929,491</u>	<u>\$ 72,104,826</u>	<u>\$ 78,212,395</u>	<u>\$ 76,852,531</u>	<u>\$ 78,286,398</u>	<u>\$ 74,674,242</u>	<u>\$ 76,883,992</u>	<u>\$ 76,591,443</u>	<u>\$ 76,999,550</u>	<u>\$ 84,710,075</u>
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 261,419	\$ 200,218	\$ 179,577	\$ 190,297	\$ 223,703	\$ 405,247	\$ 317,952	\$ 174,403	\$ 155,666	\$ 172,397
Operating Grants and Contributions	11,380,689	13,373,465	13,588,998	10,762,771	11,610,768	11,935,718	13,283,889	13,239,187	12,440,856	20,455,722
Capital Grants and Contributions	220,267	35,424	8,548			112,019				
Total Governmental Activities Program Revenues	<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>	<u>12,452,984</u>	<u>13,601,841</u>	<u>13,413,590</u>	<u>12,596,522</u>	<u>20,628,119</u>

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Business-Type Activities:										
Charges for Services	\$ 1,037,454	\$ 1,094,310	\$ 1,043,934	\$ 945,935	\$ 872,345	\$ 877,101	\$ 873,759	\$ 813,321	\$ 737,588	\$ 718,885
Operating Grants and Contributions	252,791	256,141	259,135	258,367	288,535	295,423	323,661	327,385	333,018	339,416
Total Business-type Activities Program Revenues	<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>	<u>1,172,524</u>	<u>1,197,420</u>	<u>1,140,706</u>	<u>1,070,606</u>	<u>1,058,301</u>
Total District Program Revenues	<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>	<u>\$ 13,625,508</u>	<u>\$ 14,799,261</u>	<u>\$ 14,554,296</u>	<u>\$ 13,667,128</u>	<u>\$ 21,686,420</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (55,817,291)	\$ (57,214,362)	\$ (63,127,809)	\$ (64,683,488)	\$ (65,283,039)	\$ (61,090,155)	\$ (61,987,932)	\$ (62,022,154)	\$ (63,289,199)	\$ (63,037,143)
Business-type Activities	40,420	69,094	(4,394)	(11,673)	(8,008)	41,421	(96,799)	(14,993)	(43,223)	13,488
Total District-wide Net Expense/Revenues	<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>	<u>\$ (61,048,734)</u>	<u>\$ (62,084,731)</u>	<u>\$ (62,037,147)</u>	<u>\$ (63,332,422)</u>	<u>\$ (63,023,655)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, net	\$ 31,695,572	\$ 36,216,741	\$ 37,000,411	\$ 37,707,888	\$ 39,216,204	\$ 40,784,852	\$ 41,423,349	\$ 41,470,508	\$ 40,470,508	\$ 40,290,085
Taxes Levied for Debt Service	1,139,861	1,105,054	1,195,462	1,260,827	1,229,223	1,224,870	1,286,321	1,294,516	1,267,403	1,236,886
Unrestricted Grants and Contributions	22,481,901	22,357,840	23,229,803	23,386,350	24,109,262	21,372,828	22,333,064	21,056,709	21,479,286	21,556,412
Investment Earnings	248,948	504,624	416,912	214,359	163,128	114,847	131,164	29,675	18,929	19,459
Miscellaneous Income	79,789	96,446	43,321	110,439	106,110	136,287	125,594	101,644	436,289	60,721
Bond Premium							390,701			
Total Governmental Activities	<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>	<u>63,633,684</u>	<u>65,299,492</u>	<u>64,343,753</u>	<u>63,672,415</u>	<u>63,163,563</u>
Business-Type Activities:										
Investment Earnings	12,558	18,031	13,871	8,476	8,402	9,320	8,320	712	580	485
Total Business-Type Activities	<u>12,558</u>	<u>18,031</u>	<u>13,871</u>	<u>8,476</u>	<u>8,402</u>	<u>9,320</u>	<u>8,320</u>	<u>712</u>	<u>580</u>	<u>485</u>
Total District-Wide	<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>	<u>\$ 63,643,004</u>	<u>\$ 65,307,812</u>	<u>\$ 64,344,465</u>	<u>\$ 63,672,995</u>	<u>\$ 63,164,048</u>
Change in Net Position:										
Governmental Activities	\$ (171,220)	\$ 3,066,343	\$ (1,241,900)	\$ (2,003,625)	\$ (459,112)	\$ 2,543,529	\$ 3,311,560	\$ 2,321,599	\$ 383,216	\$ 126,420
Business-type Activities	52,978	87,125	9,477	(3,197)	394	50,741	(88,479)	(14,281)	(42,643)	13,973
Total District	<u>\$ (118,242)</u>	<u>\$ 3,153,468</u>	<u>\$ (1,232,423)</u>	<u>\$ (2,006,822)</u>	<u>\$ (458,718)</u>	<u>\$ 2,594,270</u>	<u>\$ 3,223,081</u>	<u>\$ 2,307,318</u>	<u>\$ 340,573</u>	<u>\$ 140,393</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved/Restricted	\$ 2,158,630	\$ 5,391,816	\$ 3,918,032	\$ 1,814,948	\$ 1,864,783	\$ 928,928	\$ 2,705,488	\$ 3,554,177	\$ 3,497,845	\$ 3,646,006
Assigned						873,148	2,081,755	2,406,372	1,088,754	339,718
Unreserved:										
Designated for Subsequent Year's Expenditures	362,396		134,767	1,350,000	407,847					
Undesignated/(Deficit)	128,628	126,657	169,381	(1,373,845)	(1,756,743)					
Total General Fund	<u>\$ 2,649,654</u>	<u>\$ 5,518,473</u>	<u>\$ 4,222,180</u>	<u>\$ 1,791,103</u>	<u>\$ 515,887</u>	<u>\$ 1,802,076</u>	<u>\$ 4,787,243</u>	<u>\$ 5,960,549</u>	<u>\$ 4,586,599</u>	<u>\$ 3,985,724</u>
All Other Governmental Funds:										
Reserved/Restricted	\$ 94,000	\$ 4,974,926	\$ 164,105	\$ 5,000	\$ 294,326	\$ 20,359	\$ 20,359	\$ 3,000,848	\$ 341,841	\$ 1
Unreserved/Unassigned/Assigned, Reported in:										
Capital Projects Fund/(Deficit)		338,824	13,648	27,047	(45,400)					
Debt Service Fund	11,026	28,723	128,574	228,424	99,851					
Total All Other Governmental Funds/(Deficit)	<u>\$ 105,026</u>	<u>\$ 5,342,473</u>	<u>\$ 306,327</u>	<u>\$ 260,471</u>	<u>\$ 348,777</u>	<u>\$ 20,359</u>	<u>\$ 20,359</u>	<u>\$ 3,000,848</u>	<u>\$ 341,841</u>	<u>\$ 1</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues:</b>										
Tax Levy	\$ 32,835,433	\$ 37,321,795	\$ 38,195,873	\$ 38,968,715	\$ 40,445,427	\$ 42,009,722	\$ 42,709,670	\$ 42,765,024	\$ 41,737,911	\$ 41,526,971
Tuition Charges	261,419	200,218	179,577	190,297	223,703	405,247	317,952	174,403	155,666	172,397
Interest Earnings on Capital Reserve Funds	3,838	10,257	17,863	12,246	12,869	11,476	13,116	2,019	1,703	1,831
Miscellaneous	328,899	590,813	442,370	321,364	269,353	234,695	254,446	135,714	459,616	79,857
State Sources	32,475,775	34,356,622	35,417,799	32,740,067	30,800,107	31,780,934	33,289,817	32,923,520	32,656,724	32,990,725
Federal Sources	1,603,082	1,410,109	1,409,550	1,400,242	4,906,939	1,644,594	2,316,332	1,365,962	1,257,317	1,393,346
<b>Total Revenue</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>76,086,668</b>	<b>78,901,333</b>	<b>77,366,642</b>	<b>76,268,937</b>	<b>76,165,127</b>
<b>Expenditures</b>										
<b>Instruction:</b>										
Regular Instruction	22,645,847	22,405,007	23,298,894	23,606,221	23,408,427	21,757,409	22,415,712	22,458,373	22,703,847	22,313,175
Special Education Instruction	5,749,230	6,043,003	6,390,338	6,480,799	7,164,582	7,558,540	6,955,494	6,543,061	5,686,075	5,502,810
Other Instruction	459,432	538,950	587,193	586,178	537,056	91,530	92,229	93,613	67,975	70,766
School-Sponsored Instruction	876,389	922,631	971,070	958,839	1,044,974	876,307	907,553	950,455	1,037,370	1,083,638
<b>Support Services:</b>										
Tuition	1,940,689	2,208,728	2,200,228	2,953,467	2,403,848	2,114,852	2,417,264	2,512,432	2,809,801	2,366,014
Student & Instruction Related Services	5,995,993	6,039,023	6,842,403	6,663,972	6,726,320	7,329,984	7,432,411	7,589,209	8,489,068	9,582,214
General Administrative Services	1,261,085	1,283,533	1,254,752	1,183,946	1,192,463	1,202,753	1,192,050	1,195,280	1,316,306	1,171,592
School Administrative Services	2,613,807	2,566,203	2,867,459	2,916,777	2,854,947	2,679,392	2,683,045	2,690,594	2,732,262	2,667,399
Central Services and Administrative Information Technology	966,636	1,029,759	1,135,728	1,013,922	785,793	967,029	701,803	751,025	784,727	697,832
Plant Operations and Maintenance	4,369,957	4,963,729	6,673,646	5,449,073	5,115,306	5,974,024	5,968,395	5,669,752	6,247,704	89,250
Student Transportation	5,621,967	5,524,982	5,825,378	6,102,701	6,347,776	5,281,443	5,090,314	4,767,150	5,008,281	6,262,441
Unallocated Benefits	13,060,107	14,969,418	16,261,606	15,016,247	17,458,842	16,153,003	16,759,013	17,668,523	16,275,751	16,718,479
Charter Schools	138,538	171,792	251,455	587,106	218,292	275,034	508,652	518,587	522,027	582,486
Capital Outlay	435,520	1,339,486	5,338,402	359,096	424,354	682,662	1,235,055	3,677,328	5,035,272	830,469
<b>Debt Service:</b>										
Principal	1,285,000	1,285,000	1,200,000	1,398,000	1,400,000	1,485,000	1,470,000	1,580,000	1,565,000	1,580,000
Interest and Other Charges	780,253	714,303	896,920	833,520	762,328	699,935	639,979	583,166	520,428	456,654
<b>Total Expenditures</b>	<b>68,200,450</b>	<b>72,005,547</b>	<b>81,993,464</b>	<b>76,107,855</b>	<b>77,843,298</b>	<b>75,128,897</b>	<b>76,468,969</b>	<b>79,248,548</b>	<b>80,801,894</b>	<b>77,107,842</b>
<b>Excess/(Deficiency) of Revenue Over/(Under) Expenditures</b>	<b>(692,004)</b>	<b>1,884,267</b>	<b>(6,330,432)</b>	<b>(2,474,924)</b>	<b>(1,184,900)</b>	<b>957,771</b>	<b>2,432,364</b>	<b>(1,881,906)</b>	<b>(4,532,957)</b>	<b>(942,715)</b>

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

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing Sources/(Uses):										
Bond Sale Proceeds		\$ 6,222,000						\$ 5,645,000		
Bond Premium								390,701		
Capital Leases							\$ 552,803		\$ 500,000	
Transfers In	\$ 172,480	132,869	\$ 89,808	\$ 2,174	\$ 230,988	\$ 62,484		9,483	1,892	\$ 317
Transfers Out	(172,480)	(132,869)	(89,808)	(2,174)	(230,988)	(62,484)		(9,483)	(1,892)	(317)
Total Other Financing Sources/(Uses)		6,222,000					552,803	6,035,701	500,000	
Net Change in Fund Balances	\$ (692,004)	\$ 8,106,267	\$ (6,330,432)	\$ (2,474,924)	\$ (1,184,900)	\$ 957,771	\$ 2,985,167	\$ 4,153,795	\$ (4,032,957)	\$ (942,715)
Debt Service as a Percentage of Noncapital Expenditures	3.05%	2.83%	2.74%	2.95%	2.79%	2.93%	2.80%	2.86%	2.75%	2.67%

Source: School District Financial Reports

Exhibit J-5

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Other Refunds	Rentals - Use of Facilities	Energy Savings Incentive	Other	Total
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
2011	114,847	405,247	69,960			61,364	651,418
2012	131,164	317,952	62,237			63,357	574,710
2013	29,675	174,403	24,999			67,162	296,239
2014	18,929	155,666	35,719		\$ 354,740	43,938	608,992
2015	17,728	172,397	18,933			43,202	252,260

Source: Vernon Township Board of Education records



VERNON TOWNSHIP BOARD OF EDUCATION  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN 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)
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
2010	95,447,800	2,437,889,600	36,506,100	1,472,280	209,506,600	16,395,300	2,686,700	2,799,904,380	204,476,400	4,998,651	2,804,903,031	1.470	3,188,592,155
2011	92,851,200	2,403,969,900	34,891,200	1,598,180	184,011,300	15,879,400	2,686,700	2,735,887,880	204,922,300	4,934,872	2,740,822,752	1.546	3,000,074,525
2012	89,910,300	2,376,426,900	37,349,000	1,629,500	176,349,100	14,966,200	2,686,700	2,699,317,700	206,921,000	6,150,670	2,705,468,370	1.580	2,826,750,577
2013	86,340,300	2,368,048,300	37,068,900	15,552,500	178,334,500	14,966,200	2,686,700	2,702,997,400	209,262,800	6,011,317	2,709,008,717	1.568	2,674,400,040
2014	79,485,400	2,341,223,400	38,844,200	1,579,500	164,078,700	22,460,200	2,686,700	2,650,358,100	189,225,600	5,689,307	2,656,047,407	1.567	2,541,795,901

\* - Revaluation of Property

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
	Basic Rate <sup>a</sup>	General Obligation		Township of Vernon	Sussex County	
		Debt Service <sup>b</sup>	Total Direct			
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
2010	1.43	0.04	1.47	0.58	0.46	2.51
2011	1.50	0.05	1.55	0.60	0.47	2.61
2012	1.53	0.05	1.58	0.59	0.48	2.65
2013	1.52	0.05	1.57	0.58	0.49	2.63
2014	1.52	0.05	1.57	0.57	0.50	2.63

\* - 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.

## Exhibit J-8

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

Taxpayer	2014		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mountain Creek	\$ 41,013,000	1	1.51%
Metairie Corp, ETC	24,730,000	2	0.91%
City of Newark (Watershed)	12,995,600	3	0.48%
Vernon Valley Investors, LLC	11,500,000	4	0.42%
Shinnihon USA, Ltd.	10,590,300	5	0.39%
Tennessee Pipe Line Co.	8,661,400	6	0.32%
SES American, Inc.	6,595,700	7	0.24%
Glenwood Management	5,756,000	8	0.21%
Warwick Valley Telephone Company	4,210,404	9	0.16%
Individual Taxpayer #1	3,800,000	10	0.14%
Total	<u>\$ 129,852,404</u>		<u>4.79%</u>

Taxpayer	2005		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Great Gorge Resort, Inc.	\$ 25,867,300	1	1.80%
Metairie Corp./Carly Corp./Spring Creek Holdings	13,110,583	2	0.91%
Newark Watershed Conservation	10,981,100	3	0.76%
Shinnihon USA, Ltd.	7,566,900	4	0.53%
GE American Communications	7,443,000	5	0.52%
Vernon Valley Associates	7,391,900	6	0.51%
Spa at Crystal Springs	5,523,100	7	0.38%
American Tower Corp.	4,340,100	8	0.30%
Hidden Valley, Inc/Begraft	3,509,200	9	0.24%
Individual Taxpayer #1	2,019,700	10	0.14%
Total	<u>\$ 87,752,883</u>		<u>6.11%</u>

Note: Individual taxpayers may be different in the two years presented.

Source: Municipal Tax Assessor

## Exhibit J-9

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>	
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-
2011	42,009,722	42,009,722	100.00%	-0-
2012	42,709,670	42,709,670	100.00%	-0-
2013	42,765,024	42,765,024	100.00%	-0-
2014	41,737,911	41,737,911	100.00%	-0-
2015	41,526,971	41,526,971	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 TEN 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				
2006	16,228,000	-0-	-0-	-0-		16,228,000	1.49%	645.99
2007	21,165,000	-0-	-0-	-0-		21,165,000	1.83%	844.10
2008	19,965,000	-0-	-0-	-0-		19,965,000	1.63%	797.99
2009	18,567,000	-0-	-0-	-0-		18,567,000	1.50%	745.09
2010	17,167,000	-0-	-0-	-0-		17,167,000	1.43%	691.38
2011	15,682,000	-0-	-0-	-0-		15,682,000	1.34%	655.30
2012	14,212,000	444,286	-0-	-0-		14,656,286	1.21%	615.24
2013	18,277,000	325,078	-0-	-0-		18,602,078	1.52%	789.49
2014	16,672,000	699,797	-0-	-0-		17,371,797	1.41%	749.30
2015	14,922,000	438,977	-0-	-0-		15,360,977	1.26%	669.53

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 TEN 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		
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%	717.35
2011	15,682,000	-0-	15,682,000	0.56%	658.30
2012	14,212,000	-0-	14,212,000	0.52%	603.17
2013	18,277,000	-0-	18,277,000	0.68%	788.35
2014	16,672,000	-0-	16,672,000	0.62%	726.67
2015	14,922,000	-0-	14,922,000	0.56%	654.50

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, 2014  
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	\$ 30,969,351	100.00%	\$ 30,969,351
Sussex County General Obligation Debt	68,100,067	14.71% <sup>a</sup>	<u>10,015,925</u>
Subtotal, Overlapping Debt			40,985,276
Vernon Township School District Direct Debt			<u>16,137,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 57,122,276</u></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 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 2014	
	Vernon Township
Equalized Valuation Basis:	
2012	2,674,180,404
2013	2,568,778,563
2014	2,443,627,236
	\$ 7,686,586,203
Average Equalized Valuation of Taxable Property	\$ 2,562,195,401
Debt Limit (4% of average equalization value) <sup>a</sup>	\$ 102,487,816
Net Bonded School Debt as of June 30, 2015	14,922,000
Legal Debt Margin	\$ 87,565,816

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$91,390,278	\$104,559,482	\$117,158,155	\$126,859,815	\$129,562,774	\$127,291,246	\$121,267,437	\$114,509,741	\$107,960,058	\$ 102,487,816
Total Net Debt Applicable to Limit	16,228,000	21,165,000	19,965,000	18,567,000	17,167,000	15,682,000	14,212,000	18,277,000	16,672,000	14,922,000
Legal Debt Margin	\$75,162,278	\$ 83,394,482	\$ 97,193,155	\$108,292,815	\$112,395,774	\$111,609,246	\$107,055,437	\$ 96,232,741	\$ 91,288,058	\$ 87,565,816
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	17.76%	20.24%	17.04%	14.64%	13.25%	12.32%	11.72%	15.96%	15.44%	14.56%

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>
2006	25,074	\$ 1,158,970,428	\$ 46,222	3.60%
2007	25,019	1,223,754,347	48,913	3.30%
2008	24,919	1,239,545,817	49,743	4.40%
2009	24,830	1,204,627,450	48,515	9.50%
2010	23,931	1,170,943,830	48,930	10.20%
2011	23,822	1,206,584,300	50,650	10.40%
2012	23,562	1,227,698,010	52,105	N/A
2013	23,184	1,227,778,272	52,958	8.80%
2014	22,943	1,215,015,394 ***	52,958 *	N/A
2015	22,799	1,207,389,442 ***	52,958 *	N/A

\* - Latest Sussex County per capita personal income available (2013) was used for calculation purposes.

\*\*\* - Latest available population data (2015) and latest available Sussex County per capita personal income (2013) 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

Exhibit J-15

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

Employer	2014		
	Employees	Rank	Percentage of Total Employment
Crystal Springs Gold & Spa Resort	2,000	1	2.66%
Newton Memorial Hospital	1,200	2	1.59%
Selective Insurance	900	3	1.20%
County of Sussex	830	4	1.10%
Mountain Creek Resort	800	5	1.06%
Vernon Township Board of Education	583	6	0.59%
Ames Rubber Corp.	445	7	0.40%
Shop Rite Supermarkets	301	8	0.40%
Andover Subacute & Rehab Center	300	9	0.40%
Sussex County Community College	300	10	0.38%
<b>Total</b>	<b>7,659</b>		<b>9.78%</b>

Employer	2005		
	Employees	Rank (Optional)	Percentage of Total Employment
Selective Insurance	954	1	2.44%
Andover Subacute & Rehab Center	900	2	2.30%
County of Sussex	800	3	2.04%
Newton Memorial Hospital	800	4	2.04%
Ronetco Supermarkets	757	5	1.93%
Vernon Township Board of Education	629	6	1.61%
F.O. Phoenix, Inc.	600	7	1.53%
Mountain Creek Resort	450	8	1.15%
Hopatcong Board of Education	380	9	0.97%
Wal-Mart	300	10	0.77%
<b>Total</b>	<b>6,570</b>		<b>16.78%</b>

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction:										
Regular	309.5	292.0	288.0	296.0	273.0	255.0	255.0	254.0	249.0	238.0
Special Education	170.0	170.0	174.0	177.0	181.0	162.0	167.0	149.0	146.0	157.0
Other Instruction	8.0	7.0	7.0	7.0	7.0	6.0	6.0	4.0	5.0	6.0
Support Services:										
Student & Instruction Related Services	45.0	48.0	53.0	42.0	61.0	80.0	80.0	75.0	71.0	67.0
School Administrative Services	40.0	44.0	43.0	41.5	46.0	43.0	43.0	41.0	44.0	43.0
General Administrative Services	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Plant Operations and Maintenance	53.5	56.0	56.0	53.5	54.0	52.0	53.0	55.0	54.0	56.0
Pupil Transportation	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Business and Other Support Services	9.0	9.0	9.0	8.0	9.0	9.0	9.0	8.0	9.0	9.0
Total	<u>642.0</u>	<u>633.0</u>	<u>637.0</u>	<u>632.0</u>	<u>638.0</u>	<u>614.0</u>	<u>620.0</u>	<u>593.0</u>	<u>585.0</u>	<u>583.0</u>

Source: District Personnel Records

VERNON TOWNSHIP BOARD OF EDUCATION  
OPERATING STATISTICS  
LAST TEN 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				
2006	5,201	\$ 65,699,677	\$ 12,632.12	4.67%	442	1:12.70	1:11.30	1:11.17	5,201	4,754	-0.77%	91.40%
2007	4,929	68,666,758	13,931.17	10.28%	434	1:10.63	1:12.30	1:11.31	4,929	4,570	-5.23%	92.72%
2008	4,657	74,558,142	16,009.91	14.92%	435	1:10.72	1:10.72	1:10.67	4,657	4,322	-5.52%	92.80%
2009	4,461	73,517,239	16,479.99	2.94%	422	1:11.91	1:10.03	1:10.89	4,461	4,169	-4.21%	93.40%
2010	4,232	75,256,616	17,782.75	7.91%	412	1:12.18	1:10.01	1:10.21	4,232	3,974	-5.13%	93.31%
2011	4,013	72,261,300	18,006.80	1.26%	327	1:12.19	1:10.01	1:10.21	4,013	3,737	-5.17%	93.31%
2012	3,735	73,123,935	19,578.03	8.73%	333	1:12.26	1:9.87	1:11.04	3,735	3,508	-6.93%	93.92%
2013	3,610	73,408,054	20,334.64	3.86%	321	1:13.20	1:10.48	1:10.04	3,610	3,372	-3.35%	93.41%
2014	3,487	73,681,194	21,130.25	3.91%	309	1:12.61	1:11.57	1:9.76	3,487	3,272	-3.41%	93.83%
2015	3,316	74,240,719	22,388.64	5.96%	302	1:11.18	1:10.70	1:10.91	3,316	3,106	-4.90%	93.67%

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 TEN FISCAL YEARS  
UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</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	49,683	49,683	49,683	49,683
Capacity (students)	610	610	610	610	610	610	610	610	610	610
Enrollment	650	662	608	591	588	559	559	499	528	467
Cedar Mountain Primary School (1985)										
Square Feet	49,899	49,899	49,899	49,899	49,899	49,899	49,899	49,899	49,899	49,899
Capacity (students)	563	563	563	563	563	563	563	563	563	563
Enrollment	445	448	394	419	401	392	392	369	356	333
Rolling Hills Primary School (1972,1991)										
Square Feet	46,814	46,814	46,814	46,814	46,814	46,814	46,814	46,814	46,814	46,814
Capacity (students)	615	615	615	615	615	615	615	615	615	615
Enrollment	545	505	451	483	460	470	470	420	385	393
Lounsberry Hollow Middle School (1968,1977,1992)										
Square Feet	83,515	83,515	83,515	83,515	83,515	83,515	83,515	83,515	83,515	83,515
Capacity (students)	875	875	875	875	875	875	875	875	875	875
Enrollment	835	744	716	635	622	586	586	561	538	525
Glen Meadow Middle School (1982)										
Square Feet	85,452	85,452	85,452	85,452	85,452	85,452	85,452	85,452	85,452	85,452
Capacity (students)	876	876	876	876	876	876	876	876	876	876
Enrollment	950	817	763	722	649	621	621	564	549	528
Vernon Township High School (1973,1985,1992,1996,1997)										
Square Feet	218,392	218,392	218,392	218,392	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	1,800	1,800	1,800	1,800
Enrollment	1,776	1,753	1,725	1,611	1,512	1,385	1,385	1,197	1,131	1,070
Child Study Team Office										
Square Feet	1,354	1,354	1,354	1,354	1,354	1,354	1,354	1,354	N/A	N/A
Board Office										
Square Feet	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765

Source: School District of Vernon Township Records

Note: Year of original construction along with additions are 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

Facility	Project #(s)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>School Facilities:</u>											
Walnut Ridge	N/A	\$ 115,242	\$ 98,151	\$ 487,754	\$ 90,308	\$ 83,901	\$ 112,807	\$ 148,313	\$ 116,585	\$ 152,282	\$ 293,274
Cedar Mountain	N/A	141,796	116,134	238,771	114,067	97,709	166,396	156,389	198,976	153,592	187,195
Rolling Hills	N/A	86,195	121,487	245,743	74,032	68,796	120,096	157,546	108,626	127,074	176,271
Lounsbury Hollow	N/A	145,241	142,839	401,912	85,981	100,390	133,419	205,990	226,747	189,412	184,327
Glen Meadow	N/A	215,757	192,924	311,119	152,185	141,628	191,489	368,089	366,320	458,231	313,791
Vernon Township High School	N/A	303,134	401,881	608,023	302,057	205,000	292,738	424,243	398,316	515,421	399,960
Total School Facilities		<u>1,007,365</u>	<u>1,073,416</u>	<u>2,293,322</u>	<u>818,630</u>	<u>697,424</u>	<u>1,016,945</u>	<u>1,460,570</u>	<u>1,415,570</u>	<u>1,596,012</u>	<u>1,554,818</u>
<u>Other Facilities:</u>											
Child Study Team and Board Office	N/A	194,821	70,067	70,871	227,766	129,738	172,836	152,014	83,409	120,779	121,359
Grand Total		<u>\$1,202,186</u>	<u>\$1,143,483</u>	<u>\$2,364,193</u>	<u>\$1,046,396</u>	<u>\$ 827,162</u>	<u>\$1,189,781</u>	<u>\$ 1,612,584</u>	<u>\$ 1,498,979</u>	<u>\$ 1,716,791</u>	<u>\$ 1,676,177</u>

N/A - Not Applicable

Source: District records

VERNON TOWNSHIP BOARD OF EDUCATION  
INSURANCE SCHEDULE  
JUNE 30, 2015  
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund:			
Property:			
Building & Personal Property	\$ 250,000,000	Fund Limit	\$ 1,000
Inland Marine - Auto Physical Damage	(Included)		
Comprehensive General Liability including Auto Liability:			
Per Occurrence	5,000,000		
General Aggregate	50,000,000	Fund Aggregate	
Product - Completed Operations	(Included)		
Personal Injury	(Included)		
Fire Damage	2,500,000		
Medical Expenses (excluding students taking part in athletics)	10,000		
Automobile Coverage	(Included)		
Employee Benefits	(Included)		
Environmental Impairment Liability	1,000,000		5,000
Comprehensive Crime Coverage	50,000	Inside/Outside	1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler and Machinery - Property Damage	100,000,000		1,000
Excess Liability	5,000,000		
School Board Legal Liability	5,000,000		10,000
Workers' Compensation:			
Employer's Liability	5,000,000		
Bollinger Insurance:			
Student Accident	5,000,000	Athlete only	
Selective Insurance:			
Public Official Bond - Treasurer of School Monies	500,000		
Public Official Bond - Business Administrator/Board Secretary	500,000		

SINGLE AUDIT SECTION





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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*

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, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), 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 School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Compliance and Other Matters**

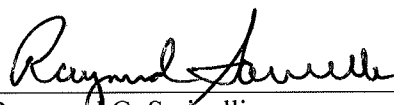
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 20, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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



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Report on Compliance For Each Major Federal and State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the Board of Education of the Vernon Township School District's (the "District's") compliance with the types of compliance requirements described in the *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 District's major federal and state programs for the fiscal year ended June 30, 2015. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal and State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2015.

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

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 20, 2015  
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Spinelli  
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, 2015

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, 2014				Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Adjustment	Balance at June 30, 2015	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Budgetary Accounts Receivable					Budgetary Unearned Revenue	
<b>General Fund:</b>														
U.S. Department of Health and Human Services:														
Medicaid Assistance Program	93.778	N/A	7/1/14-6/30/15	105,269				105,269	\$ (105,269)					
Total General Fund								105,269	(105,269)					
<b>Special Revenue Fund:</b>														
U.S. Department of Education Passed-through State Department of Education:														
No Child Left Behind Consolidated Grant:														
Title I	84.010	NCLB536015	7/1/14-6/30/15	225,034				123,035	(224,449)				\$ (101,414)	
Title I	84.010	NCLB536014	7/1/13-6/30/14	229,571	(50,858)			50,858						
Total Title I					(50,858)			173,893	(224,449)				(101,414)	
Title II, Part A	84.367	NCLB536015	7/1/14-6/30/15	185,141				107,129	(184,020)				(76,891)	
Title II, Part A	84.367	NCLB536014	7/1/13-6/30/14	169,884	(12,790)			12,790						
Total Title II, Part A					(12,790)			119,919	(184,020)				(76,891)	
Special Education Cluster:														
I.D.E.A. Part B, Basic	84.027	IDEA536015	7/1/14-6/30/15	830,333				723,925	(830,333)				(106,408)	
I.D.E.A. Part B, Basic	84.027	IDEA536014	7/1/13-6/30/14	810,510	(374,268)			374,268						
I.D.E.A. Part B, Preschool	84.173	IDEA536015	7/1/14-6/30/15	28,100				28,100	(28,100)					
I.D.E.A. Part B, Preschool	84.173	IDEA536014	7/1/13-6/30/14	28,292	(5,290)			5,290						
Special Education Cluster Subtotal					(379,558)			1,131,583	(858,433)				(106,408)	
Carl D. Perkins Secondary Education	84.048	PERK536015	7/1/14-6/30/15	14,521				12,060	(12,060)					
Carl D. Perkins Secondary Education	84.048	PERK536014	7/1/13-6/30/14	14,462	(10,106)			10,106						
					(10,106)			22,166	(12,060)					
State Fiscal Stabilization Fund (SFSF):														
ARRA - Race-to-the-Top	84.395	N/A	9/1/10-8/31/15	12,472	(2,528)			2,528						
Total U.S. Department of Education					(455,840)			1,450,089	(1,278,962)				(284,713)	
Total Special Revenue Fund					(455,840)			1,450,089	(1,278,962)				(284,713)	

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2014			Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Adjustment	Balance at June 30, 2015	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Unearned Revenue
<u>Enterprise Fund</u>													
U.S. Department of Agriculture:													
Child Nutrition Program Cluster:													
Food Distribution Program	10.555	N/A	7/1/14-6/30/15	\$ 36,363			\$ 36,363	\$ (35,193)				\$ 1,170	
Food Distribution Program	10.555	N/A	7/1/13-6/30/14	34,433		\$ 644		(644)					
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	265,179			241,197	(265,179)				\$ (23,982)	
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	271,775	\$ (25,418)		25,418					(3,453)	
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	29,406			25,953	(29,406)				(12)	
School Breakfast Program	10.553	N/A	7/1/13-6/30/14	13,639	(1,476)		1,476						
Special Milk Program for Children	10.556	N/A	7/1/14-6/30/15	117			104	(116)					
Special Milk Program for Children	10.556	N/A	7/1/13-6/30/14	251	(28)		28						
Child Nutrition Program Cluster Subtotal					(26,922)	644	330,539	(330,538)				(27,447)	1,170
Total Enterprise Fund					(26,922)	644	330,539	(330,538)				(27,447)	1,170
Total Federal Awards					\$ (482,762)	\$ 644	\$ -0-	\$ 1,885,897	\$ (1,714,769)	\$ -0-	\$ -0-	\$ (312,160)	\$ 1,170

N/A - Not Applicable

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO		
				Budgetary Accounts Receivable	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
<b>New Jersey Department of Education</b>												
<u>General Fund:</u>												
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$ 14,888,366			\$ 13,407,582	\$ (14,888,366)			\$ (1,480,784)	\$ 14,888,366	
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	2,093,078			1,884,902	(2,093,078)			(208,176)	2,093,078	
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	326,271			293,821	(326,271)			(32,450)	326,271	
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	5,374,325			4,839,799	(5,374,325)			(534,526)	5,374,325	
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	2,202,151			1,983,127	(2,202,151)			(219,024)	2,202,151	
PARCC Readiness	15-495-034-5120-098	7/1/14-6/30/15	33,480			30,150	(33,480)			(3,330)	33,480	
Per Pupil Growth	15-495-034-5120-097	7/1/14-6/30/15	33,480			30,150	(33,480)			(3,330)	33,480	
Extraordinary Special Education Costs	15-100-034-5120-473	7/1/14-6/30/15	673,036				(673,036)	\$ (673,036)		(673,036)	673,036	
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	27,101				(27,101)	(27,101)		(27,101)	27,101	
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	2,204,400			2,092,845	(2,204,400)	(111,554)		(111,554)	2,204,400	
Homeless Tuition Reimbursement	N/A	7/1/14-6/30/15	7,267				(7,267)	(7,267)		(7,267)	7,267	
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	14,888,366	\$ (1,476,339)		1,476,339					14,888,366	
Special Education Aid	14-495-034-5120-089	7/1/13-6/30/14	2,093,078	(207,551)		207,551					2,093,078	
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	326,271	(32,353)		32,353					326,271	
Adjustment Aid	14-495-034-5120-085	7/1/13-6/30/14	5,263,253	(521,907)		521,907					5,263,253	
School Choice Aid	14-495-034-5120-068	7/1/13-6/30/14	194,376	(19,274)		19,274					194,376	
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	2,202,151	(218,367)		218,367					2,202,151	
Extraordinary Special Education Costs	14-100-034-5120-473	7/1/13-6/30/14	1,105,225	(1,093,805)		1,105,225	(11,420)				1,105,225	
Nonpublic Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	22,090	(22,090)		22,090					22,090	
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13-6/30/14	2,176,852	(108,056)		108,056					2,176,852	
Homeless Tuition Reimbursement	N/A	7/1/13-6/30/14	38,948	(38,948)		38,948					38,948	
<b>Total General Fund State Aid</b>				<b>(3,738,690)</b>		<b>28,312,487</b>	<b>(27,874,375)</b>		<b>(818,958)</b>	<b>(3,300,578)</b>	<b>56,173,565</b>	
<u>Special Revenue Fund:</u>												
<b>New Jersey Nonpublic Aid:</b>												
<b>Nonpublic Auxiliary Services:</b>												
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	3,583			3,583	(2,687)		\$ 896		2,687	
<b>Nonpublic Auxiliary Services:</b>												
Compensatory Education	14-100-034-5120-067	7/1/13-6/30/14	3,424		342				342		3,082	
<b>Nonpublic Handicapped Services:</b>												
Examination and Classification	15-100-034-5120-066	7/1/14-6/30/15	2,704			2,704	(1,974)		730		1,974	
Examination and Classification	14-100-034-5120-066	7/1/13-6/30/14	2,072		665				665		1,407	
Supplementary Instruction	15-100-034-5120-066	7/1/14-6/30/15	1,767			1,767	(1,747)		20		1,747	
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	1,388		139				139		1,249	
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	1,569			1,569	(1,414)		155		1,414	
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	781		156				156		625	
Textbook Aid	15-100-034-5120-064	7/1/14-6/30/15	1,430			1,430	(1,430)				1,430	
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	823		110				110		713	
Nursing Services	15-100-034-5120-070	7/1/14-6/30/15	2,751			2,751	(1,376)		1,375		1,376	
Nursing Services	14-100-034-5120-070	7/1/13-6/30/14	1,775		154				154		1,621	
Technology Initiative	15-100-034-5120-373	7/1/14-6/30/15	768			768	(768)				768	
Technology Initiative	14-100-034-5120-373	7/1/13-6/30/14	300		40				40		260	
<b>Total Special Revenue Fund</b>					<b>1,606</b>	<b>14,572</b>	<b>(11,396)</b>		<b>4,782</b>		<b>20,353</b>	

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
<u>Debt Service Fund:</u>												
Debt Service Aid - State Support	15-495-034-5120-125	7/1/14-6/30/15	799,768			\$ 799,768	\$ (799,768)					\$ 799,768
Total Debt Service Fund						799,768	(799,768)					799,768
<u>Enterprise Fund</u>												
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	\$ 8,878			8,071	(8,878)		\$ (807)		\$ (807)	8,878
State School Lunch Program	14-100-010-3350-023	7/1/13-6/30/14	9,480	\$ (864)		864						9,480
Total Enterprise Fund				(864)		8,935	(8,878)		(807)		(807)	18,358
Total State Awards				\$ (3,739,554)	\$ 1,606	\$ 29,135,762	\$(28,694,417)	\$ -0-	\$ (819,765)	\$ 4,782	\$ (3,301,385)	\$57,012,044

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, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Vernon Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the 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 (\$5,829) for the general fund and (\$2,143) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$1667,200 and \$2,646,680 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	\$ 105,269	\$ 32,182,426	\$ 32,287,695
Special Revenue Fund	1,288,077	8,531	1,296,608
Debt Service Fund		799,768	799,768
Food Service Fund	330,538	8,878	339,416
Total Financial Assistance	<u>\$ 1,723,884</u>	<u>\$ 32,999,603</u>	<u>\$ 34,723,487</u>

VERNON TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(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 fiscal year ended June 30, 2015.

VERNON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District programs tested as major federal and state programs for the current fiscal year consisted of the following:

	C.F.D.A./ State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B, Basic	84.027	7/1/14 - 6/30/15	\$ 830,333	\$ 830,333
I.D.E.A. Part B, Preschool	84.173	7/1/14 - 6/30/15	28,100	28,100
Child Nutrition Program Cluster:				
Food Distribution Program	10.555	7/1/14 - 6/30/15	36,363	35,193
Food Distribution Program	10.555	7/1/13 - 6/30/14	34,433	644
National School Lunch Program	10.555	7/1/14 - 6/30/15	265,179	265,179
Special Milk Program for Children	10.556	7/1/14 - 6/30/15	117	116
<u>State:</u>				
State Aid - Public:				
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	14,888,366	14,888,366
Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	2,093,078	2,093,078
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	326,271	326,271
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	5,374,325	5,374,325
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	33,480	33,480
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	33,480	33,480
Extraordinary Special Education Costs	15-100-034-5120-473	7/1/14 - 6/30/15	673,036	673,036

- 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 \$860,832.
- The District was determined to be a "low-risk" auditee for federal and state programs.

VERNON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular or NJ OMB 04-04 and 15-08.

VERNON TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

There were no prior year findings.