

VERNON TOWNSHIP SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

VERNON TOWNSHIP BOARD OF EDUCATION

Vernon, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Vernon Township Board of Education
Business Office**

VERNON TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION

Independent Auditors' Report	10
Required Supplementary Information	13
Management's Discussion and Analysis (Unaudited).....	14
Basic Financial Statements (Sections A. and B.).....	23
A. District-Wide Financial Statements	24
A-1 Statement of Net Position	25
A-2 Statement of Activities	26
B. Fund Financial Statements	28
B-1 Balance Sheet – Governmental Funds.....	29
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	31
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	32
B-4 Statement of Net Position – Proprietary Funds	34
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	35
B-6 Statement of Cash Flows – Proprietary Funds	36
B-7 Statement of Fiduciary Net Position – Fiduciary Funds.....	37
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	38
Notes to the Basic Financial Statements	39

Required Supplementary Information (Unaudited)

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited).....	73
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System	73
L-2 Schedule of District Contributions – Public Employees Retirement System.....	74
L-3 Schedule of District's Proportionate Share of the Net Pension Liability – Teachers' Pension and Annuity Fund	75
Notes to Required Supplementary Information.....	76
C. Budgetary Comparison Schedules (Unaudited)	77
C-1 Budgetary Comparison Schedule – General Fund	78
C-2 Budgetary Comparison Schedule - Special Revenue Fund	90
C-3 Budgetary Comparison Schedule – Note to RSI	91

VERNON TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

FINANCIAL SECTION (Cont'd)

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable)	
E. Special Revenue Fund.....	93
E-1 Combining Schedule of Program Revenue and Expenditures - Special Revenue Fund – Budgetary Basis	94
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	97
F. Capital Projects Fund (Not Applicable)	98
G. Proprietary Funds.....	99
G-1 Statement of Net Position Food Service Enterprise Fund	100
G-2 Statement of Revenue, Expenses and Changes in Fund Net Position Food Service Enterprise Fund.....	101
G-3 Statement of Cash Flows Food Service Enterprise Fund	102
H. Fiduciary Funds.....	103
H-1 Combining Statement of Net Position.....	104
H-2 Combining Statement of Changes in Net Position	105
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	106
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....	107
I. Long-Term Debt.....	108
I-1 Schedule of Serial Bonds.....	109
I-2 Schedule of Serial Bonds – Energy Savings Improvement Program Refunding Bonds	110
I-3 Schedule of Obligations Under Capital Leases	111
I-4 Debt Service Fund Budgetary Comparison Schedule (Unaudited).....	112
J. STATISTICAL SECTION (Unaudited).....	113
J-1 Net Position by Component.....	114
J-2 Changes in Net Position	115
J-3 Fund Balances - Governmental Funds	117
J-4 Changes in Fund Balances - Governmental Funds.....	118
J-5 General Fund Other Local Revenue by Source	120
J-6 Assessed Value and Actual Value of Taxable Property	121
J-7 Direct and Overlapping Property Tax Rates.....	122
J-8 Principal Property Taxpayers, Current and Nine Years Ago	123
J-9 Property Tax Levies and Collections	124
J-10 Ratios of Net Outstanding Debt by Type	125
J-11 Ratios of Net General Bonded Debt Outstanding	126
J-12 Ratios of Overlapping Governmental Activities Debt	127
J-13 Legal Debt Margin Information	128

VERNON TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

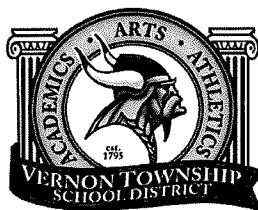
J. STATISTICAL SECTION (Unaudited) (Cont'd)

J-14	Demographic and Economic Statistics.....	129
J-15	Principal Employers, Current and Nine Years Ago	130
J-16	Full-time Equivalent District Employees by Function/Program	131
J-17	Operating Statistics	132
J-18	General Fund - School Building Information	133
J-19	Schedule of Allowable Maintenance Expenditures by School Facility	134
J-20	Insurance Schedule	135

K. SINGLE AUDIT SECTION.....136

K-1	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	137
K-2	Independent Auditors' Report on Compliance for Each Major Federal and State Program; Report on internal Control over Compliance.....	139
	Schedule of Expenditures of Federal Awards.....	141
	Schedule of Expenditures of State Awards.....	143
	Notes to the Schedules of Expenditures of Federal and State Awards	145
	Schedule of Findings and Questioned Costs.....	147
	Summary Schedule of Prior Audit Findings	149

INTRODUCTORY SECTION



OFFICE OF THE BUSINESS ADMINISTRATOR/BOARD SECRETARY
 539 Route 515 • P.O. Box 99 • Vernon, NJ 07462 • Voice (973) 764-2900 • Fax (973) 764-0735
www.vtsd.com

Charles McKay
 Assistant Superintendent
cmckay1@vtsd.com

Arthur DiBenedetto
 Superintendent of Schools
adibenedetto@vtsd.com

Steven A. Kepnes
 Business Administrator/Board Secretary
skepnes@vtsd.com

September 21, 2016

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, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditor's Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *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 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
Page 2

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 2015-2016 school year with an Average Daily Enrollment (ADE) of 3,186, which is 130 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%
2016	3,186	-3.92%

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 implemented 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. The Board of Education continues to monitor student enrolment, in order to make decisions related to the future use of the facilities in the District.

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

3) MAJOR INITIATIVES:

During the 2015-16 school year, the Vernon Township School District continued to work with instruction based around the Common Core Standards. The goal was to ensure students reach their maximum potential and show appropriate educational progress. The second year of PARCC testing was completed and the District was extremely successful with testing a much greater percentage of the student population. An increase in band width will be implemented during the summer of 2016 in anticipation of greater technology needs in the upcoming years.

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 continue to 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 2015-16 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.

During the 2015-2016 school year, the District applied for a \$500,000 grant related to Career and Technical Education (CTE) programs. Towards the end of the school year, the District was informed that its application was successful and will realize approximately \$100,000 of the grant during the first of five years; 2016-2017. Five CTE's were developed during the winter and spring months of 2016 and will be implemented during the 2016-2017 school year. Administration has proactively informed students and their parents for the purpose of keeping as many Vernon students in the Vernon Schools. This effort has been successful, resulting in students deciding to continue their education in-district, as opposed to attending other schools, such as Sussex Technical School and Pope John.

4) INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data 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.

The Honorable President and Members
of the Board of Education
Vernon Township School District
Page 4

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 a voter of the Board of Education. 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 re-appropriated are reported as restrictions, assignments or commitments of fund balance at June 30, 2016.

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.

The Honorable President and Members
of the Board of Education
Vernon Township School District
Page 5

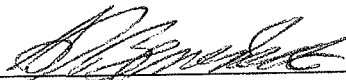
9) OTHER INFORMATION:

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 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.

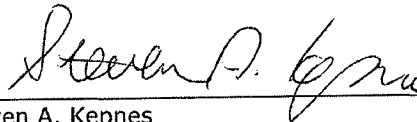
10) ACKNOWLEDGEMENTS:

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,



Arthur DiBenedetto
Superintendent



Steven A. Kepnes
Business Administrator

VERNON TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 June 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
David Zweier, President	2016
Brad Sparta	2018
Robert Walsh	2017
Edward A. DeYoung	2017
Cynthia Auberger, Vice President	2017
William J. Higgins	2016
Theresa Coughlin	2018
Lori LePera	2016
John F. McGowan	2016

Other Officers

Arthur DiBenedetto, Superintendent of Schools
 Steven A. Kepnes, Business Administrator/Board Secretary
 Charles McKay, D. Litt, Assistant Superintendent

Vernon Township Public Schools

Vernon Township High School

Timothy Dunnigan, Principal
 Drew Krause, K-12 Supervisor of Student Services
 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

Edwina Piszczek, Principal
 Nicholas Demsak, 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

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

Attorney (General Matters)

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

Attorney (Personnel, Negotiations, and Construction)

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

Attorney (Special Education)

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

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, 2016, 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
Page 2

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, 2016, 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.

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

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 and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

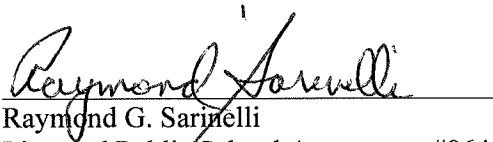
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016 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.

September 21, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



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, 2016. 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 \$86.87 million.
- Overall expenditures were \$86.94 million
- Enrollment in the District has been slightly decreasing for the last several years.

Overview of the Financial Statements

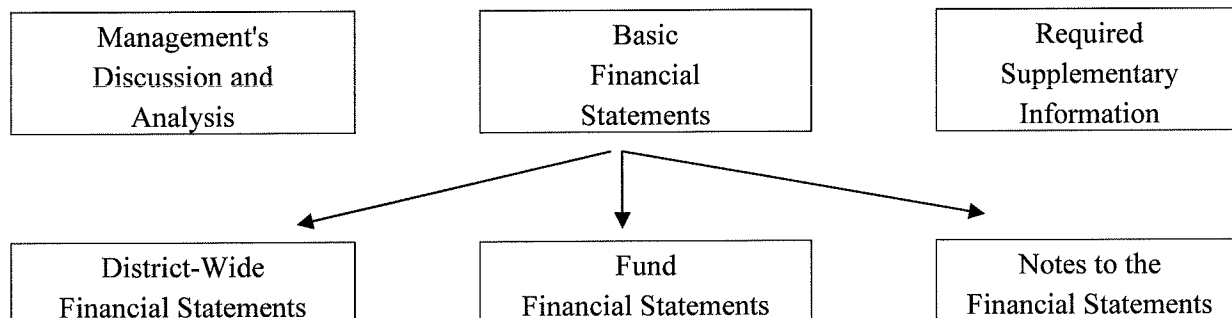
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

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

- *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 decreased by \$70,087. Net position from governmental activities decreased by \$129,826 offset by an increase of net position from business activities of \$59,739. Net investment in capital assets increased by \$585,685, restricted net position decreased by \$73,401, and unrestricted net position decreased by \$582,371.

Figure A-3

	Condensed Statement of Net Position						Total Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Current and Other Assets	\$ 4,121,540	\$ 4,147,959	\$ 279,748	\$ 269,203	\$ 4,401,288	\$ 4,417,162	-0.36%
Capital Assets, Net	29,279,608	30,726,086	174,878	157,574	29,454,486	30,883,660	-4.63%
Total Assets	<u>33,401,148</u>	<u>34,874,045</u>	<u>454,626</u>	<u>426,777</u>	<u>33,855,774</u>	<u>35,300,822</u>	-4.09%
Deferred Outflows of Resources	<u>2,686,765</u>	<u>765,904</u>			<u>2,686,765</u>	<u>765,904</u>	250.80%
Long-Term Liabilities	34,099,490	33,354,590			34,099,490	33,354,590	2.23%
Other Liabilities	543,144	261,118	49,030	80,920	592,174	342,038	73.13%
Total Liabilities	<u>34,642,634</u>	<u>33,615,708</u>	<u>49,030</u>	<u>80,920</u>	<u>34,691,664</u>	<u>33,696,628</u>	2.95%
Deferred Inflows of Resources	<u>843,638</u>	<u>1,292,774</u>			<u>843,638</u>	<u>1,292,774</u>	-34.74%
Net Position:							
Net Investment in Capital Assets	16,202,562	15,634,181	174,878	157,574	16,377,440	15,791,755	3.71%
Restricted	3,572,606	3,646,007			3,572,606	3,646,007	-2.01%
Unrestricted/(Deficit)	<u>(19,173,527)</u>	<u>(18,548,721)</u>	<u>230,718</u>	<u>188,283</u>	<u>(18,942,809)</u>	<u>(18,360,438)</u>	-3.17%
Total Net Position	<u>\$ 601,641</u>	<u>\$ 731,467</u>	<u>\$ 405,596</u>	<u>\$ 345,857</u>	<u>\$ 1,007,237</u>	<u>\$ 1,077,324</u>	-6.51%

Changes in Net Position. The District's combined net position was \$1,007,237 June 30, 2016, or \$70,087 less than it was the year before. (See Figure A-3). The decrease in the District's combined net position is primarily due to the fact that there was a slight decrease in certain State Aid, all other revenues and expenses came in as budgeted. Additionally there was an increase in net position of \$59,739 in business-type activities.

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

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Revenue:							
Program Revenue:							
Charges for Services	\$ 104,575	\$ 172,397	\$ 772,307	\$ 718,885	\$ 876,882	\$ 891,282	-1.62%
Operating Grants & Contributions	23,086,234	20,455,722	316,936	339,416	23,403,170	20,795,138	12.54%
General Revenue:							
Property Taxes	40,747,544	41,526,971			40,747,544	41,526,971	-1.88%
Unrestricted Federal & State Aid	21,587,036	21,556,412			21,587,036	21,556,412	0.14%
Other	250,382	80,180	480	485	250,862	80,665	210.99%
Total Revenue	<u>85,775,771</u>	<u>83,791,682</u>	<u>1,089,723</u>	<u>1,058,786</u>	<u>86,865,494</u>	<u>84,850,468</u>	2.37%
Expenses:							
Instruction	48,558,352	45,536,581			48,558,352	45,536,581	6.64%
Pupil and Instruction Services	16,404,535	16,620,550			16,404,535	16,620,550	-1.30%
Administrative and Business	6,408,246	6,645,068			6,408,246	6,645,068	-3.56%
Maintenance and Operations	7,102,309	7,164,009			7,102,309	7,164,009	-0.86%
Transportation	4,967,532	5,179,050			4,967,532	5,179,050	-4.08%
Other	2,464,623	2,520,004	1,029,984	1,044,813	3,494,607	3,564,817	-1.97%
Total Expenses	<u>85,905,597</u>	<u>83,665,262</u>	<u>1,029,984</u>	<u>1,044,813</u>	<u>86,935,581</u>	<u>84,710,075</u>	2.63%
Increase/(Decrease) in Net Position	<u>\$ (129,826)</u>	<u>\$ 126,420</u>	<u>\$ 59,739</u>	<u>\$ 13,973</u>	<u>\$ (70,087)</u>	<u>\$ 140,393</u>	-149.92%

Revenue Sources. The District's total revenue for the school year was \$86,865,494, (See Figure A-4). Property taxes accounted for almost half of the District's revenue in the amount of \$40,747,544 of the total, or 46.91 percent. (See Figure A-5). Approximately 51.79 percent came from state and federal aid and the remainder from miscellaneous sources.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2016**

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 21,587,036	24.85%
Property Taxes	40,747,544	46.91%
Federal and State Categorical Grants	23,403,170	26.94%
Charges for Services	876,882	1.01%
Other	250,862	0.29%
	<u>\$ 86,865,494</u>	<u>100.00%</u>

The total cost of all programs and services was \$86,935,581. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (80.44 percent). (See Figure A-6). The District's administrative and maintenance and operations costs accounted for 15.54 percent of total costs. It is important to remember that \$1,706,949 in depreciation is included in expenses for the year.

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

**Figure A-6
Sources of School District Expenses - Fiscal Year 2016**

Expense Category:	Amount	Percentage
Instruction	\$ 48,558,352	55.86%
Pupil and Instruction Services	16,404,535	18.87%
Administrative and Business	6,408,246	7.37%
Maintenance and Operations	7,102,309	8.17%
Transportation	4,967,532	5.71%
Other	3,494,607	4.02%
	<u>\$ 86,935,581</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 completed a solar project that will off-set electric costs related to Rolling Hills Elementary School and Lounsberry Hollow Middle school.

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:

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

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

	Total Costs of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 48,558,352	\$ 45,536,581	\$ 30,441,269	\$ 30,514,954
Pupil and Instruction Services	16,404,535	16,620,550	14,677,035	14,158,685
Administrative and Business	6,408,246	6,645,068	5,310,594	5,729,036
Maintenance and Operations	7,102,309	7,164,009	7,102,309	7,164,009
Transportation	4,967,532	5,179,050	2,718,958	2,950,455
Other	2,464,623	2,520,004	2,464,623	2,520,004
	<u>\$ 85,905,597</u>	<u>\$ 83,665,262</u>	<u>\$ 62,714,788</u>	<u>\$ 63,037,143</u>

- The cost of all governmental activities this year was \$85.91 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$44.67 million.
- Approximately \$40.75 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 \$59,739, (Refer to Figure A-4). Factors contributing to these results included:

- Food service revenues exceeded expenses by \$59,739, 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 and an increase in current year revenue over last 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.

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

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Land	\$ 1,935,348	\$ 1,935,348			\$ 1,935,348	\$ 1,935,348	0.00%
Site Improvements	601,865	671,385			601,865	671,385	-10.35%
Building and Building Improvements	25,053,635	26,412,007			25,053,635	26,412,007	-5.14%
Machinery and Equipment	1,688,760	1,707,346	\$ 174,878	\$ 157,574	1,863,638	1,864,920	-0.07%
Total Capital Assets (Net)	<u>\$ 29,279,608</u>	<u>\$ 30,726,086</u>	<u>\$ 174,878</u>	<u>\$ 157,574</u>	<u>\$ 29,454,486</u>	<u>\$ 30,883,660</u>	-4.63%

- The change in Capital Assets is a result of the acquisition of assets net of deletions and related accumulated depreciation, in the amount of \$216,950 offset by depreciation expense of \$1,706,949.

Long-term Liabilities

At year-end, the District had a net of \$13,065,000 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 Liabilities

	Total School District		Percentage Change
	2015/2016	2014/2015	
School Bonds (including energy savings)	\$ 13,065,000	\$ 14,922,000	-12.44%
Net Pension Liability	18,578,509	15,799,844	17.59%
Other Long-Term Liabilities	2,455,981	2,632,746	-6.71%
	<u>\$ 34,099,490</u>	<u>\$ 33,354,590</u>	<u>2.23%</u>

- The District completed a bond refunding during the year. The District retired \$1,825,000 of debt, issued \$7,490,000, and defeased \$7,522,000.
- Compensated absences payable increased by a net amount of \$1,802.
- The District has \$260,410 in outstanding capital leases and paid down \$178,567 during the year.
- The District had a net increase of \$2,778,665 in net pension liability.

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

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.
- Statutes 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 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. The District has significantly reduced costs related to the District's electric costs.
- The District has applied for a \$500,000 grant that will be paid over 5 years, towards new Career Technical Education classes that are being implemented. These new programs will not only better prepare the Vernon students for college and careers, it is also believed that these programs will attract new students back into the District. The development of these programs is part of an effort to reverse the declining enrollment that has been experienced over the past several years.
- 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.

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, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 2,239,429	\$ 202,879	\$ 2,442,308
Receivables from Federal Government	107,293	45,405	152,698
Receivables from State Government	886,712	1,309	888,021
Receivables from Other Governments	11,177		11,177
Other Accounts Receivable	24,284		24,284
Inventory		30,155	30,155
Restricted Assets:			
Capital Reserve - Cash and Cash Equivalents	812,175		812,175
Maintenance Reserve - Cash and Cash Equivalents	40,470		40,470
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	<u>27,344,260</u>	<u>174,878</u>	<u>27,519,138</u>
Total Assets	<u>33,401,148</u>	<u>454,626</u>	<u>33,855,774</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Amount on Refunding	248,364		248,364
Changes in Assumptions - Pensions	1,995,183		1,995,183
Difference between Expected and Actual Experience-Pensions	443,218		443,218
Total Deferred Outflows of Resources	<u>2,686,765</u>		<u>2,686,765</u>
<u>LIABILITIES:</u>			
Accounts Payable	129,048	45,388	174,436
Payable to State Government	20,904		20,904
Unamortized Bond Issuance Premium	388,292		388,292
Unearned Revenue	4,900	3,642	8,542
Noncurrent Liabilities:			
Due Within One Year, Net	1,997,524		1,997,524
Due Beyond One Year, Net	<u>32,101,966</u>		<u>32,101,966</u>
Total Liabilities	<u>34,642,634</u>	<u>49,030</u>	<u>34,691,664</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Investment Gains - Pensions	298,707		298,707
Changes in Proportion - Pensions	544,931		544,931
Total Deferred Inflows of Resources	<u>843,638</u>		<u>843,638</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	16,202,562	174,878	16,377,440
Restricted for:			
Capital Projects	812,175		812,175
Debt Service	30,238		30,238
Other Purposes	2,730,193		2,730,193
Unrestricted/(Deficit)	<u>(19,173,527)</u>	<u>230,718</u>	<u>(18,942,809)</u>
Total Net Position	<u>\$ 601,641</u>	<u>\$ 405,596</u>	<u>\$ 1,007,237</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, 2016

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
Governmental Activities:						
Instruction:						
Regular	\$ 37,266,595		\$ 11,143,529	\$ (26,123,066)		\$ (26,123,066)
Special Education	9,601,002	\$ 104,575	6,418,818	(3,077,609)		(3,077,609)
Other Instruction	727,615		450,161	(277,454)		(277,454)
School -Sponsored Instruction	963,140			(963,140)		(963,140)
Support Services:						
Tuition	2,399,426			(2,399,426)		(2,399,426)
Student and Instruction Related Services	14,005,109		1,727,500	(12,277,609)		(12,277,609)
General Administration Services	1,404,819		323,168	(1,081,651)		(1,081,651)
School Administration Services	4,077,831		774,484	(3,303,347)		(3,303,347)
Central Services	799,748			(799,748)		(799,748)
Administrative Information Technology	125,848			(125,848)		(125,848)
Plant Operations and Maintenance	7,102,309			(7,102,309)		(7,102,309)
Pupil Transportation	4,967,532		2,248,574	(2,718,958)		(2,718,958)
Interest on Long-Term Debt	446,365			(446,365)		(446,365)
Unallocated Depreciation	1,445,989			(1,445,989)		(1,445,989)
Capital Outlay	19,022			(19,022)		(19,022)
Transfer to Charter School	553,247			(553,247)		(553,247)
Total Governmental Activities	85,905,597	104,575	23,086,234	(62,714,788)		(62,714,788)
Business-Type Activities:						
Food Service	1,029,984	772,307	316,936		\$ 59,259	59,259
Total Business-Type Activities	1,029,984	772,307	316,936		59,259	59,259
Total Primary Government	86,935,581	876,882	23,403,170	(62,714,788)	59,259	(62,655,529)

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net \$	39,544,525		\$ 39,544,525
Taxes Levied for Debt Service	1,203,019		1,203,019
Federal and State Aid not Restricted	21,587,036		21,587,036
Investment Earnings	24,768	\$ 480	25,248
Miscellaneous Income	225,614		225,614
	62,584,962	480	62,585,442
Total General Revenue			
Change in Net Position	(129,826)	59,739	(70,087)
Net Position - Beginning	731,467	345,857	1,077,324
Net Position - Ending	\$ 601,641	\$ 405,596	\$ 1,007,237

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, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 2,190,935			\$ 48,494	\$ 2,239,429
Interfund Receivable	115,729				115,729
Receivables From Federal Government	2,146	\$ 105,147			107,293
Receivables From State Government	886,712				886,712
Receivables From Other Governments	11,177				11,177
Other Accounts Receivables		24,284			24,284
Restricted Cash and Cash Equivalents	852,645				852,645
Total Assets	\$ 4,059,344	\$ 129,431	\$ -0-	\$ 48,494	\$ 4,237,269
<u>LIABILITIES AND FUND BALANCES:</u>					
Liabilities:					
Interfund Payable		\$ 115,729			\$ 115,729
Accounts Payable	\$ 122,894	6,154			129,048
Payable to State Government		2,648		\$ 18,256	20,904
Unearned Revenue		4,900			4,900
Total Liabilities	122,894	129,431	-	18,256	270,581
Fund Balances:					
Restricted for:					
Excess Surplus - 2017-2018	1,026,849				1,026,849
Excess Surplus - 2016-2017	1,662,874				1,662,874
Capital Reserve Account	812,175				812,175
Maintenance Reserve Account	40,470				40,470
Debt Service				30,238	30,238
Assigned for:					
Other Purposes	394,082				394,082
Total Fund Balances	3,936,450	-	-	30,238	3,966,688
Total Liabilities and Fund Balances	\$ 4,059,344	\$ 129,431	\$ -0-	\$ 48,494	

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 \$63,697,668 and the Accumulated Depreciation is \$34,418,060	29,279,608
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 \$423,591 and accumulated amortization is \$35,299.	(388,292)
The Deferred amount on the refunding is not reported as an expenditure in the governmental funds in the year of the expenditure.	248,364

VERNON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

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.	(18,578,509)
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	1,995,183
Difference between Expected and Actual Experience	443,218
Investments in Gains - Pensions	(298,707)
Changes in Proportions - Pensions	(544,931)
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>(15,520,981)</u>
Net Position of Governmental Activities	<u>\$ 601,641</u>

Exhibit B-2

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 39,544,525			\$ 1,203,019	\$ 40,747,544
Tuition	104,575				104,575
Miscellaneous	250,382	\$ 17,503			267,885
Total - Local Sources	39,899,482	17,503		1,203,019	41,120,004
State Sources	33,019,238	7,005		761,115	33,787,358
Federal Sources	68,205	1,202,380			1,270,585
Total Revenues	72,986,925	1,226,888		1,964,134	76,177,947
EXPENDITURES:					
Current:					
Regular Instruction	21,469,445	375,481			21,844,926
Special Education Instruction	4,824,714	851,407			5,676,121
Other Special Instruction	72,840				72,840
School-Sponsored/Other Instruction	955,010				955,010
Support Services and Undistributed Costs:					
Tuition	2,399,426				2,399,426
Student and Other Instruction Related Services	9,645,472				9,645,472
General Administration Services	935,350				935,350
School Administration Services	2,570,944				2,570,944
Central Services	623,997				623,997
Administrative Information Technology	92,820				92,820
Plant Operations and Maintenance	5,928,600				5,928,600
Student Transportation	4,927,936				4,927,936
Unallocated Benefits	17,709,932				17,709,932
Debt Service:					
Principal				1,645,000	1,645,000
Interest and Other Charges				288,897	288,897
Capital Outlay	326,466				326,466
Transfer of Funds to Charter School	553,247				553,247
Total Expenditures	73,036,199	1,226,888		1,933,897	76,196,984
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(49,274)			30,237	(19,037)
OTHER FINANCING SOURCES/(USES):					
Long Term Debt Issued				7,490,000	7,490,000
Bond Premium				423,591	423,591
Serial Bonds Defeased				(7,522,000)	(7,522,000)
Bond Issuance Costs				(120,648)	(120,648)
Deferred Interest				(270,943)	(270,943)
Total Other Financing Sources/(Uses)					
Net Change in Fund Balances	(49,274)			30,237	(19,037)
Fund Balance - July 1	3,985,724			1	3,985,725
Fund Balance - June 30	\$ 3,936,450	\$ -0-	\$ -0-	\$ 30,238	\$ 3,966,688

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

VERNON TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (19,037)

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	\$ (1,691,395)	
	Capital outlays, net of deletions	<u>244,917</u>	(1,446,478)

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 (+). (1,802)

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.
Proceeds of long-term debt

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. 1,825,000

Proceeds from debt issued for a refunding less the amount of bonds defeased are not recorded in the governmental fund.

	Refunding Bonds Issued	(7,490,000)	
	Refunding Bond Premium	(423,591)	
	Refunding Bond Deferred Interest	270,943	
	School Bonds Defeased	<u>7,522,000</u>	(120,648)

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. 178,567

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. (291,651)

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, 2016

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	\$ (2,778,665)
Deferred Outflows:	
Changes in Assumptions	1,498,351
Difference between Actual and Expected Experience	443,218
Deferred Inflows:	
Net Difference between projected and actual investment earnings on Pension Plan Investments	642,878
Change in Proportions	(193,742)
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>134,183</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u><u>\$ (129,826)</u></u>

Exhibit B-4

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities - Enterprise Funds Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 202,879
Intergovernmental Accounts Receivable:	
State	1,309
Federal	45,405
Inventories	30,155
Total Current Assets	279,748
Non-Current Assets:	
Capital Assets	617,977
Less: Accumulated Depreciation	(443,099)
Total Non-Current Assets	174,878
Total Assets	454,626
<u>LIABILITIES:</u>	
Accounts Payable - Vendors	45,388
Unearned Revenue	3,642
Total Liabilities	49,030
<u>NET POSITION:</u>	
Net Investment in Capital Assets	174,878
Unrestricted	230,718
Total Net Position	\$ 405,596

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, 2016

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable	\$ 363,836
Daily Sales - Nonreimbursable	331,132
Special Events	77,087
School Store	252
Total Operating Revenue	772,307
Operating Expenses:	
Cost of Sales - Reimbursable Meals	241,612
Cost of Sales - Nonreimbursable Meals	130,099
Salaries, Benefits & Payroll Taxes	420,456
Supplies, Insurance & Other Costs	93,715
Management Fee	128,548
Depreciation Expense	15,554
Total Operating Expenses	1,029,984
Operating Loss	(257,677)
Non-Operating Revenue:	
Local Sources:	
Interest Earnings	480
State Sources:	
State School Lunch Program	7,935
Federal Sources:	
National School Lunch Program	231,425
Special Milk Program	185
School Breakfast Program	39,119
Food Distribution Program	38,272
Total Non-Operating Revenue	317,416
Change in Net Position	59,739
Net Position - Beginning of Year	345,857
Net Position - End of Year	\$ 405,596

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, 2016

	Business-type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 772,307
Payments to Food Service Contractor	(1,004,537)
Payments to Suppliers	(13,986)
Net Cash Used for Operating Activities	(246,216)
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(32,858)
Net Cash Used for Capital and Related Financing Activities	(32,858)
Cash Flows from Noncapital Financing Activities:	
State Sources	7,433
Federal Sources	252,771
Net Cash Provided by Noncapital Financing Activities	260,204
Cash Flows from Investing Activities:	
Interest Income	480
Net Cash Provided by Investing Activities	480
Net Decrease in Cash and Cash Equivalents	(18,390)
Cash and Cash Equivalents, July 1	221,269
Cash and Cash Equivalents, June 30	\$ 202,879
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (257,677)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	15,554
Food Distribution Program	38,272
Changes in Assets and Liabilities:	
(Increase) in Inventory	(10,475)
(Decrease) in Accounts Payable	(34,362)
Increase in Unearned Revenue	2,472
Net Cash Used for Operating Activities	\$ (246,216)

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 \$40,744 and Utilized Commodities Valued at \$38,272.

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

Exhibit B-7

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<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	\$ 770,872	\$ 161,406	\$ 95,593	\$ 17,119
Total Assets	<u>\$ 770,872</u>	<u>\$ 161,406</u>	<u>\$ 95,593</u>	<u>\$ 17,119</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 550,206			
Due to Student Groups	<u>220,666</u>			
Total Liabilities	<u>770,872</u>			
<u>NET POSITION:</u>				
Restricted for Unemployment Claims		\$ 161,406		
Restricted for Flexible Spending Claims				\$ 17,119
Restricted for Scholarships			<u>\$ 95,593</u>	
Total Net Position	<u>\$ -0-</u>	<u>\$ 161,406</u>	<u>\$ 95,593</u>	<u>\$ 17,119</u>

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

Exhibit B-8

VERNON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
Additions:			
Contributions:			
Plan Members	\$ 109,127		\$ 10,897
Donations		\$ 12,775	
Total Contributions	<u>109,127</u>	<u>12,775</u>	<u>10,897</u>
Investment Earnings:			
Interest	<u>276</u>	<u>200</u>	<u>33</u>
Net Investment Earnings	<u>276</u>	<u>200</u>	<u>33</u>
Total Additions	<u>109,403</u>	<u>12,975</u>	<u>10,930</u>
Deductions:			
Unemployment Claims	78,287		
Flexible Spending Claims			10,349
Administrative Charges			490
Scholarships Awarded		<u>7,174</u>	
Total Deductions	<u>78,287</u>	<u>7,174</u>	<u>10,839</u>
Change in Net Position	31,116	5,801	91
Net Position - Beginning of the Year	<u>130,290</u>	<u>89,792</u>	<u>17,028</u>
Net Position - End of the Year	<u>\$ 161,406</u>	<u>\$ 95,593</u>	<u>\$ 17,119</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, 2016

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, 2016
(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, 2016
(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, 2016
(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:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 72,995,836	\$ 1,252,025
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		(32,580)
Prior Year Encumbrances, Net of Cancellations		7,443
Prior Year State Aid Payments Recognized for GAAP Statements	2,481,620	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(2,490,531)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 72,986,925	\$ 1,226,888

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,036,199	\$ 1,252,025
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		(32,580)
Prior Year Encumbrances, Net of Cancellations		7,443
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 73,036,199	\$ 1,226,888

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 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, 2016
(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, 2016.

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, 2016
(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, 2016.

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, 2016
(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 \$3,936,450 General Fund fund balance at June 30, 2016, \$394,082 is assigned for year-end encumbrances, which is \$337,425 less than the budgetary year end encumbrances due to the final two state aid payments; \$812,175 is restricted in the capital reserve account; \$40,470 is restricted in the maintenance reserve account; \$2,689,723 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) (\$1,662,874 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017; \$1,026,849 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2018); \$0- of assigned fund balance, which is \$790,000 less than the amount that has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2017; and \$0- is unassigned fund balance, which is \$1,363,106 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, 2017.

Debt Service Fund: The Debt Service Fund has \$30,238 of restricted fund balance at June 30, 2016.

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 \$2,689,723 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 \$1,363,106; 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 \$337,425; 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 \$790,000 as of June 30, 2016 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, 2016

(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 \$19,173,527. This is due to \$394,082 of governmental funds fund balance assigned for encumbrances, \$443,218 of differences in expected and actual experience - pensions and \$1,995,183 of changes in pension assumptions; net of \$2,195,571 of compensated absences payable, \$18,578,509 of net pension liability, \$298,707 of investment gains in pensions, \$544,931 of changes in proportion in pensions and an unamortized bond premium of \$388,292. 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, 2016 for the deferred amount on refunding of debt related to the District's 2015 refunding bonds, difference in expected and actual - pensions and changes in assumptions in pensions.

The District had deferred inflows of resources at June 30, 2016 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

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

Fund balance restrictions have been established for excess surplus, a capital reserve, a maintenance reserve, and debt service at June 30, 2016.

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, 2016.

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 2016/2017 budget in the General Fund on a budgetary basis at June 30, 2016.

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

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

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.

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

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

Deposits:

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

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

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

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

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

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;

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Investments: (Cont'd)

- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in statute; and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2016, 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	\$ 3,487,298	\$ 812,175	\$ 40,470	\$ 4,339,943
	<u>\$ 3,487,298</u>	<u>\$ 812,175</u>	<u>\$ 40,470</u>	<u>\$ 4,339,943</u>

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$4,339,943 and the bank balance was \$4,970,042.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,935,348			\$ 1,935,348
Total Capital Assets Not Being Depreciated	<u>1,935,348</u>			<u>1,935,348</u>
Capital Assets Being Depreciated:				
Site Improvements	1,437,687			1,437,687
Buildings and Building Improvements	56,375,975	18,097		56,394,072
Machinery and Equipment	3,764,566	226,820	\$ (60,825)	3,930,561
Total Capital Assets Being Depreciated	<u>61,578,228</u>	<u>244,917</u>	<u>(60,825)</u>	<u>61,762,320</u>
Governmental Activities Capital Assets	<u>63,513,576</u>	<u>244,917</u>	<u>(60,825)</u>	<u>63,697,668</u>
Less Accumulated Depreciation for:				
Site Improvements	(766,302)	(69,520)		(835,822)
Buildings and Building Improvements	(29,963,968)	(1,376,469)		(31,340,437)
Machinery and Equipment	(2,057,220)	(245,406)	60,825	(2,241,801)
	<u>(32,787,490)</u>	<u>(1,691,395)</u>	<u>60,825</u>	<u>(34,418,060)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 30,726,086</u>	<u>\$ (1,446,478)</u>	<u>\$ -0-</u>	<u>\$ 29,279,608</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 585,119	\$ 32,858		\$ 617,977
Less Accumulated Depreciation	<u>(427,545)</u>	<u>(15,554)</u>		<u>(443,099)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 157,574</u>	<u>\$ 17,304</u>	<u>\$ -0-</u>	<u>\$ 174,878</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 89,630
Special Education	1,890
Other Instruction	9,964
Student and Instruction Related Services	8,130
School Administration	126,972
Operations and Maintenance of Plant	8,820
Unallocated	<u>1,445,989</u>
	<u>\$ 1,691,395</u>

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 5. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 609,698
Add:	
Transfer from Unassigned Fund Balance as per Board Resolution - June 16, 2016	200,000
Interest Earnings	2,477
Ending Balance, June 30, 2016	<u>\$ 812,175</u>

The June 30, 2016 LRFP balance of local support costs of uncompleted capital projects at June 30, 2016 exceeds the balance in the capital reserve account as of June 30, 2016. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Issued</u>	<u>Retired</u>	<u>Defeased</u>	<u>Ending Balance</u>
Serial Bonds Payable	\$ 14,922,000		\$ 7,490,000	\$ 1,825,000	\$ 7,522,000	\$ 13,065,000
Capital Leases Payable	438,977			178,567		260,410
Net Pension Liability	15,799,844	\$ 2,778,665				18,578,509
Compensated Absences Payable	2,193,769	170,553		168,751		2,195,571
	<u>\$ 33,354,590</u>	<u>\$ 2,949,218</u>	<u>\$ 7,490,000</u>	<u>\$ 2,172,318</u>	<u>\$ 7,522,000</u>	<u>\$ 34,099,490</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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Bonds Payable (Cont'd)

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 2017.

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.

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).

On September 15, 2015, the District issued refunding school bonds of \$7,490,000 with interest rates ranging from 3.00% to 4.00% to advance refund \$7,522,000 school bonds with interest rates ranging from 4.00% to 5.00%. The bonds mature on December 1, 2016 through 2016. 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, 2016. 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 \$423,591, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$580,270.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

The District had serial bonds outstanding as of June 30, 2016 as follows:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2016</u>
School Refunding Bonds	09/15/15	3.00-4.00%	12/01/26	\$ 7,435,000
School Bonds	01/15/07	3.95%-4.05%	02/01/17	375,000
				<u>\$ 7,810,000</u>

Additionally, the District had the following bonds:

	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2016</u>
Energy Savings Obligation Refunding Bonds	07/19/12	3.00%-4.00%	07/15/27	<u>\$ 5,255,000</u>

Principal and interest due on bonds outstanding are as follows:

Year	Serial Bonds			Energy Savings Obligation Refunding Bonds		Total
	Principal	Interest	Total	Principal	Interest	
2017	\$ 1,580,000	\$ 379,503	\$ 1,959,503	\$ 285,000	\$ 183,050	\$ 468,050
2018	1,515,000	193,125	1,708,125	310,000	174,125	484,125
2019	1,490,000	140,600	1,630,600	335,000	164,450	499,450
2020	995,000	90,900	1,085,900	360,000	144,525	504,525
2021	410,000	62,800	472,800	385,000	137,325	522,325
2022-2026	1,505,000	159,375	1,664,375	2,395,000	432,350	2,827,350
2027-2028	315,000	4,725	319,725	1,185,000	42,088	1,227,088
	<u>\$ 7,810,000</u>	<u>\$ 1,031,028</u>	<u>\$ 8,841,028</u>	<u>\$ 5,255,000</u>	<u>\$ 1,277,913</u>	<u>\$ 6,532,913</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2016, 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, 2016
(Continued)

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

C. Capital Leases Payable:

The District is leasing a new telephone system and computers under capital leases valued at \$787,853 of which \$527,443 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, 2016.

<u>Year</u>	<u>Amount</u>
2017	\$ 145,022
2018	134,255
	279,277
Less: Amount Representing Interest	(18,867)
Present Value Net of Minimum Lease Payments	\$ 260,410

The current portion of capital leases payable at June 30, 2016 is \$132,524 and the long-term portion is \$127,886. 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 \$2,195,571. There is no current portion.

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, 2016, no liability existed for compensated absences in the Food Service Fund.

The General Fund will be used to liquidate Compensated Absences Payable, and the Energy Savings obligations, The Debt Service Fund will be used to liquidate the Serial Bonds and Refunding 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, 2016 is \$-0- and the long-term portion is \$18,578,509. 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, 2016
(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, 2017	\$ 122,273
June 30, 2018	42,769
June 30, 2019	<u>33,135</u>
Total future minimum lease payments	<u>\$ 198,177</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.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th 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 1/60th 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 \$711,535 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st 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, 2016, the District reported a liability of \$18,578,509 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.0824%, which was a decrease of 0.002% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$711,535. At June 30, 2016, 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, 2016
(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)

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 397,688	
Changes in Assumptions	2015	5.72	1,597,494	
Difference Between Expected and Actual Experience	2015	5.72	443,218	
Changes in Proportion	2014	6.44		\$ 286,632
Changes in Proportion	2015	5.72		258,299
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00		692,581
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		(393,874)
			<u>\$ 2,438,400</u>	<u>\$ 1,237,512</u>

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
2016	\$ 389,532
2017	389,531
2018	389,532
2019	620,392
2020	350,706
	<u>\$ 2,139,693</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

Inflation Rate	3.04%
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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (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>
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. 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 3.80% as of June 30, 2015 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 actuarially determined contributions. Based on those assumptions, the 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 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.

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, 2015 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:

	<u>Fiscal Year Ended June 30, 2015</u>		
	<u>1% Decrease (3.90%)</u>	<u>Current Discount Rate (4.90%)</u>	<u>1% Increase (5.90%)</u>
District's proportionate share of the Net Pension Liability	\$ 23,090,813	\$ 18,578,509	\$ 14,795,425

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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.

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:

<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

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 2015, the State's pension contribution was less than the actuarially determined amount.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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 2016, the State of New Jersey contributed \$2,303,034 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$11,900,862.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st 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 \$194,907,558. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.308%, which was a decrease of 0.015% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>194,907,558</u>
Total	<u><u>\$ 194,907,558</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$11,900,861 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,999,074,013	
	2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience	2015	8.3	321,224,871	
	2015	8.5		\$ 19,039,817
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5		1,305,927,430
	2015	5		(770,568,242)
			<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2014 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 (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 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, 2016
(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, 2015 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, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total Net Pension Liability	\$ 231,640,347	\$ 194,907,558	\$ 163,260,061

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 \$52,999 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$78,248 for the fiscal year ended June 30, 2016.

NOTE 9. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the 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. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$2,742,276, \$2,646,680 and \$2,241,499 for 2016, 2015 and 2014, 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, 2016 was not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2015 is as follows:

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

	School Alliance Insurance Fund
Total Assets	\$ 35,565,090
Net Position	\$ 7,171,390
Total Revenue	\$ 38,392,884
Total Expenses	\$ 36,335,763
Change in Net Position	\$ 2,057,121
Member Dividends	\$ -0-

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:

Fiscal Year	District Contributions	Employee Contributions and Interest	Amount Reimbursed	Ending Balance
2016	\$ -0-	\$ 109,403	\$ 78,287	\$ 161,406
2015	-0-	134,651	116,105	130,290
2014	-0-	9,106	110,882	111,744

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 115,729	
Special Revenue Fund		\$ 115,729
	\$ 115,729	\$ 115,729

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.

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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30,2016
(Continued)

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.

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, 2016, if any, is unknown.

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 731,507	\$ 32,580	\$ 764,087

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$394,082 is assigned for year-end encumbrances in the General Fund, which is \$337,425 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, 2016, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$32,580 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.

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 16. ACCOUNTS PAYABLE

	Governmental Activities			Total Governmental Funds	Business-Type Activities
	General Fund	Special Revenue Fund	Debt Service Fund		Proprietary Funds
Accrued Payroll	\$ 11,178			\$ 11,178	
State of New Jersey		\$ 2,648	\$ 18,256	20,904	
Vendors	111,716	6,154		117,870	\$ 45,388
	<u>\$ 122,894</u>	<u>\$ 8,802</u>	<u>\$ 18,256</u>	<u>\$ 149,952</u>	<u>\$ 45,388</u>

NOTE 17. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred \$204,055 to capital outlay accounts. The entire transfer of \$204,055 was made for equipment and therefore did not require approval from the County Superintendent.

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, 2015	\$ 55,275
Less:	
Transfer to Maintenance Line by Board Resolutions	<u>(14,805)</u>
Ending Balance, June 30, 2016	<u>\$ 40,470</u>

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 THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2015	2016
District's proportion of the net pension liability	0.0843885458%	0.0827624379%
District's proportionate share of the net pension liability	\$ 15,799,844	\$ 18,578,509
District's covered employee payroll	\$ 5,770,861	\$ 5,649,904
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	273.79%	328.83%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

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 THREE FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 695,687	\$ 711,535
Contributions in relation to the contractually required contribution	<u>(695,687)</u>	<u>(711,535)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 5,770,861	\$ 5,649,904
Contributions as a percentage of covered employee payroll	12.06%	12.59%

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 THREE FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.3231557554%	0.3083771978%
State's proportionate share of the net pension liability attributable to the District	\$ 172,716,234	\$ 194,907,558
District's covered employee payroll	\$ 29,611,739	\$ 29,505,022
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	583.27%	660.59%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

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, 2016

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 39,544,525		\$ 39,544,525	\$ 39,544,525	
Tuition from Individuals	90,000		90,000	104,575	\$ 14,575
Unrestricted Miscellaneous Revenues	27,000		27,000	250,382	223,382
Total - Local Sources	39,661,525		39,661,525	39,899,482	237,957
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	111,072		111,072	111,072	
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	1,000,000		1,000,000	727,055	(272,945)
Extraordinary Aid - Excess Prior Year					
Other State Aids	178,032	(111,072)	66,960	66,960	
Nonpublic Transportation Aid				46,235	46,235
On-Behalf TPAF Pension Contributions (non-budgeted)				2,303,034	2,303,034
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,742,276	2,742,276
Reimbursed TPAF Social Security Contributions (non-budgeted)				2,147,326	2,147,326
Total State Sources	26,062,223		26,062,223	33,028,149	6,965,926
Federal Sources:					
Medicaid Reimbursement	43,551		43,551	68,205	24,654
Total Federal Sources	43,551		43,551	68,205	24,654
TOTAL REVENUES	65,767,299		65,767,299	72,995,836	7,228,537

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 672,655	\$ 4,543	\$ 677,198	\$ 676,974	\$ 224
Grades 1-5 - Salaries of Teachers	6,576,025	18,177	6,594,202	6,589,769	4,433
Grades 6-8 - Salaries of Teachers	4,336,075	78,499	4,414,574	4,414,574	
Grades 9-12 - Salaries of Teachers	7,056,741	(32,326)	7,024,415	7,010,468	13,947
Regular Programs - Home Instruction:					
Salaries of Teachers	40,000	5,645	45,645	45,255	390
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	325,400	63,854	389,254	377,168	12,086
General Supplies	1,135,268	34,481	1,169,749	1,068,161	101,588
Textbooks	107,400	(14,492)	92,908	89,754	3,154
Other Objects	852,834	604,354	1,457,188	1,197,322	259,866
Total Regular Programs - Instruction	<u>21,102,398</u>	<u>762,735</u>	<u>21,865,133</u>	<u>21,469,445</u>	<u>395,688</u>
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	734,480	(115,585)	618,895	618,895	
General Supplies	8,110	3,850	11,960	11,918	42
Total Learning and/or Language Disabilities	<u>742,590</u>	<u>(111,735)</u>	<u>630,855</u>	<u>630,813</u>	<u>42</u>
Behavioral Disabilities:					
Salaries of Teachers	75,000	(18,125)	56,875	40,020	16,855
General Supplies		3,500	3,500	2,916	584
Total Behavioral Disabilities	<u>75,000</u>	<u>(14,625)</u>	<u>60,375</u>	<u>42,936</u>	<u>17,439</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 198,385	\$ 61,817	\$ 260,202	\$ 258,420	\$ 1,782
General Supplies	11,543	2,000	13,543	12,162	1,381
Total Multiple Disabilities	<u>209,928</u>	<u>63,817</u>	<u>273,745</u>	<u>270,582</u>	<u>3,163</u>
Resource Room/Resource Center:					
Salaries of Teachers	3,149,485	393,219	3,542,704	3,525,492	17,212
General Supplies	5,000	(1,000)	4,000	3,772	228
Total Resource Room/Resource Center	<u>3,154,485</u>	<u>392,219</u>	<u>3,546,704</u>	<u>3,529,264</u>	<u>17,440</u>
Autism:					
Salaries of Teachers	83,090	(17,500)	65,590	61,071	4,519
General Supplies	7,095	6,000	13,095	12,155	940
Total Autism	<u>90,185</u>	<u>(11,500)</u>	<u>78,685</u>	<u>73,226</u>	<u>5,459</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	172,125		172,125	172,125	
General Supplies	5,000	(2,500)	2,500	1,675	825
Total Preschool Disabilities - Part-Time	<u>177,125</u>	<u>(2,500)</u>	<u>174,625</u>	<u>173,800</u>	<u>825</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers	54,975		54,975	54,975	
Total Preschool Disabilities - Full-Time	<u>54,975</u>		<u>54,975</u>	<u>54,975</u>	

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 60,000		\$ 60,000	\$ 49,118	\$ 10,882
Total Home Instruction - Special Education	<u>60,000</u>		<u>60,000</u>	<u>49,118</u>	<u>10,882</u>
Total Special Education Instruction	<u>4,564,288</u>	<u>\$ 315,676</u>	<u>4,879,964</u>	<u>4,824,714</u>	<u>55,250</u>
Basic Skills/Remedial - Instruction:					
General Supplies	<u>200</u>		<u>200</u>	<u>200</u>	
Total Basic Skills/Remedial - Instruction	<u>200</u>		<u>200</u>	<u>200</u>	
Bilingual Education - Instruction:					
Salaries of Teachers	<u>72,640</u>		<u>72,640</u>	<u>72,640</u>	
Total Bilingual Education - Instruction	<u>72,640</u>		<u>72,640</u>	<u>72,640</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	307,000	(3,380)	303,620	261,271	42,349
Purchased Services (300-500 series)	4,751		4,751	2,690	2,061
Supplies and Materials	4,000		4,000	3,392	608
Other Objects	<u>42,689</u>	<u>24,138</u>	<u>66,827</u>	<u>43,224</u>	<u>23,603</u>
Total School-Sponsored Cocurricular Activities - Instruction	<u>358,440</u>	<u>20,758</u>	<u>379,198</u>	<u>310,577</u>	<u>68,621</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	478,000		478,000	449,395	28,605
Purchased Services (300-500 series)	7,000		7,000	6,216	784
Supplies and Materials	112,146		112,146	85,157	26,989
Other Objects	<u>157,385</u>	<u>(9,759)</u>	<u>147,626</u>	<u>103,665</u>	<u>43,961</u>
Total School-Sponsored Cocurricular Athletics - Instruction	<u>754,531</u>	<u>(9,759)</u>	<u>744,772</u>	<u>644,433</u>	<u>100,339</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 26,852,497	\$ 1,089,410	\$ 27,941,907	\$ 27,322,009	\$ 619,898
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	24,000	(6,663)	17,337	17,337	
Tuition to Other LEAs Within the State - Special	94,000	50,073	144,073	144,073	
Tuition to County Vocational School District - Regular	173,000	19,100	192,100	178,982	13,118
Tuition to County Vocational School District - Special	42,000		42,000	42,000	
Tuition to CSSD & Regional Day Schools	380,000	54,125	434,125	434,125	
Tuition to Private Schools for the Handicapped - Within State	1,935,000	(362,369)	1,572,631	1,568,409	4,222
Tuition to Private Schools for the Handicapped - Outside State	66,000	(20,414)	45,586	10,000	35,586
Tuition - State Facilities	4,500		4,500	4,500	
Total Undistributed Expenditures - Instruction	<u>2,718,500</u>	<u>(266,148)</u>	<u>2,452,352</u>	<u>2,399,426</u>	<u>52,926</u>
Health Services:					
Salaries	622,660	(50,739)	571,921	570,311	1,610
Purchased Professional and Technical Services	24,100	1,393	25,493	25,488	5
Supplies and Materials	34,137	8,661	42,798	42,747	51
Total Health Services	<u>680,897</u>	<u>(40,685)</u>	<u>640,212</u>	<u>638,546</u>	<u>1,666</u>
Speech, OT, PT & Related Services:					
Salaries	756,370	(71,715)	684,655	684,655	
Purchased Professional - Educational Services	27,000	1,601	28,601	28,601	
Supplies and Materials	3,554	(2,500)	1,054	512	542
Total Speech, OT, PT & Related Services	<u>786,924</u>	<u>(72,614)</u>	<u>714,310</u>	<u>713,768</u>	<u>542</u>
Other Support Services - Students - Extraordinary Services					
Other Salaries for Instruction	1,893,866	23,140	1,917,006	1,914,748	2,258
Total Other Support Services - Students - Extraordinary Services	<u>1,893,866</u>	<u>23,140</u>	<u>1,917,006</u>	<u>1,914,748</u>	<u>2,258</u>
Guidance:					
Salaries of Other Professional Staff	1,200,710	(43,029)	1,157,681	1,153,194	4,487
Salaries of Secretarial and Clerical Assistants	216,506	(12,336)	204,170	189,703	14,467
Purchased Professional and Educational Services	270,000		270,000	265,181	4,819
Supplies and Materials	12,500		12,500	9,493	3,007
Total Guidance	<u>1,699,716</u>	<u>(55,365)</u>	<u>1,644,351</u>	<u>1,617,571</u>	<u>26,780</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 1,648,730	\$ 234,527	\$ 1,883,257	\$ 1,797,433	\$ 85,824
Salaries of Secretarial and Clerical Assistants	149,101		149,101	149,101	
Other Salaries	22,000	(7,966)	14,034	14,034	
Purchased Professional - Educational Services	515,000	(19,454)	495,546	353,828	141,718
Supplies and Materials	20,470		20,470	18,344	2,126
Other Objects	15,000	15,946	30,946	27,940	3,006
Total Child Study Teams	2,370,301	223,053	2,593,354	2,360,680	232,674
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	1,107,818	(16,608)	1,091,210	1,091,210	
Salaries of Other Professional Staff	155,823		155,823	155,187	636
Salaries of Secretarial and Clerical Assistants	219,661	(40,931)	178,730	176,075	2,655
Purchased Prof-Educational Services	27,200	(10,918)	16,282	9,712	6,570
Total Improvement of Instructional Services	1,510,502	(68,457)	1,442,045	1,432,184	9,861
Educational Media Services/School Library:					
Salaries	433,215	33,518	466,733	466,633	100
Supplies and Materials	36,500	(5,477)	31,023	29,293	1,730
Other Objects	85,985	1,184	87,169	84,307	2,862
Total Educational Media Services/School Library	555,700	29,225	584,925	580,233	4,692
Instructional Staff Training Services:					
Purchased Professional - Educational Services	277,000	108,579	385,579	380,903	4,676
Other Purchased Services (400-500 series)	29,800	(3,317)	26,483	6,839	19,644
Total Instructional Staff Training Services	306,800	105,262	412,062	387,742	24,320

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 - General Administration:					
Salaries	\$ 512,441	\$ 55,136	\$ 567,577	\$ 562,332	\$ 5,245
Legal Services	70,000		70,000	12,470	57,530
Audit Fees	40,000	10,000	50,000	50,000	
Other Purchased Professional Services	49,650	(10,000)	39,650	35,625	4,025
Communications/Telephone	101,782		101,782	48,850	52,932
Miscellaneous Purchased Services (400-500 series)	193,400	30,784	224,184	180,234	43,950
General Supplies	18,091		18,091	14,653	3,438
Miscellaneous Expenditures	7,806	4	7,810	4,523	3,287
Board of Education Membership Dues and Fees	27,500	(837)	26,663	26,663	
Total Support Services - General Administration	1,020,670	85,087	1,105,757	935,350	170,407
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,368,392	(11,580)	1,356,812	1,347,648	9,164
Salaries of Secretarial and Clerical Assistants	1,155,979	(30,116)	1,125,863	1,114,324	11,539
Other Salaries	60,000	730	60,730	60,730	
Other Purchased Services	3,800	1,422	5,222	2,686	2,536
Supplies and Materials	11,500	(981)	10,519	4,636	5,883
Other Objects	43,347	11,202	54,549	40,920	13,629
Total Support Services - School Administration	2,643,018	(29,323)	2,613,695	2,570,944	42,751
Support Services - Central Services:					
Salaries	522,958	(27,217)	495,741	493,909	1,832
Purchased Professional Services	31,782		31,782	28,192	3,590
Purchased Technical Services	33,000		33,000	32,514	486
Miscellaneous Purchased Services (400-500 series)	67,198	42	67,240	45,678	21,562
Supplies and Materials	27,143		27,143	21,629	5,514

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 2,075		\$ 2,075	\$ 2,075	
Total Support Services - Central Services	<u>684,156</u>	<u>\$ (27,175)</u>	<u>656,981</u>	<u>623,997</u>	<u>\$ 32,984</u>
Support Services - Administration Information Technology:					
Salaries	94,070	(1)	94,069	92,820	1,249
Purchased Technical Services	4,000		4,000		4,000
Total Support Services - Administration Information Technology	<u>98,070</u>	<u>(1)</u>	<u>98,069</u>	<u>92,820</u>	<u>5,249</u>
Required Maintenance of School Facilities:					
Salaries	849,476	(35,127)	814,349	814,349	
Cleaning, Repair and Maintenance Services	748,504	135,069	883,573	607,713	275,860
General Supplies	304,495	(25,889)	278,606	263,239	15,367
Other Objects	6,500	35,076	41,576	13,575	28,001
Total Required Maintenance of School Facilities	<u>1,908,975</u>	<u>109,129</u>	<u>2,018,104</u>	<u>1,698,876</u>	<u>319,228</u>
Custodial Services:					
Salaries	1,983,295	(93,866)	1,889,429	1,870,376	19,053
Purchased Professional and Technical Services	14,000	3,520	17,520	11,923	5,597
Cleaning, Repair and Maintenance Services	88,000		88,000	67,686	20,314
Other Purchased Property Services	115,000	1,070	116,070	99,930	16,140
Insurance	292,700	(29,172)	263,528	260,528	3,000
General Supplies	130,300	(11,132)	119,168	103,155	16,013
Energy (Natural Gas)	38,800	(2,014)	36,786	17,733	19,053
Energy (Electricity)	867,000	(77,132)	789,868	761,931	27,937
Energy (Oil)	399,500	(272,472)	127,028	107,627	19,401

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 9,000		\$ 9,000	\$ 8,647	\$ 353
Interest - Energy Savings Impr Prog Bonds	190,025		190,025	190,025	
Principal - Energy Savings Impr Prog Bonds	180,000		180,000	180,000	
Total Custodial Services	<u>4,307,620</u>	<u>\$ (481,198)</u>	<u>3,826,422</u>	<u>3,679,561</u>	<u>146,861</u>
Care & Upkeep of Grounds:					
Salaries	146,965	62	147,027	147,027	
Cleaning, Repair and Maintenance Services	189,515	15,179	204,694	110,687	94,007
General Supplies	26,500	2,788	29,288	26,192	3,096
Total Care & Upkeep of Grounds	<u>362,980</u>	<u>18,029</u>	<u>381,009</u>	<u>283,906</u>	<u>97,103</u>
Security:					
Salaries	233,681	15,675	249,356	244,364	4,992
General Supplies	15,000		15,000	13,742	1,258
Other Objects	12,500	1,495	13,995	8,151	5,844
Total Security	<u>261,181</u>	<u>17,170</u>	<u>278,351</u>	<u>266,257</u>	<u>12,094</u>
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	136,860	(9,104)	127,756	124,028	3,728
Other Purchased Professional and Technical Services	4,000		4,000	4,000	
Contracted Services:					
Between Home and School - Vendors	3,243,000	(97,266)	3,145,734	2,884,409	261,325
Other than Between Home and School - Vendors	356,000	23,200	379,200	362,367	16,833
Joint Agreements	47,500	(2,200)	45,300	9,346	35,954
Special Education Students - Vendors	1,400,000	(48,168)	1,351,832	1,258,781	93,051
Regular Students - ESCs & CTSAAs	56,000	(8,750)	47,250	27,081	20,169
Special Education Students - ESCs & CTSAAs	310,000	37,697	347,697	220,475	127,222
Aid in Lieu of Payments - Non Public Schools	26,000		26,000	21,540	4,460

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 5,753	\$ 15,370	\$ 21,123	\$ 15,909	\$ 5,214
Total Student Transportation Services	<u>5,585,113</u>	<u>(89,221)</u>	<u>5,495,892</u>	<u>4,927,936</u>	<u>567,956</u>
Unallocated Benefits:					
Social Security Contributions	820,000		820,000	793,641	26,359
Other Retirement Contributions - PERS	725,000	(8,174)	716,826	711,535	5,291
Other Retirement Contributions - Regular	48,000	5,125	53,125	52,999	126
Workmen's Compensation	449,000	28,816	477,816	474,816	3,000
Health Benefits	9,145,000	(721,971)	8,423,029	8,271,540	151,489
Other Employee Benefits	<u>425,000</u>	<u>(121,772)</u>	<u>303,228</u>	<u>212,765</u>	<u>90,463</u>
Total Unallocated Benefits	<u>11,612,000</u>	<u>(817,976)</u>	<u>10,794,024</u>	<u>10,517,296</u>	<u>276,728</u>
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (non-budgeted)				2,303,034	(2,303,034)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				2,742,276	(2,742,276)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				<u>2,147,326</u>	<u>(2,147,326)</u>
Total On-Behalf Contributions				<u>7,192,636</u>	<u>(7,192,636)</u>
Total Personal Services - Employee Benefits	<u>11,612,000</u>	<u>(817,976)</u>	<u>10,794,024</u>	<u>17,709,932</u>	<u>(6,915,908)</u>
Total Undistributed Expenses	<u>41,006,989</u>	<u>(1,338,068)</u>	<u>39,668,921</u>	<u>44,834,477</u>	<u>(5,165,556)</u>
TOTAL CURRENT EXPENSE	<u>67,859,486</u>	<u>(248,658)</u>	<u>67,610,828</u>	<u>72,156,486</u>	<u>(4,545,658)</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 17,000	\$ 600	\$ 17,600	\$ 17,600	
Regular Programs - Grades 1-5		15,834	15,834	15,834	
Regular Programs - Grades 6-8	7,185	65,873	73,058	73,058	
Regular Programs - Grades 9-12	35,000	76,985	111,985	102,657	\$ 9,328
Undistributed Expenditures:					
Instruction	\$ 45,480	42,142	87,622	31,250	56,372
Support Services - Students Special		2,621	2,621	2,621	
Total Equipment	<u>104,665</u>	<u>204,055</u>	<u>308,720</u>	<u>243,020</u>	<u>65,700</u>
Facilities Acquisition and Construction Services:					
Construction Services	11,500		11,500	11,500	
Lease Purchase Agreements - Principal	62,527		62,527	62,527	
Other Objects - Debt Service Assessment	9,419		9,419	9,419	
Total Facilities Acquisition and Construction Services	<u>83,446</u>		<u>83,446</u>	<u>83,446</u>	
TOTAL CAPITAL OUTLAY	<u>188,111</u>	<u>204,055</u>	<u>392,166</u>	<u>326,466</u>	<u>65,700</u>
Transfer of Funds to Charter Schools	<u>493,839</u>	<u>59,408</u>	<u>553,247</u>	<u>553,247</u>	
TOTAL EXPENDITURES	<u>68,541,436</u>	<u>14,805</u>	<u>68,556,241</u>	<u>73,036,199</u>	<u>(4,479,958)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(2,774,137)</u>	<u>(14,805)</u>	<u>(2,788,942)</u>	<u>(40,363)</u>	<u>2,748,579</u>

VERNON TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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)	\$ (2,774,137)	\$ (14,805)	\$ (2,788,942)	\$ (40,363)	\$ 2,748,579
Fund Balance, July 1	<u>6,467,344</u>		<u>6,467,344</u>	<u>6,467,344</u>	
Fund Balance, June 30	<u>\$ 3,693,207</u>	<u>\$ (14,805)</u>	<u>\$ 3,678,402</u>	<u>\$ 6,426,981</u>	<u>\$ 2,748,579</u>

Recapitulation:

Restricted:

Excess Surplus to be Utilized for 2016-2017 school year

\$ 1,662,874

Excess Surplus - Restricted for 2017-2018 school year

1,026,849

Capital Reserve

812,175

Maintenance Reserve

40,470

Assigned:

For Subsequent Year's Expenditures

790,000

Year End Encumbrances

731,507

Unassigned Fund Balance

1,363,106

6,426,981

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payments not Recognized on GAAP Basis

(2,490,531)

Fund Balance per Governmental Funds (GAAP)

\$ 3,936,450

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 104,074	\$ 220	\$ 104,294	\$ 25,114	(79,180)
State Sources	4,854	1,935	6,789	4,140	\$ (2,649)
Federal Sources	1,221,240	1,706	1,222,946	1,222,771	(175)
Total Revenues	1,330,168	3,861	1,334,029	1,252,025	(82,004)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	228,301	8,968	237,269	234,869	2,400
Purchased Professional and Technical Services	3,672	2,910	6,582	4,377	2,205
Other Purchased Services	867,375	(10,000)	857,375	857,375	
General Supplies	54,734	(6,891)	47,843	24,412	23,431
Textbooks	685		685	685	
Other Objects	7,805	(7,325)	480		480
Total Instruction	1,162,572	(12,338)	1,150,234	1,121,718	28,516
Support Services:					
Salaries of Other Professional Staff	48,600	3,122	51,722	8,122	43,600
Personal Services - Employee Benefits	36,195		36,195	32,675	3,520
Purchased Professional and Technical Services	51,710	22,312	74,022	72,312	1,710
Other Purchased Services	27,804	(9,235)	18,569	16,886	1,683
Supplies and Materials	3,287		3,287	312	2,975
Total Support Services	167,596	16,199	183,795	130,307	53,488
Total Expenditures	\$ 1,330,168	\$ 3,861	\$ 1,334,029	\$ 1,252,025	\$ 82,004

VERNON TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues 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	\$ 72,995,836	\$ 1,252,025
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		
Current Year Encumbrances		(32,580)
Prior Year Encumbrances, Net of Cancellations		7,443
Prior Year State Aid Payments Recognized for GAAP Statements	2,481,620	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(2,490,531)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 72,986,925</u>	<u>\$ 1,226,888</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 73,036,199	\$ 1,252,025
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		(32,580)
Prior Year Encumbrances, Net of Cancellations		<u>7,443</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 73,036,199</u>	<u>\$ 1,226,888</u>

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, 2016 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, 2016
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, 2016

	<u>No Child Left Behind</u>		<u>Nonpublic</u>		
	<u>Title I</u>	<u>Title II A</u>	<u>Textbook</u>	<u>Technology Initiative</u>	<u>Nursing</u>
REVENUE:					
Local Sources					
State Sources					
Federal Sources	\$ 230,113	\$ 122,343	\$ 685	\$ 312	\$ 1,565
Total Revenue	<u>230,113</u>	<u>122,343</u>	<u>685</u>	<u>312</u>	<u>1,565</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	201,194				
Purchased Professional and Technical Services					
Other Purchased Services		40,000			
General Supplies					
Textbooks			685		
Other Objects					
Total Instruction	<u>201,194</u>	<u>40,000</u>	<u>685</u>		
Support Services:					
Salaries of Other Professional Staff	5,000				
Personal Services - Employee Benefits	23,919				
Purchased Professional & Technical Services		69,856			
Other Purchased Professional Services					1,565
Other Purchased Services		12,487			
Supplies and Materials				312	
Total Support Services	<u>28,919</u>	<u>82,343</u>		<u>312</u>	<u>1,565</u>
Total Expenditures	<u>\$ 230,113</u>	<u>\$ 122,343</u>	<u>\$ 685</u>	<u>\$ 312</u>	<u>\$ 1,565</u>

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>IDEA, Part B</u>		<u>Carl D.</u>	<u>Chapter 193</u>	
	<u>Basic</u>	<u>Preschool</u>	<u>Perkins Secondary</u>	<u>Supplementary Instruction</u>	<u>Corrective Speech</u>
REVENUE:					
Local Sources					
State Sources				\$ 594	\$ 984
Federal Sources	\$ 831,163	\$ 28,643	\$ 10,509		
Total Revenue	<u>831,163</u>	<u>28,643</u>	<u>10,509</u>	<u>594</u>	<u>984</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	33,675				
Purchased Professional and Technical Services			2,799	594	984
Other Purchased Services	788,732	28,643			
General Supplies			1,632		
Textbooks					
Other Objects					
Total Instruction	<u>822,407</u>	<u>28,643</u>	<u>4,431</u>	<u>594</u>	<u>984</u>
Support Services:					
Salaries of Other Professional Staff			3,122		
Personal Services - Employee Benefits	8,756				
Purchased Professional & Technical Services			2,456		
Other Purchased Professional Services					
Other Purchased Services			500		
Supplies and Materials					
Total Support Services	<u>8,756</u>		<u>6,078</u>		
Total Expenditures	<u>\$ 831,163</u>	<u>\$ 28,643</u>	<u>\$ 10,509</u>	<u>\$ 594</u>	<u>\$ 984</u>

VERNON TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Local Grants	Totals June 30, 2016
REVENUE:		
Local Sources	\$ 25,114	\$ 25,114
State Sources		4,140
Federal Sources		1,222,771
Total Revenue	25,114	1,252,025
EXPENDITURES:		
Instruction:		
Salaries of Teachers		234,869
Purchased Professional and Technical Services		4,377
Other Purchased Professional Services		857,375
General Supplies	22,780	24,412
Textbooks		685
Total Instruction	22,780	1,121,718
Support Services:		
Salaries of Other Professional Staff		8,122
Personal Services - Employee Benefits		32,675
Purchased Professional & Technical Services		72,312
Other Purchased Professional Services		1,565
Other Purchased Services	2,334	15,321
Supplies and Materials		312
Total Support Services	2,334	130,307
Total Expenditures	\$ 25,114	\$ 1,252,025

VERNON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

CAPITAL PROJECTS FUND
NOT APPLICABLE

PROPRIETARY FUNDS

Exhibit G-1

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 202,879
Intergovernmental Accounts Receivable:	
State	1,309
Federal	45,405
Inventories	30,155
	<hr/>
Total Current Assets	279,748
	<hr/>
Non-Current Assets:	
Capital Assets	617,977
Less: Accumulated Depreciation	(443,099)
	<hr/>
Total Non-Current Assets	174,878
	<hr/>
Total Assets	454,626
	<hr/>
<u>LIABILITIES:</u>	
Accounts Payable - Vendors	45,388
Unearned Revenue	3,642
	<hr/>
Total Liabilities	49,030
	<hr/>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	174,878
Unrestricted	230,718
	<hr/>
Total Net Position	\$ 405,596
	<hr/> <hr/>

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, 2016

Operating Revenue:

Local Sources:

Daily Sales - Reimbursable	\$ 363,836
Daily Sales - Nonreimbursable	331,132
Special Events	77,087
Miscellaneous Revenue	252

Total Operating Revenue

 772,307

Operating Expenses:

Cost of Sales - Reimbursable Meals	241,612
Cost of Sales - Nonreimbursable Meals	130,099
Salaries, Benefits & Payroll Taxes	420,456
Supplies, Insurance & Other Costs	93,715
Management Fee	128,548
Depreciation Expense	15,554

Total Operating Expenses

 1,029,984

Operating Loss

(257,677)

Non-Operating Revenue:

Local Sources:

Interest Earnings	480
-------------------	-----

State Sources:

State School Lunch Program	7,935
----------------------------	-------

Federal Sources:

National School Lunch Program	231,425
Special Milk Program	185
School Breakfast Program	39,119
Food Distribution Program	38,272

Total Non-Operating Revenue

 317,416

Change in Net Position

59,739

Net Position - Beginning of Year

 345,857

Net Position - End of Year

 \$ 405,596

Exhibit G-3

VERNON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 772,307
Payments to Food Service Contractor	(1,004,537)
Payments to Suppliers	(13,986)
	<hr/>
Net Cash Used for Operating Activities	(246,216)
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(32,858)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(32,858)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	7,433
Federal Sources	252,771
	<hr/>
Net Cash Provided by Noncapital Financing Activities	260,204
	<hr/>
Cash Flows from Investing Activities:	
Interest Income	480
	<hr/>
Net Cash Provided by Investing Activities	480
	<hr/>
Net Decrease in Cash and Cash Equivalents	(18,390)
	<hr/>
Cash and Cash Equivalents, July 1	221,269
	<hr/>
Cash and Cash Equivalents, June 30	\$ 202,879
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (257,677)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	15,554
Food Distribution Program	38,272
Changes in Assets and Liabilities:	
(Increase) in Inventory	(10,475)
(Decrease) in Accounts Payable	(34,362)
Increase in Unearned Revenue	2,472
	<hr/>
Net Cash Used for Operating Activities	\$ (246,216)
	<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 \$40,744 and Utilized Commodities Valued at \$38,272

FIDUCIARY FUNDS

Exhibit H-1

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<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	\$ 770,872	\$ 161,406	\$ 95,593	\$ 17,119	\$ 1,044,990
Total Assets	<u>770,872</u>	<u>161,406</u>	<u>95,593</u>	<u>17,119</u>	<u>1,044,990</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings	550,206				550,206
Due to Student Groups	<u>220,666</u>				<u>220,666</u>
Total Liabilities	<u>770,872</u>				<u>770,872</u>
<u>NET POSITION:</u>					
Restricted for Unemployment Claims		161,406			161,406
Restricted for Flexible Spending Claims				17,119	17,119
Restricted for Scholarships			<u>95,593</u>		<u>95,593</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 161,406</u>	<u>\$ 95,593</u>	<u>\$ 17,119</u>	<u>\$ 274,118</u>

Exhibit H-2

VERNON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
Additions:				
Contributions:				
Plan Members	\$ 109,127		\$ 10,897	\$ 120,024
Donations		\$ 12,775		12,775
Total Contributions	109,127	12,775	10,897	132,799
Investment Earnings:				
Interest	276	200	33	509
Net Investment Earnings	276	200	33	509
Total Additions	109,403	12,975	10,930	133,308
Deductions:				
Unemployment Claims	78,287			78,287
Flexible Spending Claims			10,349	10,349
Administrative Charges			490	490
Scholarships Awarded		7,174		7,174
Total Deductions	78,287	7,174	10,839	96,300
Change in Net Position	31,116	5,801	91	37,008
Net Position - Beginning of the Year	130,290	89,792	17,028	237,110
Net Position - End of the Year	<u>\$ 161,406</u>	<u>\$ 95,593</u>	<u>\$ 17,119</u>	<u>\$ 274,118</u>

Exhibit H-3

VERNON TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 231,776	\$ 846,037	\$ 857,147	\$ 220,666
Total Assets	<u>\$ 231,776</u>	<u>\$ 846,037</u>	<u>\$ 857,147</u>	<u>\$ 220,666</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 231,776	\$ 846,037	\$ 857,147	\$ 220,666
Total Liabilities	<u>\$ 231,776</u>	<u>\$ 846,037</u>	<u>\$ 857,147</u>	<u>\$ 220,666</u>

Exhibit H-4

VERNON TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 545,126	\$ 44,023,699	\$ 44,018,619	\$ 550,206
Total Assets	<u>\$ 545,126</u>	<u>\$ 44,023,699</u>	<u>\$ 44,018,619</u>	<u>\$ 550,206</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 545,126	\$ 44,023,699	\$ 44,018,619	\$ 550,206
Total Liabilities	<u>\$ 545,126</u>	<u>\$ 44,023,699</u>	<u>\$ 44,018,619</u>	<u>\$ 550,206</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 June 30, 2016		Interest Rate	Balance July 1, 2015	Issued	Retired or Matured	Defeased Debt	Balance June 30, 2016
			Date	Amount						
School Refunding Bonds	04/01/05	\$ 11,715,000				\$ 5,465,000		\$ 1,215,000	\$ 4,250,000	
School Bonds	01/15/07	6,222,000	02/01/17	\$ 375,000	3.95%	4,022,000		375,000	3,272,000	\$ 375,000
School Refunding Bonds	09/15/15	7,490,000	12/01/16	1,205,000	3.00%					
			12/01/17	1,515,000	3.00%					
			12/01/18	1,490,000	4.00%					
			12/01/19	995,000	4.00%					
			12/01/20	410,000	4.00%					
			12/01/21	305,000	3.00%					
			12/01/22	305,000	3.00%					
			12/01/23	300,000	3.00%					
			12/01/24	300,000	3.00%					
			12/01/25	295,000	3.00%					
			12/01/26	315,000	3.00%					
							\$ 7,490,000	55,000		7,435,000
						\$ 9,487,000	\$ 7,490,000	\$ 1,645,000	7,522,000	\$ 7,810,000

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 Outstanding		Interest Rate	Balance July 1, 2015	Retired or Matured	Balance June 30, 2016
			Date	Amount				
Energy Savings Obligation Refunding Bonds	07/19/12	\$ 5,645,000	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%			
						\$ 5,435,000	\$ 180,000	\$ 5,255,000

VERNON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2015</u>	<u>Matured</u>	<u>Balance June 30, 2016</u>
New Telephone System	4.63%	\$ 287,853	\$ 73,232	\$ 62,527	\$ 10,705
500 Dell Desktop Computers	4.98%	500,000	<u>365,745</u>	<u>116,040</u>	<u>249,705</u>
			<u>\$ 438,977</u>	<u>\$ 178,567</u>	<u>\$ 260,410</u>

VERNON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,203,019		\$ 1,203,019	\$ 1,203,019	
State Sources:					
Debt Service Aid Type II	779,371		779,371	761,115	\$ (18,256)
Total Revenues	1,982,390		1,982,390	1,964,134	(18,256)
EXPENDITURES:					
Regular Debt Service:					
Interest	392,391	\$ (55,000)	337,391	288,897	48,494
Redemption of Principal	1,590,000	55,000	1,645,000	1,645,000	
Total Regular Debt Service	1,982,391		1,982,391	1,933,897	48,494
Total Expenditures	1,982,391		1,982,391	1,933,897	48,494
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1)		(1)	30,237	30,238
Other Financing Sources(Uses):					
Long Term Debt Issued				7,490,000	7,490,000
Bond Premium				423,591	423,591
Serial Bonds Defeased				(7,522,000)	(7,522,000)
Bond Issuance Costs				(120,648)	(120,648)
Deferred Interest				(270,943)	(270,943)
Total Other Financing Sources/(Uses)					
(Deficit)/Excess of Revenues Over/(Under) Expenditures	(1)		(1)	30,237	30,238
Fund Balance, July 1	1		1	1	
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ 30,238	\$ 30,238
Recapitulation:					
Restricted Fund Balance				\$ 30,238	

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

	<u>Exhibit</u>
<p>Financial Trends</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>Revenue Capacity</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>Debt Capacity</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>Demographic and Economic Information</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>Operating Information</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 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	\$ 16,202,562
Restricted	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	3,572,606
Unrestricted/(Deficit)	(1,600,113)	(2,162,004)	(4,126,160)	(4,458,376)	(1,676,405)	(614,125)	(286,059)	(17,738,961)	(18,548,721)	(19,173,527)
Total Governmental Activities Net Position	\$ 12,386,889	\$ 11,144,989	\$ 9,141,364	\$ 8,682,252	\$ 11,225,781	\$ 14,444,305	\$ 16,765,904	\$ 605,047	\$ 731,467	\$ 601,641
Business-Type Activities:										
Net Investment in Capital Assets	\$ 50,270	\$ 61,968	\$ 79,154	\$ 65,002	\$ 56,409	\$ 89,380	\$ 101,259	\$ 132,537	\$ 157,574	\$ 174,878
Unrestricted	348,137	345,916	325,533	340,079	399,413	299,428	273,268	199,347	188,283	230,718
Total Business-Type Activities Net Position	\$ 398,407	\$ 407,884	\$ 404,687	\$ 405,081	\$ 455,822	\$ 388,808	\$ 374,527	\$ 331,884	\$ 345,857	\$ 405,596
District-Wide:										
Net Investment in Capital Assets	\$ 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	\$ 16,377,440
Restricted	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	3,572,606
Unrestricted/(Deficit)	(1,251,976)	(1,816,088)	(3,800,627)	(4,118,297)	(1,276,992)	(314,697)	(12,791)	(17,539,614)	(18,360,438)	(18,942,809)
Total District Net Position	\$ 12,785,296	\$ 11,552,873	\$ 9,546,051	\$ 9,087,333	\$ 11,681,603	\$ 14,833,113	\$ 17,140,431	\$ 936,931	\$ 1,077,324	\$ 1,007,237

Source: School District Financial Reports

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 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	\$ 37,266,595
Special Education	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	9,601,002
Other Education	986,253	1,109,082	1,035,718	1,283,694	157,733	395,300	427,875	388,167	630,218	727,615
School-Sponsored Instruction	922,929	971,217	960,781	1,048,218	881,161	911,876	954,531	1,044,875	1,090,451	963,140
Support Services:										
Tuition	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	2,399,426
Student & Instructional Related Services	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	14,005,109
General Administrative Services	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	1,404,819
School Administrative Services	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	4,077,831
Central Services	984,706	1,112,870	963,186	734,665	757,777	778,908	843,334	923,412	935,407	799,748
Administrative Information Technology	184,187	252,145	262,464	293,225	444,911	130,577	129,144	79,866	134,592	125,848
Plant Operations and Maintenance	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	7,102,309
Pupil Transportation	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	4,967,532
Interest on Long-term Debt	759,969	942,586	879,186	807,994	745,607	685,645	617,203	554,464	490,691	446,365
Unallocated Depreciation	1,660,256	960,300	964,943	957,324	982,316	1,317,993	1,340,736	1,434,856	1,437,408	1,445,989
Capital Outlay	(49,385)	59,243	118,237		12,428	284,625	25,516	523,829	9,419	19,022
Charter Schools	171,792	251,455	359,096	218,292	275,034	508,652	518,587	522,027	582,486	553,247
Total Governmental Activities Expenses	70,823,469	76,904,932	75,636,556	77,117,510	73,543,139	75,589,773	75,435,744	75,885,721	83,665,262	85,905,597
Business-Type Activities:										
Food Service	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	1,029,984
Total Business-type Activities Expense	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	1,029,984
Total District Expenses	\$ 72,104,826	\$ 78,212,395	\$ 76,852,531	\$ 78,286,398	\$ 74,674,242	\$ 76,883,992	\$ 76,591,443	\$ 76,999,550	\$ 84,710,075	\$ 86,935,581
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 200,218	\$ 179,577	\$ 190,297	\$ 223,703	\$ 405,247	\$ 317,952	\$ 174,403	\$ 155,666	\$ 172,397	\$ 104,575
Operating Grants and Contributions	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	23,086,234
Capital Grants and Contributions	35,424	8,548			112,019					
Total Governmental Activities Program Revenues	13,609,107	13,777,123	10,953,068	11,834,471	12,452,984	13,601,841	13,413,590	12,596,522	20,628,119	23,190,809

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Business-Type Activities:										
Charges for Services	\$ 1,094,310	\$ 1,043,934	\$ 945,935	\$ 872,345	\$ 877,101	\$ 873,759	\$ 813,321	\$ 737,588	\$ 718,885	\$ 772,307
Operating Grants and Contributions	256,141	259,135	258,367	288,535	295,423	323,661	327,385	333,018	339,416	316,936
Total Business-type Activities Program Revenues	1,350,451	1,303,069	1,204,302	1,160,880	1,172,524	1,197,420	1,140,706	1,070,606	1,058,301	1,089,243
Total District Program Revenues	\$ 14,959,558	\$ 15,080,192	\$ 12,157,370	\$ 12,995,351	\$ 13,625,508	\$ 14,799,261	\$ 14,554,296	\$ 13,667,128	\$ 21,686,420	\$ 24,280,052
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (62,714,788)
Business-type Activities	69,094	(4,394)	(11,673)	(8,008)	41,421	(96,799)	(14,993)	(43,223)	13,488	59,259
Total District-wide Net Expense/Revenues	\$ (57,145,268)	\$ (63,132,203)	\$ (64,695,161)	\$ (65,291,047)	\$ (61,048,734)	\$ (62,084,731)	\$ (62,037,147)	\$ (63,332,422)	\$ (63,023,655)	\$ (62,655,529)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, net	\$ 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	\$ 39,544,525
Taxes Levied for Debt Service	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	1,203,019
Unrestricted Grants and Contributions	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	21,587,036
Investment Earnings	504,624	416,912	214,359	163,128	114,847	131,164	29,675	18,929	19,459	24,768
Miscellaneous Income	96,446	43,321	110,439	106,110	136,287	125,594	101,644	436,289	60,721	225,614
Bond Premium							390,701			
Total Governmental Activities	60,280,705	61,885,909	62,679,863	64,823,927	63,633,684	65,299,492	64,343,753	63,672,415	63,163,563	62,584,962
Business-Type Activities:										
Investment Earnings	18,031	13,871	8,476	8,402	9,320	8,320	712	580	485	480
Total Business-Type Activities	18,031	13,871	8,476	8,402	9,320	8,320	712	580	485	480
Total District-Wide	\$ 60,298,736	\$ 61,899,780	\$ 62,688,339	\$ 64,832,329	\$ 63,643,004	\$ 65,307,812	\$ 64,344,465	\$ 63,672,995	\$ 63,164,048	\$ 62,585,442
Change in Net Position:										
Governmental Activities	\$ 3,066,343	\$ (1,241,900)	\$ (2,003,625)	\$ (459,112)	\$ 2,543,529	\$ 3,311,560	\$ 2,321,599	\$ 383,216	\$ 126,420	\$ (129,826)
Business-type Activities	87,125	9,477	(3,197)	394	50,741	(88,479)	(14,281)	(42,643)	13,973	59,739
Total District	\$ 3,153,468	\$ (1,232,423)	\$ (2,006,822)	\$ (458,718)	\$ 2,594,270	\$ 3,223,081	\$ 2,307,318	\$ 340,573	\$ 140,393	\$ (70,087)

Source: School District Financial Reports

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved/Restricted	\$ 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	\$ 3,572,606
Assigned					873,148	2,081,755	2,406,372	1,088,754	339,718	394,082
Unreserved:										
Designated for Subsequent Year's Expenditures		134,767	1,350,000	407,847						
Undesignated/(Deficit)	126,657	169,381	(1,373,845)	(1,756,743)						
Total General Fund	<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>	<u>\$ 3,966,688</u>
All Other Governmental Funds:										
Reserved/Restricted	\$ 4,974,926	\$ 164,105	\$ 5,000	\$ 294,326	\$ 20,359	\$ 20,359	\$ 3,000,848	\$ 341,841	\$ 1	\$ 30,238
Unreserved/Unassigned/Assigned, Reported in:										
Capital Projects Fund/(Deficit)	338,824	13,648	27,047	(45,400)						
Debt Service Fund	28,723	128,574	228,424	99,851						
Total All Other Governmental Funds/(Deficit)	<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>	<u>\$ 30,238</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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Tax Levy	\$ 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	\$ 40,747,544
Tuition Charges	200,218	179,577	190,297	223,703	405,247	317,952	174,403	155,666	172,397	104,575
Interest Earnings on Capital Reserve Funds	10,257	17,863	12,246	12,869	11,476	13,116	2,019	1,703	1,831	
Miscellaneous	590,813	442,370	321,364	269,353	234,695	254,446	135,714	459,616	79,857	267,885
State Sources	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	33,787,358
Federal Sources	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	1,270,585
Total Revenue	73,889,814	75,663,032	73,632,931	76,658,398	76,086,668	78,901,333	77,366,642	76,268,937	76,165,127	76,177,947
Expenditures										
Instruction:										
Regular Instruction	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	21,844,926
Special Education Instruction	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	5,676,121
Other Instruction	538,950	587,193	586,178	537,056	91,530	92,229	93,613	67,975	70,766	72,840
School -Sponsored Instruction	922,631	971,070	958,839	1,044,974	876,307	907,553	950,455	1,037,370	1,083,638	955,010
Support Services:										
Tuition	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	2,399,426
Student & Instruction Related Services	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	9,645,472
General Administrative Services	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	935,350
School Administrative Services	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	2,570,944
Central Services and Administrative Information Technology	1,029,759	1,135,728	1,013,922	785,793	967,029	701,803	751,025	784,727	697,832	716,817
Plant Operations and Maintenance	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	5,928,600
Student Transportation	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	4,927,936
Unallocated Benefits	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	17,709,932
Charter Schools	171,792	251,455	587,106	218,292	275,034	508,652	518,587	522,027	582,486	553,247
Capital Outlay	1,339,486	5,338,402	359,096	424,354	682,662	1,235,055	3,677,328	5,035,272	830,469	326,466
Debt Service:										
Principal	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	1,645,000
Interest and Other Charges	714,303	896,920	833,520	762,328	699,935	639,979	583,166	520,428	456,654	288,897
Total Expenditures	72,005,547	81,993,464	76,107,855	77,843,298	75,128,897	76,468,969	79,248,548	80,801,894	77,107,842	76,196,984
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	1,884,267	(6,330,432)	(2,474,924)	(1,184,900)	957,771	2,432,364	(1,881,906)	(4,532,957)	(942,715)	(19,037)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources/(Uses):										
Bond Sale Proceeds	\$ 6,222,000						\$ 5,645,000			7,490,000
Bond Premium							390,701			423,591
Serial Bonds Defeased										(7,522,000)
Bond Issuance Costs										(120,648)
Deferred Interest										(270,943)
Capital Leases						\$ 552,803		\$ 500,000		
Transfers In	132,869	\$ 89,808	\$ 2,174	\$ 230,988	\$ 62,484		9,483	1,892	\$ 317	
Transfers Out	(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	\$ 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)	\$ (19,037)
Debt Service as a Percentage of Noncapital Expenditures	2.83%	2.74%	2.95%	2.79%	2.93%	2.80%	2.86%	2.75%	2.67%	2.55%

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
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
2016	24,767	136,607	33,767			55,241	250,382

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 ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Actual (County Equalized Value)
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
2015	78,191,800	2,332,863,000	39,424,800	1,624,200	162,066,900	22,010,900	2,686,700	2,638,868,300	213,970,900	5,534,294	2,644,402,594	1.560	2,442,651,663

* - 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 ^a	General Obligation Debt Service ^b	Total Direct	Township of Vernon	Sussex County	
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
2015	1.51	0.05	1.56	0.58	0.48	2.61

* - 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	2015		
	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	2006		
	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^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
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-
2016	40,747,544	40,747,544	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 ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
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	
2016	13,065,000	260,410	-0-	-0-	13,325,410	1.12%	590.95	

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

Exhibit J-11

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 ^a	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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
2016	13,065,000	-0-	13,065,000	0.49%	579.40

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.

Exhibit J-12

VERNON TOWNSHIP BOARD OF EDUCATION
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Township of Vernon	\$ 30,554,074	100.00%	\$ 30,554,074
Sussex County General Obligation Debt	112,567,827	14.71% ^a	<u>16,556,092</u>
Subtotal, Overlapping Debt			47,110,166
Vernon Township School District Direct Debt			<u>13,440,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 60,550,166</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.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of 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 2016	
	Vernon Township
Equalized Valuation Basis:	
2013	2,568,778,563
2014	2,443,627,236
2015	2,363,730,115
	\$ 7,376,135,914
Average Equalized Valuation of Taxable Property	\$ 2,458,711,971
Debt Limit (4% of average equalization value) ^a	\$ 98,348,479
Net Bonded School Debt as of June 30, 2016	13,065,000
Legal Debt Margin	\$ 85,283,479

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 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	\$ 98,348,479
Total Net Debt Applicable to Limit	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	13,065,000
Legal Debt Margin	\$ 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	\$ 85,283,479
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	20.24%	17.04%	14.64%	13.25%	12.32%	11.72%	15.96%	15.44%	14.56%	13.28%

^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

Exhibit J-14

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

Year	Population ^a	Personal Income ^b	Sussex County Per Capita Personal Income ^c	Unemployment Rate ^d
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	10.20%
2013	23,184	1,227,778,272	52,958	8.80%
2014	22,943	1,215,015,394 ***	52,958 *	8.80%
2015	22,799	1,207,389,442 ***	52,958 *	6.60%
2016	22,549	1,194,149,942 ***	52,958 *	5.50%

* - 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 (2014) was used for calculation purposes.

N/A - Information Unavailable

Sources:

^a Population information provided by the NJ Dept of Labor and Workforce Development.

^b Personal income has been estimated based upon the municipal population and per capita personal income presented.

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis

^d Unemployment data provided by the NJ 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	2015		
	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%
Total	7,659		9.78%

Employer	2006		
	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%
Total	6,570		16.78%

Source: Sussex County Chamber of Commerce

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

<u>Function/Program</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>2016</u>
Instruction:										
Regular	292.0	288.0	296.0	273.0	255.0	255.0	254.0	249.0	238.0	228.0
Special Education	170.0	174.0	177.0	181.0	162.0	167.0	149.0	146.0	157.0	144.0
Other Instruction	7.0	7.0	7.0	7.0	6.0	6.0	4.0	5.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	48.0	53.0	42.0	61.0	80.0	80.0	75.0	71.0	67.0	69.0
School Administrative Services	44.0	43.0	41.5	46.0	43.0	43.0	41.0	44.0	43.0	46.0
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	56.0	56.0	53.5	54.0	52.0	53.0	55.0	54.0	56.0	65.0
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	8.0	9.0	9.0	9.0	8.0	9.0	9.0	8.0
Total	<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>	<u>573.0</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% 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%
2016	3,186	73,936,621	23,206.72	3.65%	291	1:11.45	1:10.00	1:10.55	3,186	3,003	-3.92%	94.26%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<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	662	608	591	588	559	559	499	528	467	456
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	448	394	419	401	392	392	369	356	333	337
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	505	451	483	460	470	470	420	385	393	356
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	744	716	635	622	586	586	561	538	525	485
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	817	763	722	649	621	621	564	549	528	511
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	1,753	1,725	1,611	1,512	1,385	1,385	1,197	1,131	1,070	1,020
Child Study Team Office										
Square Feet	1,354	1,354	1,354	1,354	1,354	1,354	1,354	N/A	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)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>School Facilities:</u>											
Walnut Ridge	N/A	\$ 98,151	\$ 487,754	\$ 90,308	\$ 83,901	\$ 112,807	\$ 148,313	\$ 116,585	\$ 152,282	\$ 293,274	\$ 288,686
Cedar Mountain	N/A	116,134	238,771	114,067	97,709	166,396	156,389	198,976	153,592	187,195	191,783
Rolling Hills	N/A	121,487	245,743	74,032	68,796	120,096	157,546	108,626	127,074	176,271	168,105
Lounsbury Hollow	N/A	142,839	401,912	85,981	100,390	133,419	205,990	226,747	189,412	184,327	192,493
Glen Meadow	N/A	192,924	311,119	152,185	141,628	191,489	368,089	366,320	458,231	313,791	309,269
Vernon Township High School	N/A	401,881	608,023	302,057	205,000	292,738	424,243	398,316	515,421	399,960	407,740
Total School Facilities		<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>1,558,076</u>
<u>Other Facilities:</u>											
Child Study Team and Board Office	N/A	70,067	70,871	227,766	129,738	172,836	152,014	83,409	120,779	121,359	140,800
Grand Total		<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>	<u>\$ 1,698,876</u>

N/A - Not Applicable

Source: District records

VERNON TOWNSHIP BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2016
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



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

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 21, 2016.

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.

September 21, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP


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



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

Report on Compliance For Each Major Federal and State Program;
Report on Internal Control Over Compliance

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 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, 2016. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 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, 2016.

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 the Uniform Guidance and NJOMB 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 the District's internal control over compliance.

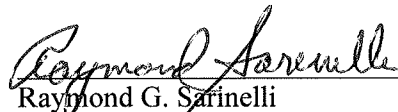
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

September 21, 2016
Mount Arlington, New Jersey

NISIVOCIA LLP


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

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2015			Cash Received	Budgetary Expenditures	Cancellation of Prior Years' Encumbrances	Adjustment	Balance at June 30, 2016	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor					Budgetary Accounts Receivable	Budgetary Unearned Revenue
<u>General Fund:</u>													
U.S. Department of Health and Human Services:													
Medicaid Assistance Program	93.778	N/A	7/1/15-6/30/16	\$ 68,205			\$ 66,059	\$ (68,205)				(2,146)	
Total General Fund							66,059	(68,205)				(2,146)	
<u>Special Revenue Fund:</u>													
U.S. Department of Education Passed-through State Department of Education:													
No Child Left Behind Consolidated Grant:													
Title I	84.010	NCLB536016	7/1/15-6/30/16	230,113			172,802	(230,113)				\$ (57,311)	
Title I	84.010	NCLB536015	7/1/14-6/30/15	225,034	\$ (101,414)		101,414					(57,311)	
Total Title I					(101,414)		274,216	(230,113)				(57,311)	
Title II, Part A	84.367	NCLB536016	7/1/15-6/30/16	122,343			82,352	(122,343)				(39,991)	
Title II, Part A	84.367	NCLB536015	7/1/14-6/30/15	185,141	(76,891)		76,891					(39,991)	
Total Title II, Part A					(76,891)		159,243	(122,343)				(39,991)	
Special Education Cluster:													
I.D.E.A. Part B, Basic	84.027	IDEA536016	7/1/15-6/30/16	831,163			797,450	(831,163)				(33,713)	
I.D.E.A. Part B, Basic	84.027	IDEA536015	7/1/14-6/30/15	830,333	(106,408)		106,408						
I.D.E.A. Part B, Preschool	84.173	IDEA536016	7/1/15-6/30/16	28,643			28,643	(28,643)					
Special Education Cluster Subtotal					(106,408)		932,501	(859,806)				(33,713)	
Carl D. Perkins Secondary Education	84.048	PERK536016	7/1/15-6/30/16	10,685			3,797	(10,509)				(6,712)	
							3,797	(10,509)				(6,712)	
Total U.S. Department of Education					(284,713)		1,369,757	(1,222,771)				(137,727)	
Total Special Revenue Fund					(284,713)		1,369,757	(1,222,771)				(137,727)	

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016	
					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		\$ 1,170		\$ (1,170)					
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	40,744			\$ 40,744	(37,102)				\$ 3,642	
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	265,179	\$ (23,982)		23,982						
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	231,425			193,522	(231,425)				\$ (37,903)	
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	29,406	(3,453)		3,453						
School Breakfast Program	10.553	N/A	7/1/15-6/30/16	39,119			31,651	(39,119)				(7,468)	
Special Milk Program for Children	10.556	N/A	7/1/14-6/30/15	117	(12)		12						
Special Milk Program for Children	10.556	N/A	7/1/15-6/30/16	185			151	(185)				(34)	
Child Nutrition Program Cluster Subtotal					(27,447)	1,170	293,515	(309,001)				(45,405)	3,642
Total Enterprise Fund					(27,447)	1,170	293,515	(309,001)				(45,405)	3,642
Total Federal Awards					\$ (312,160)	\$ 1,170	\$ 1,729,331	\$ (1,599,977)	\$ -0-	\$ -0-	\$ -0-	\$ (185,278)	\$ 3,642

N/A - Not Applicable

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015			Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO		
				Budgetary Accounts Receivable	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 14,888,366			\$ 13,408,851	\$ (14,888,366)			\$ (1,479,515)	\$ 14,888,366	
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	2,093,078			1,885,081	(2,093,078)			(207,997)	2,093,078	
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	326,271			293,848	(326,271)			(32,423)	326,271	
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	5,374,325			4,840,257	(5,374,325)			(534,068)	5,374,325	
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	111,072			100,034	(111,072)			(11,038)	111,072	
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	2,202,151			1,983,315	(2,202,151)			(218,836)	2,202,151	
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	33,480			30,153	(33,480)			(3,327)	33,480	
Per Pupil Growth	16-495-034-5120-097	7/1/15-6/30/16	33,480			30,153	(33,480)			(3,327)	33,480	
Extraordinary Special Education Costs	16-495-034-5120-044	7/1/15-6/30/16	727,055				(727,055)	\$ (727,055)		(727,055)	727,055	
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	46,235				(46,235)	(46,235)		(46,235)	46,235	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	2,147,326			2,039,964	(2,147,326)		(107,362)	(107,362)	2,147,326	
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	14,888,366	\$ (1,480,784)		1,480,784					14,888,366	
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	2,093,078	(208,176)		208,176					2,093,078	
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	326,271	(32,450)		32,450					326,271	
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	5,374,325	(534,526)		534,526					5,374,325	
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	2,202,151	(219,024)		219,024					2,202,151	
PARCC Readiness	15-495-034-5120-098	7/1/14-6/30/15	33,480	(3,330)		3,330					33,480	
Per Pupil Growth	15-495-034-5120-097	7/1/14-6/30/15	33,480	(3,330)		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	
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	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	(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	
Total General Fund State Aid				(3,300,578)		27,912,234	(27,982,839)		(880,652)	(3,371,183)	55,845,794	
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Nonpublic Auxiliary Services: Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	3,583		\$ 896			\$ (896)			2,687	
Nonpublic Auxiliary Services: Compensatory Education	14-100-034-5120-067	7/1/13-6/30/14	3,424		342			(342)			3,082	
Nonpublic Handicapped Services: Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	1,192			1,192			\$ 1,192		1,974	
Examination and Classification	15-100-034-5120-066	7/1/14-6/30/15	2,704		730			(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	16-100-034-5120-066	7/1/15-6/30/16	743			743	(594)		149		594	
Supplementary Instruction	15-100-034-5120-066	7/1/14-6/30/15	1,767		20			(20)			1,747	
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	1,388		139			(139)			1,249	
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	1,672			1,672	(985)		687		985	
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	1,569		155			(155)			1,414	
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	781		156			(156)			625	
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	685			685	(685)				685	
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	823		110			(110)			713	
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	1,709			1,709	(1,564)		145		1,564	
Nursing Services	15-100-034-5120-070	7/1/14-6/30/15	2,751		1,375			(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	16-100-034-5120-373	7/1/15-6/30/16	312			312	(312)				312	
Technology Initiative	14-100-034-5120-373	7/1/13-6/30/14	300		40			(40)			260	
Security Aid	16-100-034-5120-070	7/1/15-6/30/16	475			475			475		475	
Total Special Revenue Fund					4,782	6,788	(4,140)	(4,782)	2,648		24,200	

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015			Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO		
				Budgetary Accounts Receivable	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
<u>Debt Service Fund:</u>												
Debt Service Aid - State Support	16-495-034-5120-125	7/1/15-6/30/16	\$ 761,115			\$ 761,115	\$ (761,115)					\$ 761,115
Total Debt Service Fund						761,115	(761,115)					761,115
<u>Enterprise Fund</u>												
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	8,878	\$ (807)		807						8,878
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	7,935			6,626	(7,935)		\$ (1,309)		\$ (1,309)	7,935
Total Enterprise Fund				(807)		7,433	(7,935)		(1,309)		(1,309)	16,813
Total State Awards				\$ (3,301,385)	\$ 4,782	\$ 28,687,570	\$ (28,756,029)	\$ (4,782)	\$ (881,961)	\$ 2,648	\$ (3,372,492)	\$ 56,647,922

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, 2016

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, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 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 on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two 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 (\$8,911) for the general fund and (\$25,137) 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 \$2,303,034 and \$2,742,276 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

VERNON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 68,205	\$ 33,019,238	\$ 33,087,443
Special Revenue Fund	1,202,380	7,005	1,209,385
Debt Service Fund		761,115	761,115
Food Service Fund	309,001	7,935	316,936
Total Financial Assistance	<u>\$ 1,579,586</u>	<u>\$ 33,795,293</u>	<u>\$ 35,374,879</u>

NOTE 5. 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 6. 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, 2016.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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*.
- 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 Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>C.F.D.A./</u> <u>State Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B, Basic	84.027	7/1/15-6/30/16	\$ 831,163	\$ 831,163
I.D.E.A. Part B, Preschool	84.173	7/1/15-6/30/16	28,643	28,643
<u>State:</u>				
State Aid - Public:				
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	14,888,366	14,888,366
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	2,093,078	2,093,078
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	326,271	326,271
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	5,374,325	5,374,325
School Choice	16-495-034-5120-068	7/1/15-6/30/16	111,072	111,072
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	33,480	33,480
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	33,480	33,480
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	2,202,151	2,202,151

- The threshold for distinguishing Type A and Type B federal programs was \$750,000.
- The threshold for distinguishing Type A and Type B state programs was \$862,681.

VERNON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

VERNON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

There were no prior year findings.